

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 20, 2015

NEW ISSUE — BOOK-ENTRY ONLY

**S&P Rating: "AA-"
See "RATING"**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, based upon existing laws, regulations, rulings, court decisions, and assuming (among other things) compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes, although interest on the Bonds is not intended to be excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. For a more complete description, see "TAX MATTERS."

\$21,415,000*
CITY OF FAIRFIELD
Refunding Bonds (Federally Taxable),
Series 2015

Dated: Date of Delivery

Due: June 1; see inside cover

The Bonds. The Bonds will be issued as fully registered bonds in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Bonds will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2015, and principal payable on the Bonds will be paid on June 1 in the years set forth on the maturity schedule on the inside cover of this Official Statement. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS".

Authority for Issuance. The Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code, the provisions of an Indenture of Trust, dated as of September 1, 2015, between the City of Fairfield (the "City") and The Bank of New York Mellon Trust Company, N.A., as trustee, and a resolution adopted by the City Council of the City on July 21, 2015.

Use of Proceeds. The Bonds are being issued to (i) refund an outstanding series of fixed rate pension obligation refunding bonds previously issued by the City and (ii) pay costs of issuing the Bonds. See "FINANCING PLAN".

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption of Bonds."

Security for the Bonds. Payment of the principal of and interest on the Bonds is not limited to any special source of funds and is payable from any legally available moneys or funds of the City. The City is not empowered or obligated to levy or pledge taxes to make payments on the Bonds. See "SECURITY FOR THE BONDS" and "RISK FACTORS." **The City has not established a debt service reserve fund for the Bonds.**

MATURITY SCHEDULE
(See inside cover)

THE OBLIGATIONS OF THE CITY UNDER THE INDENTURE, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE ON THE BONDS, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED "RISK FACTORS", FOR A DISCUSSION OF SPECIAL FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, IN CONSIDERING THE INVESTMENT QUALITY OF THE BONDS. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH IN THIS OFFICIAL STATEMENT.

The Bonds are offered when, as and if sold and issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Nossaman, LLP, Irvine, California. It is anticipated that the Bonds in book-entry form, will be available for delivery to DTC on or about September 28, 2015.



The date of this Official Statement is: _____, 2015

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$21,415,000*
CITY OF FAIRFIELD
Refunding Bonds (Federally Taxable),
Series 2015

MATURITY SCHEDULE
(Base CUSIP†: 30421V)

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP†</u>
	\$	%	%	

\$ _____ % Term Bonds due June 1, _____, Priced to yield _____% CUSIP:† _____

† Copyright 2015, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

* Preliminary; subject to change.

CITY OF FAIRFIELD, CALIFORNIA

CITY COUNCIL

Harry T. Price, *Mayor*
Chuck Timm, *Vice Mayor*
Catherine Moy, *Councilmember*
Pam Bertani, *Councilmember*
Rick Vaccaro, *Councilmember*

CITY OFFICIALS

David White, *City Manager*
Fred Marsh, *Director of Finance and Technology*
Oscar G. Reyes, Jr., *City Treasurer*
Karen L. Rees, *City Clerk*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

Municipal Advisor
Public Financial Management, Inc.
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Underwriter's Statement. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Stabilization of Prices. In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "anticipate," "will likely result," "project," "forecast" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

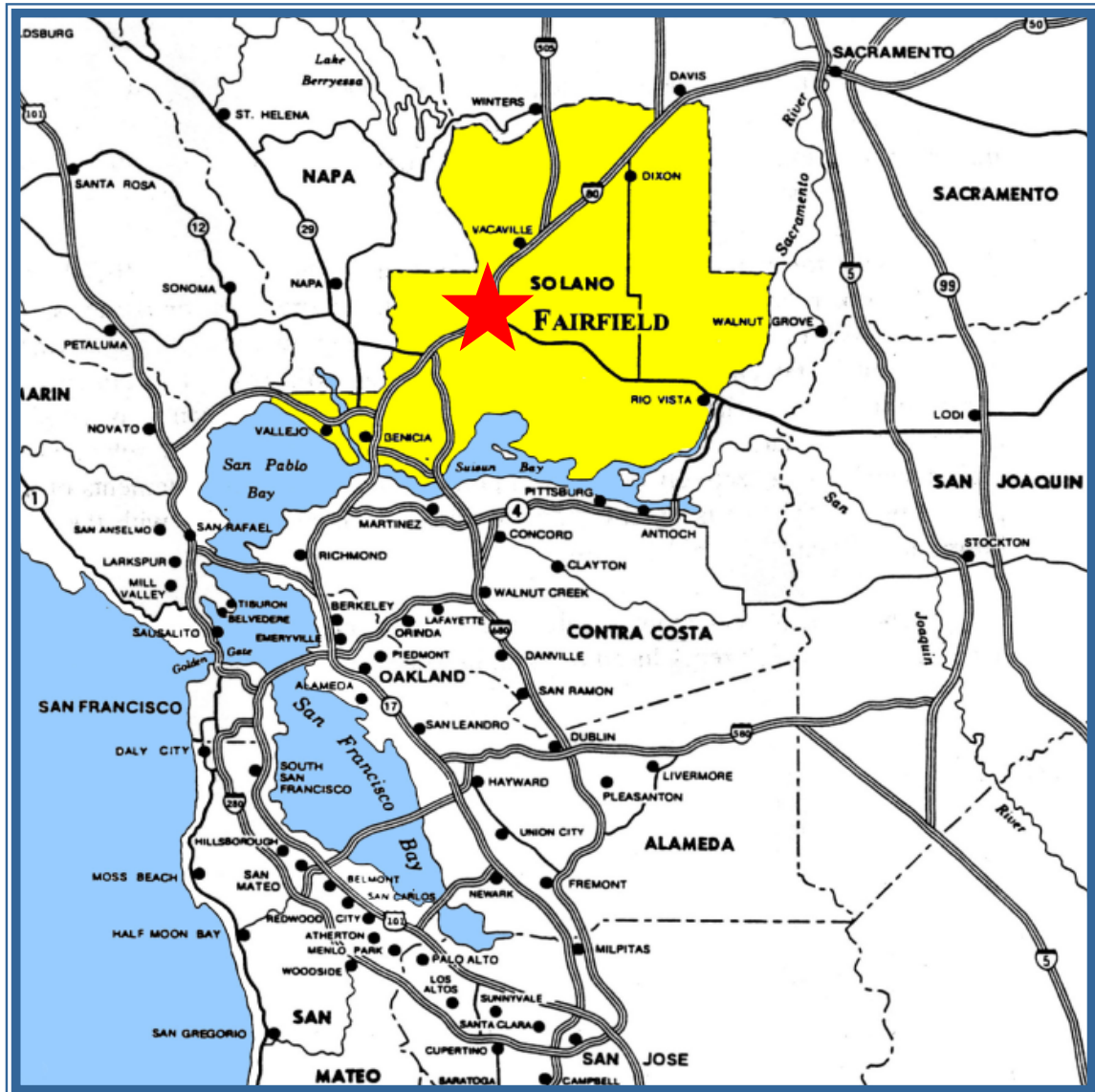
City Website. The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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ENDED JUNE 30, 2014
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Location Map



\$21,415,000*
CITY OF FAIRFIELD
REFUNDING BONDS (FEDERALLY TAXABLE),
SERIES 2015

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The City. The City of Fairfield (the “**City**”), which comprises approximately 35 square miles, is located in the County of Solano (the “**County**”) in the State of California (the “**State**”), approximately 44 miles northeast of San Francisco and 42 miles west of Sacramento. The City is served by Interstate 80, the major freeway link between San Francisco and Sacramento, as well as Highway 12, a connecting freeway from Interstate 80 to the Napa Valley. For other selected information concerning the City, see “APPENDIX A – City of Fairfield General Demographic Information.”

Authority for Issuance. The Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code, the provisions of an Indenture of Trust, dated as of September 1, 2015 (the “**Indenture**”), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”) and a resolution adopted by the City Council of the City on July 21, 2015.

Use of Proceeds. The proceeds of the sale of the Bonds will be used to (i) refund the \$20,955,000 initial principal amount City of Fairfield Pension Obligation Refunding Bonds (Federally Taxable), Series 2004B (Fixed Rate) (the “**Prior Bonds**”), which are outstanding in a principal amount of \$20,810,000, and (ii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

Validation Action for Prior Bonds. The City obtained judicial validation of the transactions related to the issuance of the Prior Bonds in 2004. See “VALIDATION ACTION FOR PRIOR BONDS.”

Security for the Bonds. The obligations of the City under the Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the City imposed by law, and are absolute and unconditional, without any right of set-off or counterclaim. The City Council of the City is obligated under the Indenture to make appropriations to pay the Bonds from any source of legally available funds of the City no later than July 1 of each fiscal year. The City Council is obligated in each fiscal year to appropriate all amounts from such funds as may be required to pay the aggregate amount of the principal of and the interest on the Bonds coming due and payable in such fiscal year.

* Preliminary; subject to change.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the amounts on deposit in the Debt Service Fund and the accounts therein are pledged by the City to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee, upon the physical delivery thereof.

The City has not established a debt service reserve fund for the Bonds.

See “SECURITY FOR THE BONDS” and “APPENDIX B – Summary of Indenture.”

Redemption. The Bonds are subject to optional and mandatory redemption as described in this Official Statement. See “THE BONDS – Redemption of the Bonds”.

Limited Obligations. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction.

Summaries Not Definitive. The summaries and references of documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See “APPENDIX B – Summary of Indenture” for summaries of certain of such definitions.

Copies of the documents described in this Official Statement will be available at the City Manager’s office, City of Fairfield, 1000 Webster Street, Fairfield, California 94533.

FINANCING PLAN

General

The Bonds are being issued to: (i) refund the Prior Bonds and (ii) pay the costs of issuing the Bonds.

Refunding of the Prior Bonds

The City previously issued the Prior Bonds pursuant to an Indenture of Trust, dated as of February 1, 2005 (the "**Prior Bonds Indenture**"). The Prior Bonds are currently outstanding in the principal amount of \$20,810,000.

Pursuant to the Prior Bonds Indenture, the Prior Bonds maturing on or after June 1, 2015 are subject to redemption prior to their respective maturity dates, at the option of the City, in whole or in part, on any date on or after June 1, 2014, at a price equal to the principal amount of the Prior Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

On the date of issuance of the Bonds, the City will deposit a portion of the proceeds of the Bonds in an escrow fund for the Prior Bonds (the "**Prior Bonds Escrow Account**") established and held by the Trustee pursuant to the Indenture. Moneys in the Prior Bonds Escrow Account will be used to pay principal and accrued interest on the Bonds on or about September 28, 2015*. The amounts held by the Trustee in the Prior Bonds Escrow Account will be held uninvested and will be used to redeem the Prior Bonds pursuant to the Prior Bonds Indenture. ***The funds deposited in the Prior Bonds Escrow Account are not available for the payment of debt service with respect to the Bonds.***

Estimated Sources and Uses of Funds.

The proceeds to be received from the sale of the Bonds are anticipated to be applied as follows:

SOURCES OF FUNDS:

Principal Amount of Bonds	\$
[Less: Original Issue Discount][Plus: Original Issue Premium]	
<i>Total Sources:</i>	\$

USES OF FUNDS:

Prior Bonds Escrow Account ⁽¹⁾	\$
Costs of Issuance ⁽²⁾	
Underwriter's Discount	
<i>Total Uses:</i>	\$

(1) The amount in the Prior Bonds Escrow Account represents outstanding principal of the Prior Bonds, plus accrued interest through September 28, 2015*.

(2) Includes legal fees, trustee fees, printing expenses, and other costs of issuing the Bonds.

§ Preliminary; subject to change.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code, the provisions of the Indenture and a resolution adopted by the City Council of the City on July 21, 2015.

General Provisions

The Bonds will be issued in the form of fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple of \$5,000, and will be dated the date of issuance to the original purchaser. The Bonds will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“**DTC**”). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Bonds, all payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC “Participants” (as defined in Appendix F) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined in Appendix F) will be the responsibility of the Participants, as more fully described in “– Book-Entry Only System” below.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2015, and continuing to and including the date of maturity or redemption, whichever is earlier.

Principal represented by the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover of this Official Statement.

Any Bond may be transferred upon the registration books kept by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed and the payment of such reasonable transfer fees as the Trustee may establish.

Bonds may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee may charge the Owner a reasonable sum for each new Bond issued upon any exchange and the Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee is not required to register the transfer or exchange of any Bond during the period the Trustee is selecting Bonds for redemption or any Bond selected for redemption.

Redemption of the Bonds^{*}

Optional Redemption. The Bonds maturing on or before June 1, 2025 are not subject to optional redemption prior to maturity. The Bonds maturing on or after June 1, 2026 are

^{*} Preliminary; subject to change.

subject to redemption prior to their respective maturity dates, at the option of the City, in whole or in part among maturities on such basis as is designated by the City and by lot within a maturity, on any date on or after June 1, 2025, from any source of available funds, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, _____, June 1, _____ and June 1, _____ are subject to mandatory sinking fund redemption in part by lot, on June 1 in each year, commencing June 1, _____, June 1, _____ and June 1, _____, respectively, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following tables. In lieu of redemption on June 1 in any year, such Bonds may be purchased by the City and tendered to the Trustee for cancellation not later than the preceding April 1; provided, that only Term Bonds with a maturity date which corresponds to the Bonds being redeemed may be so tendered.

Term Bonds Maturing on June 1, _____

<u>Year</u>	<u>Principal Amount</u>
	\$

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of any maturity, the Trustee will select the Bonds to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

So long as the Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered Owner of the Bonds, partial redemptions will be done in accordance with DTC procedures. It is the City’s intent that redemption allocations made by DTC be made in accordance with the proportional provisions described herein. However, neither the City nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners on such a proportional basis, and neither the City nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason. The portion of any registered Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof. See “– Book Entry System” below.

Notice of Redemption. When redemption is authorized or required, the Trustee, upon written instruction from the City, will give notice (a “**Redemption Notice**”) of the redemption of the Bonds. The Redemption Notice must specify: (i) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of the Trustee, (iv) the redemption price, (v) the CUSIP numbers (if any)

assigned to the Bonds to be redeemed, (vi) the bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (vii) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. The Redemption Notice must further state that on the specified date there will become due and payable upon each Bond or portion thereof being redeemed the Redemption Price thereof, and redemption premium, if any, and that from and after such date, interest with respect thereto shall cease to accrue and be payable. The Redemption Notice may provide that redemption of the Bonds is conditional, subject to the City's deposit with the Trustee of funds sufficient to accomplish the redemption and may be rescinded if the conditions are not satisfied.

The Trustee will take the following actions with respect to a Redemption Notice:

(i) At least 30 but not more than 60 days prior to the redemption date, the Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail postage prepaid, at their addresses appearing on the Registration Books.

(ii) At least 2 days before the date of mailing required by clause (i), above, the Redemption Notice will be given by (A) registered or certified mail, postage prepaid, or (B) telephonically confirmed facsimile transmission, or (C) overnight delivery service, to the Depository.

(iii) At least 2 days before the date of mailing required by clause (i), above, the Redemption Notice will be given by (A) registered or certified mail, postage prepaid, or (B) overnight delivery service, to the Municipal Securities Rulemaking Board.

Neither failure to receive any Redemption Notice nor any defect in any Redemption Notice will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Trustee for the purpose of redeeming the Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bonds will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – Book Entry Provisions."

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

CITY OF FAIRFIELD Refunding Bonds (Federally Taxable), Series 2015 Debt Service Schedule

Period Ending (June 1)	Principal	Interest	Total Debt Service
2016	\$	\$	\$
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
Total	\$	\$	\$

SECURITY FOR THE BONDS

Source of Payment

The obligations of the City under the Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the City imposed by law, and are absolute and unconditional, without any right of set-off or counterclaim. The City Council of the City is obligated under the Indenture to make appropriations to pay the Bonds from any source of legally available funds of the City no later than July 1 of each fiscal year. The City Council is obligated in each fiscal year to appropriate all amounts from such funds as may be required to pay the aggregate amount of the principal of and the interest on the Bonds coming due and payable in such fiscal year.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the amounts on deposit in the Debt Service Fund and the accounts therein are pledged by the City to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee, upon the physical delivery thereof.

Debt Service Fund

In order to meet the City's obligations with respect to the Bonds, the City will deposit or cause to be deposited with the Trustee, not later than fifteen (15) days prior to each Interest Payment Date for the Bonds, unless such day is not a Business Day, in which case such deposit shall be made on the next preceding Business Day, the aggregate amount of principal of and interest on the Bonds coming due and payable on such Interest Payment Date for the Bonds.

All amounts payable by the City under the Indenture will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "**Debt Service Fund**" which the Trustee will establish and will maintain and hold in trust, and the Trustee will immediately deposit into the following respective accounts (each of which the Trustee will establish and maintain in trust separate and distinct from the other funds and accounts established under the Indenture), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any the account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

Interest Account: The Trustee will deposit in the Interest Account an amount which, together with the amounts then on deposit, is required to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment from the Interest Account. Subject to the provisions of the Indenture, all amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable. Any amounts on deposit in the Interest Account on any Interest Payment Date and not required to pay interest then due and payable on the Bonds will, to the extent any funds remain therein, be deposited in the Surplus Account.

Principal Account: The Trustee will deposit in the Principal Account an amount which, together with the amounts then on deposit, is required to cause the aggregate amount on deposit in the Principal Account to equal the amount then required to make any payment from the Principal Account. Subject to the provisions of the Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal of the Bonds upon the stated maturity or sinking account redemption or optional redemption. Any amounts on deposit in the Principal Account upon the stated maturity or sinking account redemption or optional redemption and not required to pay principal then due and payable on the Bonds will be transferred to the Surplus Account.

Surplus Account: Following the deposits described above to pay principal of and interest on the Bonds as the same becomes due and payable, the Trustee will deposit all remaining amounts in the Debt Service Fund immediately following each Interest Payment Date in the Surplus Account. Moneys deposited in the Surplus Account will be transferred by the Trustee to or upon the order of the City, as specified in a Written Request of the City, provided that all of the City's obligations under the Indenture are then otherwise satisfied.

No Reserve Fund

The City has not established a debt service reserve fund for the Bonds.

The Bonds are not Lease Revenue Bonds

The Bonds are an obligation of the City imposed by law, and are absolute and unconditional, without any right of set off or counterclaim. The Bonds are payable from any legally available funds of the City. Unlike most bonds payable from the general fund of a California city, the Bonds are not lease revenue bonds. This means that the City's obligation to pay debt service is not a contingent lease obligation that is based on the availability of a leased, essential City asset and such obligation is not subject to abatement in the event the leased asset is not available for use and occupancy of the City. On the other hand, the Bondholders will lack certain remedies, such as the right to re-enter and re-let a leased essential City asset in the case of the City's failure to pay principal and interest on the Bonds pursuant to, or its breach of any covenant of, the Indenture, as would generally be available with respect to lease revenue bonds. Furthermore, the City is not obligated to maintain any specific types or amounts of insurance under the Indenture, as would customarily be required in connection with the issuance of lease revenue bonds.

CITY FINANCIAL INFORMATION

City Overview

The City, which comprises approximately 35 square miles, is located in the County, approximately 44 miles northeast of San Francisco and 42 miles west of Sacramento. The City is served by Interstate 80, the major freeway link between San Francisco and Sacramento, as well as Highway 12, a connecting freeway from Interstate 80 to the Napa Valley.

The City is a general law city and operates under the Council-Manager form of government with a separately-elected Mayor and four Council members, elected at large to staggered four-year terms. The City Council appoints the City Manager and the City Attorney. The City Clerk and City Treasurer are separately elected. Department heads are appointed by the City Manager. The City is organized into seven departments: Public Works, Police, Fire, Community Development, Parks and Recreation, and Finance and Technology. In addition, City Administration comprises the executive, legislative and legal offices.

For other selected information concerning the City, see “APPENDIX A – City of Fairfield General Demographic Information.”

Budget Process

In accordance with applicable sections of the California Government Code, an annual budget is adopted by the City Council of the City no later than in July for the fiscal year beginning July 1st. Since 1988, the City’s annual budget has incorporated a comprehensive ten-year history and forecast of the City’s operating, debt service and capital needs for all budgeted funds of the City, the Successor Agency to its former Redevelopment Agency, the Housing Authority and all other related agencies.

Typically, budget planning begins in January with the City Council’s annual goal-setting session, at which priorities for the coming year are set forth. Completion of the audit for the fiscal year ending the prior June 30 provides the actual figures for what will be the prior year in the next ten-year financial plan. A midyear budget review is presented in early February with a review of the first six months of actual revenues and expenditures for the current fiscal year. In March and April, the departments provide updated information for the timing and current dollar cost of capital projects scheduled in coming years, and projected future staffing levels. With departmental assistance, the Finance staff updates revenues and expenses for the current fiscal year, and makes estimates for the next five fiscal years. Personnel costs are based on a detailed position-by-position payroll analysis. The impact on operations of capital projects, legislation and economic factors is reviewed.

The City’s computerized budget model determines whether adequate funds exist to meet requests while maintaining adequate reserves over the forecast period. The forecast is reviewed by the department heads and City Manager to ensure consistency with City policies and priorities established by the City Council. The budget document is usually released to the public by late May. Council study sessions are sometimes held to allow extended discussion on major issues, and the budget is usually adopted at a public meeting prior to the beginning of the new fiscal year on July 1st.

Once the budget is approved, revenue and expense information is entered in the City's computerized accounting system, which provides on-line access for up-to-date financial information.

The City's adopted annual budget is based on the accrual basis of accounting which is consistent with how revenues and expenses are recorded on its financial statements. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In Fiscal Year 2014-15, the City decided to move to a biennial budget process. The biennial budget sets forth planned expenditures and revenues for two consecutive fiscal years. Year 1 and 2 expenditure and revenue plans are presented to the City Council in a single document. At the conclusion of the biennial budget review and deliberation process, Year 1 of the biennial budget is approved and appropriated by the City Council, which sets the level of authorized funding for the fiscal year. The Year 2 budget is also approved but is subject to mid-cycle review and appropriation action in the following year. During the mid-cycle review, City staff may propose changes to the budget. At that time, the City Council will consider the proposed changes and recommendations. At the conclusion of the deliberations, the City Council will approve and appropriate funds for Year 2 of the budget. In addition to the annual budget process, the City Council will review expenditures and revenues at the mid-year and makes changes as needed.

The City Council adopted its biennial budget for Fiscal Years 2015-16 and 2016-17 on August 18, 2015.

Under the Indenture, the City Council is obligated to make appropriations to pay the Bonds from any source of legally available funds of the City no later than July 1 of each fiscal year. See "SECURITY FOR THE BONDS – Source of Payment."

General Fund Budgets

General. The City's general fund final adopted budgets for Fiscal Years 2013-14 through 2016-17, audited actuals for Fiscal Year 2013-14 and projected actuals for Fiscal Year 2014-15 are set forth in the table on the following page.

Table 1
CITY OF FAIRFIELD
General Fund Budgets For Fiscal Years 2013-14 through 2016-17,
Audited Actuals for Fiscal Year 2013-14 and Projected Actuals for Fiscal Year 2014-15⁽¹⁾

	Final Adopted Budget 2013-14	Audited Actuals 2013-14	Adopted Budget 2014-15	Projected Actuals 2014-15	Adopted Budget 2015-16	Adopted Budget 2016-17
Revenues:						
Property Taxes	\$8,906,000	\$10,697,622	\$10,363,451	\$11,742,000	\$12,092,000	\$12,408,000
Property Taxes – Former RDA ⁽²⁾	4,000,000	4,483,458	4,399,074	6,074,000	5,372,000	5,372,000
Sales Taxes	17,116,000	19,406,710	19,885,018	19,676,000	22,702,000	20,720,000
Measure P Taxes	12,750,000	16,000,486	15,400,000	15,836,000	16,169,000	16,509,000
Utility and Franchise Taxes	7,667,000	8,017,205	7,864,342	8,195,000	8,286,000	8,379,000
Motor Vehicle In Lieu Taxes/Fees	6,818,000	7,452,019	7,554,234	8,061,000	8,544,000	8,886,000
Other Taxes	3,777,000	4,392,528	3,826,186	4,574,000	4,329,000	4,325,000
Licenses and Permits	1,777,000	2,244,231	1,614,543	2,430,322	2,115,000	2,115,000
Charges for services	4,133,000	3,750,413	3,839,912	3,586,365	3,421,285	3,445,235
Interest, Rentals and Fines	1,052,000	1,161,264	911,848	1,262,608	1,388,970	1,362,006
Other Income	1,471,000	1,669,153	1,131,226	1,654,700	1,289,406	1,294,436
Transfers In	1,157,000	437,714	1,076,131	989,220	166,632	367,000
Total Revenues/Transfers In	70,624,000	79,712,803	77,865,965	84,081,215	85,875,293	85,182,677
Expenditures:						
Administration	1,261,000	1,271,781	3,396,911	3,194,698	3,366,513	3,420,049
Finance and Technology	1,265,000	1,301,481	1,971,152	1,913,022	2,100,948	2,001,928
Parks and Recreation ⁽³⁾	4,296,000	4,117,466	4,906,875	4,654,645	5,305,113	5,278,236
Community Development	2,185,000	2,076,496	3,029,104	2,774,855	3,234,754	3,214,559
Police	30,568,000	30,127,434	34,672,058	33,377,343	37,312,875	37,552,883
Fire	14,076,000	13,851,664	15,780,253	15,371,775	16,307,780	16,659,838
Public Works	7,468,000	6,855,746	9,726,595	10,072,892	10,197,807	10,404,678
Non Departmental	2,217,000	1,496,102	2,499,430	2,650,752	2,653,548	2,644,891
Total Operating Expenditures	63,336,000	61,098,170	75,982,378	74,009,982	80,479,338	81,177,062
Transfers to Other Funds	7,249,000	7,442,089	1,132,894	17,218,995 ⁽⁴⁾	5,383,520	1,533,491
Total Expenditures/ Transfers Out	70,585,000	68,540,259	77,115,272	91,228,977	85,862,858	82,710,553
Fund Balance -						
Beginning of Year (July 1)	19,318,131	19,318,131 ⁽⁵⁾	30,490,675	30,490,675	21,893,012	42,426,944
Net Change in Fund Balance	39,000	11,172,544	750,693	(7,147,762)	12,435	2,472,124
Fund Balance - End of Year (June 30)	\$19,357,131	\$30,490,675	\$31,241,368	\$23,342,913	\$21,905,447	\$44,899,068

(1) Includes three funds of the City: (i) General Fund (Fund 011), (ii) Departmental Carry-over Fund (Fund 013) and (iii) RDA Successor Agency Administrative Fund (Fund 876).

(2) The Fairfield Redevelopment Agency (RDA) was dissolved on February 1, 2012.

(3) Parks and Recreation department was formerly known as Community Resources.

(4) Amount included a set-aside to the Intergovernmental Loan Fund as an additional reserve in preparation for the possible expiration of Measure P in Fiscal Year 2017-18 (which amount is treated as assigned), one-time infrastructure expenditures, and partial funding of the City's compensated leave and OPEB obligations.

(5) A prior period adjustment of \$4,499,400 was made at the beginning of Fiscal Year 2013-14 to properly reflect and include the sales tax revenue for June of 2013 and Measure P sales tax revenue for the months of May and June of 2013, as well as the sales tax true-up revenue for April, May and June of 2013.

Source: City of Fairfield.

Economic Conditions during Fiscal Years 2012-13 and 2013-14. In the Fiscal Years 2008-09 through 2011-12, the City faced significant financial setbacks and budget cuts due to the Great Recession, the dissolution of its former Redevelopment Agency, and rising pension costs, which led the City Council to declare a fiscal emergency in April of 2012. However, the City's budget was balanced for Fiscal Years 2012-13 and 2013-14.

In November 2012, the City passed Measure P ("**Measure P**"). Measure P is a 1% transaction and use tax that has a five-year term. The tax went into effect on April 1, 2013 and is set to expire on March 31, 2018. Although Measure P may be re-approved prior to such expiration, there is currently no proposal to do so before the City Council or the City's voters. The funding plan for Measure P is rooted in community feedback with the new revenue being used to maintain existing service levels, build reserves, stimulate the local economy, and invest in street maintenance. With the passage of Measure P, budget cuts were averted that would have resulted in the loss of additional police officers, the closure of a fire station, closure of the Allan Witts Aquatic Complex, as well as reduction in service levels or closure of the youth center and/or senior center.

Despite the adoption of Measure P, the City continued to implement measures to reduce both short-term and long-term costs during Fiscal Year 2012-13. These included reducing the City Attorney's monthly retainer fee, reducing or eliminating retiree medical benefits for certain members, and eliminating severance payment from the City Manager's employment agreement.

During Fiscal Year 2013-14, the City experienced some economic recovery. The Fiscal Year 2013-14 actuals indicate that the City surpassed its original budget estimate for 2013-14 to have a significant surplus in the General Fund of approximately \$30 million. The City's financial performance can be attributed to strong revenue growth due to the economic recovery, new business formation, and Measure P, as well as cost saving measures. The economic recovery was most strongly felt in the residential, industrial, and automotive sectors of the City. Property taxes and sales taxes (not taking into account Measure P) both increased. However, despite the growth in property and sales taxes, it would not have been enough to sustain expenditures absent the passage of Measure P.

In Fiscal Year 2013-14, the City completed labor negotiations with five of its six bargaining groups. The City's unions and labor groups agreed to no cost of living adjustments for two years, to pay more towards their pensions, and to end the furlough in order to increase service levels.

Adopted Fiscal Year 2014-15 Budget. As discussed above, the General Fund generated a significant surplus for Fiscal Year 2013-14. For Fiscal Years 2014-15 through 2016-17, the City anticipates generating surpluses excluding transfers of one-time monies for one-time projects funded by the General Fund.

The Fiscal Year 2014-15 budget goals included increasing staffing levels to address community need, closely monitor revenues and expenses to ensure that the City is able to maintain services, build reserves, and implement the Measure P funding plan. Given the short duration of Measure P, one-time expenses have, and will be, prioritized to coincide with the Measure P revenues. The budget policies establish a goal of achieving a General Fund reserve of 20% by Fiscal Year 2017-18, and the current forecast achieves this goal.

The 2014-15 budget was based on the following key assumptions:

- Development Activity – Development activity was expected to increase in the near-term as projects such as the Train Station Specific Plan and Villages at Fairfield get underway.

- Personnel costs – Personnel costs are based on current staffing levels, furlough ending for Miscellaneous (non-sworn) employees in Fiscal Year 2014-15, a vacancy savings rate ranging from 0% to 3%, and no annual cost of living wage adjustments.

- Stable workforce - The workforce was projected to remain stable.

- Health care costs - In 2015, health care costs are estimated to grow at 3%, remain flat for Fiscal Year 2016-17 and grow at 10% per year after that. Per the labor contracts that were in place through June 30, 2015, the City was responsible for 100% of the increase in premiums for Fiscal Years 2013-14 and 2014-15. Starting in Fiscal Year 2015-16, the forecast assumes that the City will continue to be responsible for 100% of the increase in premiums.

- Pension rates – Pension rates for Fiscal Year 2014-15 are based on independent estimate of pension contribution rates that incorporates changes to actuarial policies adopted by PERS in 2013 and changes to economic and demographic assumptions adopted by PERS in early 2014. See “– Employee Retirement System” below for more information.

Adopted Fiscal Year 2015-16 Budget

The Fiscal Year 2015-16 budget goals include increasing staffing levels to address community need, and closely monitoring revenues and expenses to ensure that the City is able to maintain services, build reserves, and implement the Measure P funding plan. Given the short duration of Measure P, one-time expenses are expected to be prioritized. The budget policies establish a goal of achieving a General Fund reserve of 20% by Fiscal Year 2017-18, and the current forecast achieves this goal. Once Measure P expires on March 31, 2018, the City's reserves will be quickly depleted (absent budget cuts), thus the goal to achieve and maintain the General Fund reserve of 20% by that year. Unless Measure P is reauthorized by voters at a comparable level, the City would face an on-going deficit of at least \$16 million per fiscal year from the loss of Measure P revenues. City staff is currently in the process of formulating a proposal to bring to the City Council with respect to an extension of Measure P.

The Fiscal Year 2015-16 budget was based on the following assumptions and risks:

- Property Tax - In Fiscal Year 2015-16, it is estimated that secured property taxes will increase by approximately 3%. By contrast, in Fiscal Year 2014-15, secured property taxes increased by approximately 13%, which was primarily attributed to the restoration of assessed valuations, which had previously been lowered pursuant to Proposition 8. In subsequent years, property taxes are estimated to grow as real estate markets improve and new development picks up. For this reason, the biggest uncertainty going forward is the continued pace of recovery. Property tax may grow at a slower rate than forecasted, particularly as assessed valuations, which had previously been lowered pursuant to Proposition 8, are fully restored.

- Sales and Use Tax/Measure P - For Fiscal Year 2014-15, sales taxes are projected to increase over the prior fiscal year by 1%. In Fiscal Year 2015-16, the City anticipates sales taxes remaining flat as a result of a slowdown in auto sales, retailers opening in nearby cities and the increasing use of the Internet and online shopping. The amount of sales taxes received by the City and the Measure P revenues are projected to be approximately 27% and 19% of the

City's General Fund revenues, respectively, for Fiscal Year 2015-16. However, Sales and Use Tax may grow at a slower rate than forecasted.

As noted above, unless Measure P is reauthorized by voters at a comparable level, the City would face an on-going deficit of at least \$16 million per fiscal year. This deficit would likely translate into a substantial reduction in City service levels, including one or more of the following possible cuts:

- Closure or brownouts of a fire station;
- Reduction of between 30-40 staff in Police department;
- Elimination of the limited investments in streets that the City has been able to make since the adoption of Measure P; and
- Closure of the City's Senior Center, Aquatics Complex and Police Activities League Center.

- Development - A slowdown in development would reduce development-related revenues (and property and sales tax revenues) and income for capital projects to the City's general fund.

- Personnel costs – Personnel costs are based on current staffing levels, furlough ending for Miscellaneous employees in Fiscal Year 2014-15, a vacancy savings rate ranging from 0% to 3%, an annual cost of living wage adjustment of 2% starting in Fiscal Year 2015-16, and increasing employee contributions to their pensions and for health premiums. All seven of the City's labor contracts expired June 30, 2015 and negotiations are underway with all of the City's bargaining groups. The City is unable to predict with any certainty the financial impact of such negotiations.

- Stable workforce - With the exception of the positions that are proposed to be added as part of the Fiscal Year 2015-16 budget, the workforce is projected to remain stable.

- Health care costs - The City was able to negotiate a new extension with its health providers that will keep health rates flat for Fiscal Year 2015-16. In Fiscal Year 2016-17 and beyond, health care costs are estimated to grow at 10% per year. For Fiscal Year 2016-17 and beyond, the forecast assumes that the City assumes the increase in premiums, which is based on the labor contracts with City employees that have expired.

- Pension rates – Pension rates are anticipated to increase. Pension rates for Fiscal Year 2015-16 are based on Public Employees Retirement System (PERS) rates supplied by PERS, as well as rates for the next several years, all based on the assumption that PERS will continue to meet its annual assumed rate of return of 7.5% on its investments. The rates for future years incorporate changes to actuarial policies adopted by PERS in 2013 and changes to economic and demographic assumptions adopted by PERS in early 2014. See “– Employee Retirement System” below for more information.

City's Financial Policies

Strategic Plan. The City has established internal controls to insure the government's assets are protected from loss, theft, or misuse and to demonstrate stewardships of public

resources. Each year, departments work with the City Manager and Finance and Technology departments to submit operating budget requests for the next fiscal year. The City Manager and Director of Finance and Technology then make recommendations to the City Council regarding the budget for the next fiscal year. After public discussion and evaluation of their recommendations, the City Council adopts, for the upcoming fiscal year, the annual budget and multi-year forecast.

Expenditures are controlled at the fund level for all budgeted departments within the City and may not legally exceed appropriations. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Any amendments to the total appropriations of a fund must be approved by the City Council.

General Fund Reserves. The City was able to maintain General Fund reserves at the City Council’s established level of 20% for Fiscal Year 2013-14, and to present a balanced budget for the General Fund for Fiscal Year 2014-15 through 2015-16. For Fiscal Year 2015-16, the City is again targeting a level of General Fund Reserves of at least 20%.

A significant portion of the City's General Fund portion of its revenue base is dependent on revenues received from Measure P. Should the term of Measure P not be extended beyond March 31, 2018, the City will need to implement additional budget cuts in Fiscal Year 2018-19. The General Fund reserve is projected to maintain levels at 20% of expenditures for Fiscal Year 2015-16 and increase to above 25% of expenditures through Fiscal Year 2017-18 and is projected to decrease to 8% of expenditures in Fiscal Year 2018-19 (assuming that Measure P expires as scheduled on March 31, 2018).

Other City Funds. *The following is a brief summary of issues facing the City's enterprise and capital projects fund reserves, which are not part of the General Fund.*

Water Funds. With water consumption hovering at low levels due to the drought and operating costs on the rise, the Water Utility secured water rate increases of 2.5% for four years in order to fund its operations, maintain adequate reserves, and support its capital program.

Transit Funds. In Fiscal Year 2013-14, the City’s Transit system continued to be successful. However, the long-term forecast indicates that there is the potential for the Transit system to begin generating deficits. The Transit system relies heavily on grants to satisfy its equipment replacement and capital needs, and there is no guarantee that these grants will be available in the future.

Golf Funds. Both of the City’s golf courses (Paradise Valley and Rancho Solano) require financial support from the City. In addition, the clubhouses and other ancillary buildings are showing their age and are in need of rehabilitation. The City's forecast for its Golf Funds revenues shows the City providing an annual subsidy (from the governmental fund and intergovernmental loan fund) of approximately 17% through Fiscal Year 2016-17.

Capital Project Funds. To assist in building new parks and facilities, including facilities for the City’s police and fire departments, the City relies on the collection of its development impact fees from new development within the City.

Financial Statements

Accounting Policies. The accounting policies of the City conform to generally accepted accounting principles. The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis, (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. There are three groups of funds– governmental funds (which include the General Fund), proprietary funds (which include enterprise funds and internal service funds) and fiduciary funds (which are used to account for resources held for the benefit of parties outside the City). The City maintains 16 individual governmental funds. Information is presented separately in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund and the Street Maintenance and Construction Fund, both of which are considered to be major funds. Data for the 14 other funds are combined into a single aggregated presentation.

All governmental funds and fiduciary funds use the modified accrual basis of accounting. The proprietary funds use the accrual basis of accounting. The General Fund is the general operating fund of the City and is used to account for all financial resources, except those required to be accounted for in another fund.

Management’s Discussion and Analysis. One key change resulting from the adoption of GASB Statement No. 34 is the inclusion of management’s discussion and analysis as required supplementary information. See APPENDIX C for a full presentation of management’s discussion and analysis for Fiscal Year 2013-14.

Audited Financial Statements. The City’s most recent audited financial statements for the fiscal year ending June 30, 2014, are attached as “APPENDIX C” to this Official Statement, which were prepared by the City and audited by Vavrinek, Trine, Day & Co., LLP, Sacramento, California (the “**Auditor**”). The Financial Statements should be read in their entirety.

The City has neither requested nor obtained permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City or the General Fund. In addition, the Auditor has not reviewed this Official Statement.

Set forth in the following pages are (i) audited general fund balance sheets for Fiscal Years 2009-10 through 2013-14 and (ii) audited statements of revenues, expenditures and changes in fund balances for the City’s general fund for Fiscal Years 2009-10 through 2013-14.

Table 2
CITY OF FAIRFIELD
General Fund Balance Sheet
As of June 30 for Fiscal Years 2009-10 through 2013-14

	Audited 2009-10	Audited 2010-11	Audited 2011-12	Audited 2012-13	Audited 2013-14 ⁽¹⁾
ASSETS:					
Cash and investments	\$11,282,449	\$8,404,502	\$9,840,110	\$13,845,469	\$24,836,177
Receivables, net	1,618,371	1,369,964	1,711,736	2,094,185	7,399,377
Prepaid items	--	--	--	--	6,110
Total assets	12,900,820	9,774,466	11,551,846	15,939,654	32,241,664
LIABILITIES:					
Accounts payable and other current liabilities	682,031	747,924	1,048,597	1,120,923	1,750,989
Total liabilities	682,031	747,924	1,048,597	1,129,923	1,750,989
FUND BALANCES:					
Reserved for Encumbrances	962,501	--	--	--	--
Nonspendable	--	--	--	--	6,110
Committed	2,586,442	2,407,013	2,322,738	--	--
Assigned	--	--	--	--	6,229,328
Unassigned	8,669,846	6,619,529	8,180,511	14,818,731	24,255,237
Total fund balances	12,218,789	9,026,542	10,503,249	14,818,731	30,490,675
Total liabilities and fund balances	\$12,900,820	\$9,774,466	\$11,551,846	\$15,939,654	\$32,241,664

(1) Measure P went into effect on April 2013. As such, Fiscal Year 2013-14 was the first full fiscal year in which this 1% transaction and use tax was collected.

Source: City of Fairfield Audited Financial Statements.

Table 3
CITY OF FAIRFIELD
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2009-10 through 2013-14 ⁽¹⁾

	Audited <u>2009-10</u>	Audited <u>2010-11</u>	Audited <u>2011-12</u>	Audited <u>2012-13</u>	Audited <u>2013-14</u>
Revenues:					
Property Taxes ^{(2), (5)}	\$9,691,824	\$8,883,228	\$11,676,521	\$19,813,378	\$15,181,079
Sales Taxes ⁽³⁾	13,483,633	13,892,315	15,958,180	19,001,983	35,407,196
Other Taxes ⁽⁴⁾	10,329,755	10,803,094	11,347,495	11,671,812	12,409,733
Licenses, permits and fines	2,299,115	2,127,151	2,281,329	2,604,002	3,409,222
Intergovernmental ⁽⁵⁾	7,903,578	7,617,630	7,593,753	7,261,897	7,778,369
Charges for services	3,392,460	3,688,706	3,639,155	3,304,095	3,396,573
Investment income	812,042	343,018	230,262	70,073	275,112
Miscellaneous	1,728,011	1,223,005	1,990,365	1,756,428	1,417,805
Total revenues	49,640,418	48,578,147	54,717,060	65,483,668	79,275,089
Expenditures:					
Administration	581,804	383,514	696,930	1,265,650	1,271,781
Administrative Services	496,069	1,008,685	479,995	--	--
Finance	403,797	--	1,238,800	1,037,978	1,301,481
Police	30,505,244	29,117,340	29,235,100	29,122,744	30,127,434
Fire	13,309,861	13,524,974	13,546,642	13,699,836	13,851,664
Public Works	6,907,698	6,261,940	6,147,013	6,060,981	6,855,746
Community Resources ⁽⁶⁾	5,267,297	4,948,891	4,196,121	4,108,261	4,117,466
Community Development	1,977,445	1,442,175	1,239,532	1,807,860	2,076,496
Non-departmental	1,331,393	1,731,419	1,350,893	1,124,126	1,496,102
Total expenditures	60,780,608	58,418,938	58,131,026	58,227,436	61,098,170
Excess of revenues over (under) expenditures	(11,140,190)	(9,840,791)	(3,413,966)	7,256,232	18,176,919
Other financing sources (uses):					
Transfers in	15,928,617	10,441,020	9,541,000	1,980,827	339,694
Transfers out	(4,155,837)	(3,792,477)	(4,650,327)	(4,921,577)	(7,344,069)
Total other financing sources (uses)	11,772,780	6,648,543	4,890,673	(2,940,750)	(7,004,375)
Net Change in Fund Balance	632,590	(3,194,248)	1,476,707	4,315,482	11,172,544
Fund balance - Beginning of Year (July 1)	11,586,199	12,218,790	9,026,542	10,503,249	19,318,131 ⁽⁷⁾
Fund balance - End of Year (June 30)	\$12,218,789	\$9,026,542	\$10,503,249	\$14,818,731	\$30,490,675

(1) Includes three funds of the City: (i) General Fund (Fund 011), (ii) Departmental Carry-over Fund (Fund 013) and (iii) RDA Successor Agency Administrative Fund (Fund 876).

(2) In Fiscal Year 2011-12 (February 1, 2012), the Fairfield Redevelopment Agency (RDA) was dissolved. Line item includes property taxes of the former RDA.

(3) Includes Measure P taxes.

(4) Includes Utility and Franchise Taxes, Motor Vehicle In Lieu Taxes/Fees and Other Taxes.

(5) For Fiscal Years 2012-13 and 2013-14, \$6,853,883 and \$7,406,112, respectively, representing SB 1096 vehicle license fees, has been moved for comparability to prior fiscal years from Property Taxes to Intergovernmental.

(6) Parks and Recreation department was formerly known as Community Resources.

(7) A prior period adjustment of \$4,499,400 was made at the beginning of the 2013-14 fiscal year to properly reflect and include the sales tax revenue for June of 2013 and Measure P sales tax revenue for the months of May and June of 2013, as well as the sales tax true-up revenue for April, May and June of 2013.

Source: City of Fairfield Audited Financial Statements; City of Fairfield.

Taxes and Other Revenues

Taxes received by the City for the ten most recent fiscal years are listed in the table below.

**Table 4
CITY OF FAIRFIELD
Major Tax Revenues by Source – General Fund**

Fiscal Year	Property Taxes	Property Taxes-Former RDA ⁽¹⁾	Sales and Use Taxes	Measure P Use Taxes ⁽²⁾	Other Taxes ⁽³⁾	Total
2004-05	\$9,510,486	--	\$16,666,827	--	\$10,352,598	\$36,529,911
2005-06	10,287,073	--	18,734,988	--	10,456,766	39,478,827
2006-07	12,152,903	--	18,777,868	--	11,518,859	42,449,630
2007-08	12,712,212	--	17,480,626	--	11,005,737	41,198,575
2008-09	11,486,203	--	15,017,007	--	10,798,088	37,301,298
2009-10	9,691,824	--	13,483,633	--	10,329,755	33,505,212
2010-11	8,883,228	--	13,892,315	--	10,803,094	33,578,637
2011-12	10,440,643	1,235,879	15,958,180	--	11,347,495	38,982,196
2012-13	9,793,250	10,020,128	18,277,750	724,233	11,671,813	50,487,173
2013-14	10,697,622	4,483,457	19,406,710	16,000,486	12,409,833	62,998,008

(1) In Fiscal Year 2011-12 (February 1, 2012), the Fairfield Redevelopment Agency (RDA) was dissolved. Property taxes include the City's share of redevelopment distribution to taxing entities.
 (2) Measure P, a 1% transaction and use tax, become effective on April 1, 2013. The tax is scheduled to expire on March 31, 2018.
 (3) Other taxes consist of franchise tax, utility user tax, transient occupancy tax, business tax, and other taxes and revenues received by the City.

Source: City of Fairfield Audited Financial Statements; City of Fairfield.

Property Taxes

General. This section describes property tax levy and collection procedures. For certain information regarding historical assessed values and major property tax payers in the City, see APPENDIX A.

Property taxes (including the City's share of redevelopment distribution related to its former RDA) represent the second largest source of revenue to the City (approximately 28.8% of general governmental revenues in Fiscal Year 2013-14). Although the budget projection for Fiscal Year 2014-15 assumed a decrease in property tax collections, projected Fiscal Year 2014-15 actuals show an increase in property tax collections. Since Fiscal Year 2011-12, property tax collections include the City's portion of assessed value from dissolved redevelopment project areas not subject to County-wide revenue sharing. The anticipated decrease in the budget projection for Fiscal Year 2014-15 was a result of one-time funds received in the prior fiscal year related to the City's share of redevelopment distribution from its former RDA, as shown in Table 4 above under the heading "Property Taxes–Former RDA." The City expects that these revenues should stabilize moving forward, and the City has forecasted an average growth rate of 3.0 to 4.7% for future fiscal years. Given that growth rates in the RDA area are different than for the City and there are other obligations for which such funds might be used, the City believes it is prudent to maintain these relatively flat projections. See "–Assessed Valuation" in APPENDIX A for a 5 year history of assessed values.

Property taxes have historically been the primary revenue source affected by voter initiatives and legislative actions. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

ERAF Shift and Triple Flip Legislation. Certain property taxes have been shifted from local government agencies to schools by the State Legislature for deposit in the Education Revenue Augmentation Fund (“**ERAF**”), a shift that has resulted in diversion of City property taxes since Fiscal Year 1992-93. See “RISK FACTORS – Impact of State Budget on City Revenues.”

As discussed in “– Sales and Use Taxes” below, on March 2, 2004, the State’s voters approved a bond initiative known as the “California Economic Recovery Act” which includes provisions known as “Triple Flip” legislation, calling for a diversion of a portion of local governments’ share of sales taxes to the State, and in return, a redirection of certain property taxes from the ERAF to local government. The redirection of taxes through the Triple Flip expires in Fiscal Year 2015-16.

Levy and Collection. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

Teeter Plan. The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions,

including the City, for which the County acts as the tax-levying or tax-collecting agency. The Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to all tax levies on secured property for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions for which the County acts as the tax-levying or tax-collecting agency (including the City) .

Sales and Use Taxes

General. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. For certain information on taxable transactions in the City, see APPENDIX A.

Sales and use taxes (including Measure P taxes) represent the largest source of revenue to the City (approximately 44.7% of general governmental revenues in Fiscal Year 2013-14). The budget projection for Fiscal Year 2014-15 assumes continued growth in this area due to higher collections from the Measure P transactions and use tax. However, these taxes are expected to grow at a much slower pace than over the previous two fiscal years, due to a slowdown in auto sales, increasing use of the internet and online shopping, limited new retail development within the City, as well as retail competition from nearby cities.

State Sales Tax Law. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the State Board of Equalization) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the “**Sales Tax Law**”). As part of the State’s 2003-04 Budget, the State Legislature authorized, and the voters of the State approved, a redirection to the State from local jurisdictions (including the City) of sales revenues in the amount of 0.25% of the basic 1.0% local sales tax rate, starting July 1, 2004. The State uses such revenues to pay the State’s economic recovery bonds. Under the California Economic Recovery Act, which includes legislation commonly referred to as the “Triple Flip”, the State redirected certain property taxes in the ERAF to local governments, including the City, to compensate for this redirection of sales taxes on a “dollar for dollar” basis. The redirection of taxes through the “Triple Flip” expired at the end of Fiscal Year 2014-15.

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City’s share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**Table 5
CITY OF FAIRFIELD
Sales Tax Rates
As of July 1, 2015**

State (General Fund)	3.938%
State (Fiscal Recovery Fund)	0.250
State (Local Public Safety Fund)	0.500
State (Education Protection Account)	0.250
State (Local Revenue Fund)	0.500
State (Local Revenue Fund 2011)	1.063
Local (City or County Transportation Funds)	<u>1.000</u>
Total State-Wide Tax Rate	7.500%
Solano County Public Library Transactions and Use Tax	0.125%
City of Fairfield Transactions and Use Tax (Measure P) ⁽¹⁾	<u>1.000</u>
Total City of Fairfield Tax Rate	8.625%

(1) Measure P became effective on April 1, 2013 and is scheduled to expire on March 31, 2018.

Source: California State Board of Equalization.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the Statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State.

Certain transactions are exempt from tax under the Sales Tax Law, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization’s July 2014 Publication No. 61 entitled “Sales and Use Taxes: Exemptions and Exclusions,” which can be found on the State Board of Equalization’s website at <http://www.boe.ca.gov/>. Information on this website is not a part of this Official Statement.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. Under the Sales Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any local jurisdiction (like the City) are required to be transmitted by the Board of Equalization to such local jurisdiction periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter. According to the State Board of Equalization, it distributes quarterly tax revenues to local jurisdictions (like the City) using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the State Board of Equalization first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% of the base amount to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents the remaining 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Other Taxes and Revenues

Vehicle License Fee (including VLF in-lieu of property tax). Vehicle license fees ("VLF") contributed approximately 10% to General Fund revenues in Fiscal Years 2013-14 and 2014-15. State residents pay a fee to the State each year equal to 0.65% of the depreciated value of their motor vehicles. The VLF was originally a personal property tax collected at the local level. Collection was taken over by the State in the interests of efficiency, but the revenue remained local. During the 1990s, the fee gradually was reduced by the State from 2.0% to 0.65%. What otherwise would have been a revenue loss to local agencies was "backfilled" by payments from the state. The backfill payments were replaced in 2004 with a like amount of payments to the City as part of the property tax; this portion of the VLF (90% of the total) will increase in proportion to future assessed value growth. The remaining 10% is remitted to the City monthly by the State on the basis of population.

Development Permits & Fees. The City's general fund receives revenue from processing and reviewing development applications. These fees accounted for approximately 3% of General Fund revenues in Fiscal Years 2013-14 and 2014-15. These revenues do not include development fees and taxes collected to pay for specified types of public facilities and improvements, such as the City's "Bedroom Tax," levied under AB 1600 (codified at California Government Code Section 66000 *et seq.*), and water connection fees, which are earmarked for capital uses. Development revenues are highly sensitive to the level of residential and commercial construction taking place in the community, and may vary widely from year to year depending on the timing of individual projects. Fees and permits can also vary significantly depending on the size and characteristics of a given project or subdivision. Development income jumps in years when subdivisions are approved, due to the extra fees paid at that time.

Strength of the economy, interest rate levels and housing prices all have a bearing on demand, and thus the magnitude of development that occurs in a given year.

Utility User's Tax. Utility user's tax revenues contributed approximately 5% and 4% of General Fund revenues in Fiscal Year 2013-14 and 2014-15, respectively. The utility user's tax was first imposed in July 1994 at a rate of 2% on the dollar amount of utility bills for gas and electricity, telephone and cable TV. The tax is collected by the various utility companies and paid to the City monthly. The tax was validated by the voters in 2002. Revenue growth is dictated by a combination of population growth, usage and utility rates.

The categories of utilities and the rate of tax for the City's utility user's tax is summarized as follows:

**Table 6
CITY OF FAIRFIELD
Utility User's Tax History**

<u>Effective Date</u>	<u>Utility Covered</u>	<u>Rate</u>
July 1, 1994	Gas	2%
July 1, 1994	Electricity	2
July 1, 1994	Telephone	2
July 1, 1994	Cable Television	2

Source: City of Fairfield.

Business License Tax. Business license tax revenues contributed approximately 2% of General Fund revenues in Fiscal Years 2013-14 and 2014-15. This tax is levied on firms doing business in the City. The tax is paid annually, generally on the basis of gross income. There are separate progressive rate schedules for retail, service and professional classes of business.

Transient Occupancy Tax. The City currently levies a transient occupancy tax, which accounted for approximately 3% of General Fund revenues in Fiscal Years 2013-14 and 2014-15. Occupants of motel/hotel rooms pay 10% of rent for stays of 30 days or less. Government employees traveling on official business are exempt from the tax. Revenue growth depends on the number of rooms, level of occupancy and average room rates. The tax is collected by the hotel/motel operator and remitted to the City on a quarterly basis.

Real Property Transfer Tax. Transfer taxes on the transfer of real property in the City contributed less than 1% to General Fund revenues in Fiscal Years 2013-14 and 2014-15. Transfer of real property is subject to a tax of \$0.55 per \$500 of sales prices less encumbrances (0.11% rate). The City and the County each receive half of the revenue. The tax is collected by the County and is remitted to the City monthly. This is a relatively small but quite volatile source. It is strongly affected by the local real estate market and the rate of new construction. It was flat throughout the early 1990s recession, rose with the "housing bubble," and plunged with the latest recession.

Golf Admission Tax. A golf course admission tax accounted for less than 1% of General Fund revenues in Fiscal Years 2013-14 and 2014-15. Golfers pay \$5 per round of golf, except twilight play. The tax currently applies only to the Rancho Solano and Paradise Valley public golf courses. Although legally a tax, the amount paid is in lieu of an equal amount of

greens fees, and the impact is transparent to the golfer. Although this is a General Fund revenue, in practice, an amount equal to tax proceeds is transferred annually to the golf enterprise to support golf debt service costs.

Other Department Revenues. The Police Department receives several types of revenues, including: Peace Officer Standards and Training (POST) reimbursements from the State, payments from the school districts for school resource officers, and fees from abandoned vehicles, among others. Police revenues include alarm permit and false alarm fines. The Fire Department receives annual payments from the Solano County Emergency Medical Services (EMS) Cooperative to partially reimburse paramedic costs, state reimbursement for wildfire strike teams, and emergency response cost recoveries. Public Works receives various fees including encroachment permits.

Franchise Payments. Franchise fees accounted for approximately 5% of General Fund revenues in Fiscal Years 2013-14 and 2014-15. The City has awarded four franchises to private companies for the use of the public rights-of-way. The fees are remitted to the City by the utilities. Pacific Gas & Electric Company (“PG&E”) pays 1% of gross receipts on utility income for use of public right-of-way for natural gas pipelines, including transport for other companies. PG&E also pays 0.5% of gross receipts on utility income for use of public right-of-way for electric lines. Both franchise rates are standard pursuant to State law. PG&E sets utility rates subject to State Public Utilities Commission approval. Comcast Cable pays a federally-limited 5% of gross receipts for installation of cable lines. Rates are set by the company within FCC guidelines that give only a limited oversight role to the City. Solano Garbage Company pays 10% of gross income on residential and commercial garbage pick-up accounts in Fairfield. Residential garbage rates are set by City ordinance, and commercial rates are set by the waste hauler.

Interest Income. The City employs a strict cash management program to ensure that all available funds are invested to earn the maximum yield consistent with safety and liquidity. Invested money is pooled and each fund receives interest income based on its share of daily cash balances. The City’s investment portfolio is structured with primarily short-term securities to meet its annual cash flow needs, and is in compliance with the Investment Policy that State law requires be adopted annually by the Council. See “– Investment Policies and Procedures” below.

Outstanding General Fund Debt and Other Obligations

Set forth on the following page is a summary of long-term obligations payable from the City's general fund as of June 30, 2014.

Table 7
CITY OF FAIRFIELD
Outstanding General Fund Debt and Other Obligations

Governmental Activities	Balance June 30, 2013	Balance June 30, 2014	Due within One Year	Due in more than One Year
General Obligation bonds ⁽¹⁾	\$ 9,862,468	\$ 9,440,578	\$ 421,890	\$ 9,018,688
Pension Obligation bonds ⁽²⁾	36,135,000	35,750,000	470,000	35,280,000
Long-term notes payable	2,486,066	2,234,010	255,263	1,978,747
Compensated absences	14,114,041	14,007,941	1,964,777	12,043,164
Claims and judgments payable	10,648,000	10,207,000	1,040,516	9,166,484
Net OPEB obligation	<u>689,620</u>	<u>708,310</u>	<u>--</u>	<u>708,310</u>
Total Governmental Activities	\$73,935,195	\$72,347,839	\$4,152,446	\$68,195,393

(1) The general obligation bonds are repaid from property tax revenues, and the City is obligated to collect a property tax sufficient to service the debt (and the City works with the County to levy the tax). The City has pledged future zone of benefit property tax revenues to pay the Solano County Water Agency for certain North Bay Aqueduct project costs. The City is obligated under the agreement to levy a zone of benefit property tax sufficient to service the contractual payments.

(2) A portion of these Pension Obligations bonds are being refunded by the Bonds.

Source: City of Fairfield

Self-Insurance Program

The City is partially self-insured for workers' compensation insurance with a \$750,000 retention per occurrence and general liability coverage with a \$500,000 retention per occurrence and is a member of joint power authorities for the coverage above and beyond the retention levels. The City is completely self-insured for unemployment insurance, short-term disability insurance, other post-employment benefits (OPEB) and dental insurance coverage programs. For further description of the City's Self-Insurance Program, see Note 10 to the City's basic financial statements for the fiscal year ended June 30, 2014 included in APPENDIX C. For further information on the City's OPEB obligations, see "– Other Post Employment Benefits" below.

Employee Relations

The City had 527 full-time equivalent employees as of June 30, 2015, of which 192 were police personnel and 63 were fire personnel. The City's employees are represented by seven bargaining units. All seven of the City's labor contracts expired June 30, 2015 and negotiations are underway with all of the City's bargaining groups. The City is unable to predict with any certainty the financial impact of such negotiations.

Investment Policies and Procedures

The City manages the cash of the City and affiliated agencies on a pooled basis. Funds are invested in accordance with Section 53601 of the California Government Code and the City's established investment policy (the "Investment Policy"). All monies not required for immediate expenditure are invested or deposited to earn the maximum yield consistent with safety and liquidity. All investments have the City as registered owner or are kept in the custody of the City or a qualified safekeeping institution. A monthly report is submitted to the City Manager and City Council showing a description of the investments, purchase price, purchase

date, current market value for all securities with a maturity of more than 12 months, maturity date, par value, discount or premium if any, cost, yield, safekeeping institution for each deposit or investment, average weighted maturity and effective yield of the portfolio. A portion of the portfolio is managed by third party investment managers.

The Investment Policy restricts investments to the following:

- **Certificates of Deposit** must be FDIC insured or fully collateralized. They must also be purchased from banks or institutions located in the State.
- **Negotiable Certificates of Deposit** may not exceed 30% of the City's invested funds.
- **Bankers' Acceptances** must be issued by domestic branches or subsidiaries of foreign banks, the short term paper of which is rated in the highest category by Moody's Investor Services, Inc. ("**Moody's**") or by Standard & Poor's Corporation ("**S&P**"). The issuing bank must be domiciled in a country rated "Aaa" by Moody's, or by Fitch.
- **Treasury Bills and Notes** with a maximum maturity of five years.
- **Federally-Sponsored Credit Agency Securities** with a maximum maturity of five years.
- **Repurchase Agreements** may only be purchased from the 15 largest banks in the U.S. and are used solely as a short-term investment, not to exceed 90 days. Repurchase agreements are supported by eligible investments, of which physical delivery to or safekeeping documentation from a qualified safekeeping institution is required.
- **Local Agency Investment Fund (LAIF)** deposits may be made in this fund up to the State limit of \$50,000,000 for each government entity. The City and its component units have four accounts with LAIF, therefore the maximum deposit that may be made is \$200,000,000.
- **Savings Accounts, Money Market Accounts and General Checking Accounts** may be used to deposit idle cash. No account may be opened without written authorization from the Finance Director.
- **Commercial Paper** must be rated prime quality ("P1" by Moody's or "A1" by S&P). Eligible paper is further limited to notes issued by corporations organized and operating within the U.S. and having total assets in excess of \$500,000,000 and having an "A" or higher rating in other long term debt.
- **Corporate Medium-Term Notes** must be rated A by a Nationally Recognized Statistical Rating Organization (NRSO). The maximum maturity of medium-term notes may not exceed five years. No more than 25% of the City's portfolio may be invested in this category. "Asset Backed Securities" (i.e., credit card securities) purchases are only allowed with approval of the Finance Director; must be rated "AAA"; and no more than 20% of the portfolio may be invested in this category.
- **Reverse Repurchase Agreements, Financial Futures and Options, U.S. Zero Coupons and Bonds and Small Business Administration Guaranteed Notes** may not be invested in without specific instruction from the Finance Director.

For further information, see Note 4 to the City's basic financial statements for the fiscal year ended June 30, 2014 included in APPENDIX C.

Employee Retirement System

This caption contains certain information relating to PERS. The information is primarily derived from information produced by PERS, its independent accountants and actuaries. None of the City, the Municipal Advisor and the Underwriter has independently verified the information provided by PERS and makes no representations and expresses no opinion as to the accuracy of the information provided by PERS. The comprehensive annual financial reports of PERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. None of the City, the Municipal Advisor and the Underwriter can guarantee the accuracy of such information.

Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Plan Description. All full-time City employees are eligible to participate in pension plans provided by the California Public Employees' Retirement System ("**PERS**"), an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State. Benefits are fully vested after five years of service. Employees who have met the above criteria are eligible to retire at or after age 50 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit. PERS also provides death and disability benefits. These benefit provisions and all other requirements have been established by State statute and by specific agreements with City labor groups.

PERS Contributions and Funding Policy. Active plan members are required to contribute 10.5% for miscellaneous and 11.25% for safety employees of their annual covered salary. The City has historically paid a portion of its employees' contributions to PERS on their behalf, pursuant to prior City labor contracts, and the City expects to continue to make such payments in the future. The City is further required to contribute to PERS at an actuarially determined employer rate. The City's respective employer contribution rates for its various PERS plans for the last three fiscal years are set forth in the table on the following page.

Table 8
CITY OF FAIRFIELD
PERS Employer Contribution Rates
Fiscal Years 2012-13 through 2014-15⁽¹⁾

<u>Employer Plan</u>	<u>Fiscal Year</u> 2012-13	<u>Fiscal Year</u> 2013-14	<u>Fiscal Year</u> 2014-15
Miscellaneous	17.030%	17.966%	19.791%
Safety - Fire Tier 1	24.304	26.138	27.598
Safety - Fire Tier 2	24.304	26.138	27.598
Safety - Police	24.304	26.138	27.598

(1) The rates shown are for July 1 of each year; however it may not be the rate in effect for the complete fiscal year. Changes in plan benefits, the funding period, prepayments, or other contract changes may not be reflected in these rates.

Source: PERS - Public Agency Employer Contribution Rate Search (www.calpers.ca.gov).

Annual Pension Cost and Net Pension Asset. The following tables reflect the City's annual pension cost and net pension asset for Fiscal Year 2013-14 and for the past three fiscal years.

Table 9
CITY OF FAIRFIELD
Annual Pension Cost and Net Pension Asset
Fiscal Year 2013-14

	Miscellaneous Plan	Safety Plan	Total
Annual required contribution (ARC)	\$3,327,461	\$4,720,297	\$8,047,758
Adjustment to the ARC	560,865	795,635	1,356,500
Annual Pension Cost (APC)	3,888,326	5,515,932	9,404,258
Annual Contributions Made	3,327,461	4,720,297	8,047,758
Decrease in Net Pension Asset	(560,865)	(795,635)	(1,356,500)
Net Pension Asset, Beginning of Year	12,483,149	17,359,852	29,843,001
Net Pension Asset, End of Year	\$11,922,284	\$16,564,217	\$28,486,501

Source: City of Fairfield Audited Financial Statements.

Table 10
CITY OF FAIRFIELD
Annual Pension Cost and Net Pension Asset
For Prior Three Fiscal Years

	Fiscal Year	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Asset
Miscellaneous Plan	06/30/2012	\$3,771,609	\$3,205,001	85%	\$13,050,565
	06/30/2013	3,678,753	3,111,338	85	12,483,149
	06/30/2014	3,888,326	3,327,461	86	11,922,284
Safety Plan	06/30/2012	\$5,257,888	\$4,467,996	85%	\$18,148,935
	06/30/2013	5,115,906	4,326,822	85	17,359,852
	06/30/2014	5,515,932	4,720,297	86	16,564,217
Total	06/30/2012	\$9,029,497	\$7,672,997	85%	\$31,199,500
	06/30/2013	8,794,659	7,438,160	85	29,843,001
	06/30/2014	9,404,258	8,047,758	86	28,486,501

Source: City of Fairfield Audited Financial Statements.

Funded Status. The following tables sets forth the schedule of funding for the City's pension plans for Fiscal Years 2010-11, 2011-12 and 2012-13.

Table 11
CITY OF FAIRFIELD
Funded Status of Pension Plans
Fiscal Years 2010-11, 2011-12 and 2012-13

Miscellaneous Plan

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
06/30/2011	\$227,177,572	\$194,719,817	\$32,457,755	85.7%	\$25,959,911	125.0%
06/30/2012	238,097,284	201,202,018	36,895,266	84.5	24,548,373	150.3
06/30/2013 ⁽¹⁾	247,981,806	184,833,893	63,147,913	74.5	23,656,035	266.9

Safety Plan

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
06/30/2011	\$198,870,891	\$169,795,430	\$29,075,461	85.4%	\$20,048,750	145.0%
06/30/2012	209,386,090	178,359,259	31,026,831	85.2	19,704,044	157.5
06/30/2013 ⁽¹⁾	222,412,034	165,621,099	56,790,935	74.5	20,070,432	283.0

(1) Beginning with the valuation date of 6/30/2013, PERS made a change in policy whereby the Actuarial Value of Assets (AVA) equals the market value of assets per PERS' direct rate smoothing policy.

Source: City of Fairfield Audited Financial Statements.

Recent Actions Taken by PERS. On March 14, 2012, the PERS Board of Administration voted to reduce its discount rate, which rate is attributable to its expected price inflation and investment rate of return (net of administrative expenses), from 7.75% to 7.5%. As a result of such discount rate decrease, among other things, (i) the amounts of PERS member state and schools employer contributions increased by 1.2 to 1.6% for Miscellaneous plans and 2.2 to 2.4% for Safety plans beginning in Fiscal Year 2012-13 and (ii) the amounts of PERS member public agency contributions increased by 1 to 2% for Miscellaneous plans and 2 to 3% for Safety plans beginning in Fiscal Year 2013-14. More information about the PERS discount rate adjustment can be accessed through PERS's web site at www.calpers.ca.gov. *The reference to this internet website is shown for reference and convenience only, the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

The PERS Board adjustment was undertaken in order to address underfunding of the PERS funds, which arose from significant losses incurred as a result of the economic crisis arising in 2008 and persisting due to a slower than anticipated, subsequent economic recovery. The City is unable to predict what the amount of PERS liabilities will be in the future, or the amount of the PERS contributions which the City may be required to make.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy that spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

According to PERS, the current amortization and smoothing policy was designed to reduce volatility in employer contribution rates, and, although the policy accomplished this goal fairly well since its adoption, a number of concerns have developed:

- The use of an actuarial value of assets corridor can lead to significant single year increases to rates in years when there are large investment losses.
- The use of long asset smoothing periods and long rolling amortization periods result in slow progress toward full funding.
- The use of an actuarial value of assets requires the disclosure of two different funded statuses and unfunded liability numbers in actuarial valuation reports. This adds confusion and inhibits transparency.
- The use of rolling amortization and long asset smoothing periods makes it difficult for employers to predict when contribution rates will peak and how high that peak will be.
- The use of rolling amortization and asset smoothing periods may result in additional calculations for the new accounting standards. These calculations would be avoided with a quicker funded status recovery.

According to PERS, the adoption of the new smoothing and amortization policies will change future employer contribution rates, as follows:

- Funding levels will improve, which will reduce the funding level risk.

- Local agencies' plans will experience more rate volatility in normal years, but a much-reduced chance of very large rate increases in years when there are large investment losses.
- Contribution rates in the near term will increase.
- Long-term contribution rates will be lower.
- There will be greater transparency about the timing and impact of future employer contribution rate changes.
- The new policy eliminates the need for an actuarial value of assets. As a result, there will be only one funded status and unfunded liability in actuarial reports.
- There will be less confusion when the new accounting standards are implemented since there will be no need for extra liability calculations.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS pension benefit payout for members hired after January 1, 2013, (iii) addresses numerous abuses of the system, (iv) requires State, school, and certain city and local agency employees hired after January 1, 2013 to pay at least half of the costs of their PERS pension benefits and (v) determines final compensation for members hired after January 1, 2013 based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months. PEPRA will apply to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to State employees hired on that date and after; local government employee associations, including employee associations of the City, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS predicts that the impact of AB 340 on employers, including the City, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS notes that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

More information about AB 340 can be accessed through PERS's website at www.calpers.ca.gov. *The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current and has not been reviewed by the City and is not incorporated herein by reference.*

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the City's actuarial valuations prepared as of June 30, 2015. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for Fiscal Year 2016-17. The new demographic assumptions affect the State and all other public agencies, including the City.

The City is unable to predict what the amount of PERS liabilities will be in the future or the amount of the PERS contributions which the City may be required to make, including, but not limited to, as a result of the implementation of AB 340 or changes to the economic and demographic assumptions adopted by PERS in February 2014, and as a result of negotiations with its employee associations.

GASB No. 68. Statement No. 68, *Accounting and Financial Reporting for Pensions*, promulgated by the Governmental Accounting Standards Board, revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Among other things, Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement 68 will take effect for governments (including the City) in fiscal years beginning after June 15, 2014 (that is, for fiscal years ended June 30, 2015 or later).

Projected Annual Pension Expense. The table below shows percentage rates equal to the sum of (i) the City’s portion of the expected applicable employee contribution rate payable to PERS paid on behalf of such employees by the City in such year, plus (ii) the expected applicable actuarially-determined employer contribution rate payable to PERS for such employees by the City in such year, plus (iii) 7% (which the City estimates to be the approximate expected annual debt service to be paid on its aggregate outstanding pension obligation bonds in such year as a percentage of all Employees’ Total Compensation), as calculated with respect to Miscellaneous and Safety plan employees through Fiscal Year 2020-21. Such total rates, therefore, reflect the City’s ongoing aggregate pension contributions plus its expected debt service payments on its aggregate outstanding pension obligation bonds (together, the City’s “Annual Pension Expense”) as a percentage of Employees’ Total Compensation. For all purposes herein, “Employees’ Total Compensation” shall equal the sum of all City employees’ projected, annual salaries plus the City’s projected, annual expense for all benefits granted to City employees (with such expense for benefits including, as apart thereof, the Annual Pension Expense).

Table 12
CITY OF FAIRFIELD
Projected Annual Pension Expense as a Percentage of Employees’ Total Compensation
Fiscal Years 2014-15 through 2020-21

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
<u>Employer Plan</u>							
Miscellaneous	28%	31%	33%	35%	36%	38%	38%
Safety	43	43	46	48	50	52	52

Source: City of Fairfield.

The rates above assume PERS generates a rate of return of 7.5% annually. If the future rates of return are lower than this assumed rate, the City will see additional increases to its actuarially determined employer contribution rates, with respect to both Safety and Miscellaneous employees. PERS recently reported that its year to date return for Fiscal Year 14-15 through April 2015 was 3%. PERS also announced that it may be implementing addition risk mitigation measures as part of it future investment strategies, which would likely result in pension contribution rates of the City increasing further.

The rates above further assume (i) no statutory changes to the amounts employee plan members are required to contribute based upon their annual covered salaries and (ii) no increase in the percentage of the employee contribution rate payable by the City on employees behalf pursuant to future labor contracts. For the rates shown in the table above, Miscellaneous plan employees have historically paid a portion of the total employer and employee percentage based upon the terms in their memorandum of understanding with the City, which expired on June 30, 2015. In the same manner, for Fiscal Year 2015-16, Safety plan employees pay a portion of the total employer and employee percentage based upon the terms in their memorandum of understanding, which also expired on June 30, 2015.

Finally, the rates above assume (x) that the City will issue no additional pension obligation bonds or indebtedness of a similar purpose in the years reflected above, and (y) that City employees will receive no future salary or benefit modifications, including cost of living adjustments, pursuant to future labor contracts or otherwise.

Other Post Employment Benefits

The City's Retiree Health Plan is a single-employer defined benefit healthcare plan for certain executive management.

The City provides post-retirement health care benefits to certain retired executive management employees and retired City officials as approved by City resolution. Eligibility requirements include: age 53 with 10 or more years of service with the city; a minimum of 4 years of service as an executive management employee; and receipt of PERS benefits. The eligible official/employee must elect to be included in this program immediately upon retirement. Currently, twenty-six individuals are covered under this program. The plan is currently closed and the number of covered employees cannot grow beyond the 26 employees currently covered (24 retirees and 2 active employees).

The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan and changes in the City's net OPEB liability:

**Table 13
CITY OF FAIRFIELD
OPEB Costs for Fiscal Year 2013-14**

	<u>Executive Management</u>
Annual Required Contribution (ARC)	\$218,016
Interest on Net OPEB Obligation	27,585
Adjustment to ARC	<u>(32,437)</u>
Annual OPEB Cost	213,164
Less Contributions made in fiscal year	<u>(194,474)</u>
Increase in Net OPEB Obligation	18,690
Net OPEB Obligation, Beginning of Year	<u>689,620</u>
Net OPEB Obligation, End of Year	\$708,310

Source: City of Fairfield.

The City Retiree Health annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and net OPEB liability for Fiscal Year 2013-14 and the two preceding years were as follows:

Table 14
CITY OF FAIRFIELD
OPEB Costs for Fiscal Years 2011-2012 through 2013-14

Year Ended	Annual OPEB Cost	Annual Percentage of OPEB Cost Contributed	Net OPEB Obligation ⁽¹⁾
06/30/2012	\$926,000	66%	\$4,363,000
06/30/2013	214,152	188	689,620
06/30/2014	213,164	191	708,310

(1) The Net OPEB Obligation was substantially reduced from June 30, 2012 to June 30, 2013, because of a change in actuarial assumptions in Fiscal Year 2012-13 and the fact that an implied subsidy for non-executive employees enrolled in the City Retire Health Plan was eliminated.

Source: City of Fairfield Audited Financial Statements; City of Fairfield.

Funding Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$4,004,863. As of June 30, 2013, the Plan Assets were \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$4,004,863. The covered payroll was \$692,448, and the ratio of UAAL to covered payroll was 578%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For further information about the City's OPEB obligations, see Note 14 to the City's basic financial statements for the fiscal year ended June 30, 2014 included in APPENDIX C.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds. However, the following is not an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Bonds. There can be no assurance that other risk factors will not become evident at any future time.

No Pledge of Taxes

The obligation of the City to pay interest and principal on the Bonds does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay interest and principal on the Bonds does not constitute a debt or indebtedness of the City, the State or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction. The City is currently liable on other obligations payable from its General Fund, which are described in “CITY FINANCIAL INFORMATION” and “APPENDIX C – Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.”

Certain Risks Associated with Sales Tax and Measure P Sales and Use Tax Revenues

For Fiscal Year 2013-14, sales tax (including Measure P) revenues were the largest source of revenue to the City. Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, before final maturity of the Bonds, the City may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline.

In addition, changes or amendments in the laws applicable to the City’s receipt of sales tax revenues, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City’s sales tax could also be changed. See “– Change in Law” below for further discussion.

A large portion of the City’s sales tax revenues received in Fiscal Year 2013-14 resulted from Measure P, which was passed by the City’s voters in November 2012. Measure P is a 1% transaction and use tax that is scheduled to expire on March 31, 2018. No assurances can be given that the City can obtain an alternate source of revenues to replace the revenues provided by Measure P after its expiration.

Certain Risks Associated with Property Tax Revenues

For Fiscal Year 2013-14, property tax revenues were the second largest source of revenue to the City. Property tax revenues could decrease in the future due to a variety of

factors, and such decrease in revenues could significantly and adversely affect the ability of the City to make payments on the Bonds

First, reduction in the value of property in the City as a whole – whether due to recession or other causes – could reduce property tax revenues received by the City. For example, macro economic and market forces, such as a downturn in the regional economy generally, could affect assessed values, particularly if the forces reverberate in the residential housing and commercial property markets.

Second, natural and economic forces could negatively affect the assessed value of taxable property within the City, and therefore reduce property tax revenues received by the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, toxic dumping, drought, or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. See also “– National Calamities” below.

Third, the total assessed value of property in the City, and the property tax revenues received by the City, could be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Reductions in the market values of taxable property may cause property owners to appeal assessed values and may be associated with an increase in delinquency rates for taxes.

Finally, any changes or amendments in the laws applicable to the City’s collection of property tax revenues, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. See “– Change in Law” below.

Military Conflicts and Security Threats

Travis Air Force Base is a United States Air Force airfield occupying 6,000 acres in what is now the eastern portion of the City. Called the “Gateway to the Pacific”, Travis handles more cargo and passengers than any other military air terminal in the United States. Given the proximity and importance of Travis Air Force Base to the City, military conflicts, terrorist activities and other security threats may adversely impact the operation of the City. In addition, the City may experience a decrease with respect to its revenues because of any change in economic circumstances as a result of future military conflicts, terrorist activities or other security threats. Such a reduction in revenues may include, but is not limited to, a decline in property tax, transient occupancy tax, business license tax and sales tax revenues.

The City is subject to safety and security measures and inspections on a continuing basis. The City does not represent that any existing or additional safety and security measures will be adequate in the event that terrorist activities or other security threats are directed against the City or Travis Air Force Base or that costs of security measures will not be greater than presently anticipated.

Pension Benefit Liability

The City contributes to PERS (the California Public Employees Retirement System), an agent multiple-employer system that acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City ordinance. All full-time City employees are eligible to participate in PERS. Benefits are fully vested after five years of service. Employees who have met the above criteria are eligible to retire at or after age 50 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit. PERS also provides death and disability benefits. These benefit provisions and all other requirements have been established by State statute and by specific agreements with City labor groups.

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans in order to fully fund of the City's obligations to its pension plans. Increases in the amount the City is obligated to pay to PERS with respect to its pension plans would not change the City's obligation under the Indenture to pay debt service on the Bonds. However, any such increases may adversely impact the ability of the City to pay amounts from the City's general fund, including debt service on the Bonds.

For more information on the City's pension plan, other post-employment benefits (OPEB) and related matters, see "CITY FINANCIAL INFORMATION" and APPENDIX C.

Limitations on Taxes and Fees

Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved.

The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay debt service on the Bonds and its other obligations payable from the General Fund, the approval requirements of Articles XIII C and XIII D reduce the flexibility of the City to raise revenues for its General Fund

and no assurance can be given that City will be able to impose, extend or increase the fees, charges, assessments or taxes in the future that it may need to meet increased expenditure needs. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution.”

Natural Calamities

From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City, and which could have a negative impact on assessed values in the City and City finances. In addition to the seismic, flood, drought and wildfire risk described below, other natural disasters could include, without limitation, landslides, dam failure, canal failure or tornadoes.

Seismic. The City is located along the eastern edge of the seismically active Coast Ranges of California. Active faults near the City include the Green Valley and Cordelia faults. Most large earthquakes in the Bay Area have occurred along the major faults including the San Andreas, Hayward, Calaveras faults, which are located 20 to 45 miles west and south of the City.

Flood. The potential for flood damage in the City has increased with urbanization over recent years. Five streams that periodically overflow in the City are Ledgewood, Pennsylvania Avenue, Union Area, Laurel and McCoy creeks. In the lower reaches of this creek system, flood hazards are intensified by high tides that result in restricted drainage. The major cause of flooding in the southern parts of the City is the low lying nature of the land and the associated effects of the high tides.

Drought. The City, like the rest of the State, has been experiencing a severe drought in recent years, with the governor proclaiming a State of Emergency in 2014 and directing State officials to take all necessary actions to prepare for these drought conditions. The State set a new “low water” mark on April 1, 2015, with its early-April snowpack measurement. The State-wide electronic reading of the snowpack’s water content stood at 5% of the April 1st average. Also on April 1, 2015, for the first time in State history, the governor directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across the State to reduce water usage by 25 percent. The implementation of mandatory water reductions remains ongoing. The City has two key sources of water: the State Water Project (commonly known as SWP) and Lake Berryessa.

Wildfire. Significant portions of the foothill watershed areas surrounding the City are threatened with wildfire risk, and these areas present a dangerous combination of factors. “Extreme Wildfire Risk Areas,” are those lands where severe burning conditions prevail (chaparral and heavy woodland, steep slopes, poor access, winds). In the City, this includes the hilly areas to the west and northwest, the Cement Hill area, the hills above Green Valley and the hills above Interstate 80 and 680 just south of Cordelia.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City’s ability to pay debt service with respect to the Bonds.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “**CERCLA**” or the “**Superfund Act**” is the most well known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has any thing to do with creating or handling the hazardous substance.

The effect, therefore, should any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Reduction in the value of property in the City as a whole could reduce property tax revenues received by the City and deposited in the general fund, which could significantly and adversely affect the ability of the City to make payments on the Bonds.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; and usual equitable principles which may limit the specific enforcement under state law of certain remedies. The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Bonds will be so qualified.

The enforceability of the rights and remedies of the Owners and the obligations of the City may also be subject to the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

State and Federal law permit cities in the State to seek relief from creditors in bankruptcy under certain circumstances. Bankruptcy proceedings, if initiated by the City, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. The City is a governmental unit and therefore cannot be the subject to an involuntary case under the United States Bankruptcy Code (the “Bankruptcy Code”). However, the City may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code applicable in a Chapter 9 case. Such provisions might include: (i) the application of the automatic stay provision of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other actions for the purpose of recording or collection a claim against the City and which could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition by the City; (iii) the existence of indebtedness of the City to creditors which may have priority of payment superior to that of Owners of the Bonds; and (iv) the possibility of an adoption of a plan for the adjustment of the City’s debts without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the plan is adopted. For more information on the City’s finances, see “CITY FINANCIAL INFORMATION.”

Bankruptcies in the City of Stockton and the City of San Bernardino have brought scrutiny to pension obligation bonds in the State. In the Stockton bankruptcy, the bankruptcy court approved cuts to holders of the city's outstanding pension obligation bonds while allowing the city to fully repay its obligations to PERS. Similarly, following its bankruptcy, San Bernardino continued to pay its obligations to PERS, while defaulting on debt service owed to holders of its pension obligation bonds; it was subsequently sued by holders of such bonds in a lawsuit that asserted the pension obligations bonds should be entitled to equal repayment status with the city's obligation to PERS. In May of 2015, the bankruptcy court in charge of the San Bernardino bankruptcy ruled against such bondholders.

Litigation

The City may be or become a party to litigation which has an impact on the City's general fund. Although the City maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents (see APPENDIX C for further information), the City cannot predict what types of liabilities may arise in the future. See also "LITIGATION".

Impact of State Budget on City Revenues

At various times, including recently, the State has experienced significant financial and budgetary stress. State budgets are affected by national and local economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout the State. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

For example, declining revenues and fiscal difficulties which arose in the State commencing in Fiscal Year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks); the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals); trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others; and the dissolution of local redevelopment agencies.

Although starting with Fiscal Year 2013-14, recent State budgets have been balanced and balanced budgets are projected for the foreseeable future, largely attributable to improvements in the economy, the additional revenues generated due to the passage of Proposition 30 (described below) in November 2012, as well as other State spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the City to make debt service payments on the Bonds may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The

City does not anticipate exceeding its appropriations limit. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” below.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws applicable to the City in a manner that could result in a reduction of the City’s revenues and therefore a reduction of the funds legally available to the City to make debt service payments on the Bonds. For example, a voter initiative approved in 1992 eliminated taxation for candy, gum, bottled water and confectionery, and in 1993, certain types of transactions subject to the State sales tax were eliminated through repeal of legislation. See also the discussion under “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

Any changes or amendments in the laws applicable to the City in the future, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues, property tax revenues or other revenues received by the City.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section I(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section I(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIII A defines “**full cash value**” to mean the county assessor’s valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation implementing Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the State Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “**appropriations limit**” imposed by Article XIII B which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “**proceeds of taxes**,” which consist of tax revenues, State

subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency’s taxpayers through tax rate or fee reductions over the following two years.

Proposition 62

On November 4, 1986, State voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a “**general tax**”) must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a “**special tax**”) must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency’s property tax allocation.

Most of the provisions of Proposition 62, which was a statutory initiative, were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Gardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, State voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent

existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

Taxes. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”) require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Property-Related Fees and Charges. Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Fees and Charges. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIII C provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIII D provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIII D.

Proposition 1A; Proposition 22; Proposition 30

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State’s Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues

allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 1A provided, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaimed that the shift is needed due to a severe state financial hardship, the shift was approved by two-thirds of both houses and certain other conditions were met. The State could also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

See the section entitled “RISK FACTORS – Impact of State Budget on City Revenues” for information about the State’s recent budgets and related matters.

Proposition 22. Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 30. Proposition 30, entitled “Schools and Local Public Safety Protection Act,” was approved by voters of the State in November 2012. Proposition 30 enacted temporary income tax increases on high-income earners, raising income taxes by up to three percent on the wealthiest Californians for seven years, and increased the State sales tax for four years. Passage of Proposition 30 averted \$5.9 billion of planned trigger budget cuts that would have affected public education and other funding in the State.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“**Unitary Property**”), commencing with the 1988-89 Fiscal Year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Proposition 62 were each adopted as measures that qualified for the ballot through the State's initiative process. From time to time other initiative measures could be adopted, further directly or indirectly affecting the City's finances.

CONTINUING DISCLOSURE

The City has covenanted in its continuing disclosure certificate (the “**Undertaking**”) for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and other operating data on an annual basis no later than March 31 of each year, commencing on March 31, 2016, and to provide notice of certain enumerated events as required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “**Rule**”). The specific nature of the information to be contained in the annual report or the notices of enumerated events is summarized under the caption “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with the Rule.

The City has previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. In the past five years, the City failed to provide certain notices (including notices of certain insurer-related rating changes) and failed to file its audited financial statements for two series of special tax bonds for four fiscal years. The City has filed such notices and financial statements since becoming aware of its non-compliance.

Any failure by the City to comply with the provisions of its Undertaking will not constitute a default under the Indenture (although owners of the Bonds will have any remedy available at law or in equity as provided in the Undertaking). Nevertheless, a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

UNDERWRITING

Stifel, Nicolas & Company, Incorporated (the “**Underwriter**”) has agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price of \$_____ (being the principal amount of the Bonds, [*less* an original issue discount][*plus* an original issue premium] of \$_____, and *less* an Underwriter’s discount in the amount of \$_____). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Bonds if any Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yields set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Bonds to the public, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

MUNICIPAL ADVISOR

The City retained Public Financial Management, Inc., San Francisco, California, as municipal advisor (the “**Municipal Advisor**”), in connection with the issuance of the Bonds. The Municipal Advisor has assisted the City in matters relating to the planning, structuring, and sale of the Bonds, and has provided general financial advisory services to the City with respect to the issuance and sale of the Bonds. The Municipal Advisor provides financial advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Fees payable to the Municipal Advisor are contingent upon issuance of the Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render an opinion substantially in the form of APPENDIX D hereto with respect to the validity of the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall is also serving as Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney. Certain matters will be passed upon for the Underwriter by Nossaman, LLP, Irvine, California.

Fees payable to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel are contingent upon issuance of the Bonds.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, based upon existing laws, regulations, rulings and court decisions, and assuming (among other things) compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes, although interest on the Bonds is not intended to be excluded from gross income for federal income tax purposes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above, including with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

VALIDATION ACTION FOR PRIOR BONDS

On September 13, 2004, the City, acting pursuant to the provisions of Section 860 et seq. of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California in and for the County of Solano seeking judicial validation of the transactions relating to the contract between the PERS Board of Administration and the City Council of the City, effective July 1, 1958 (the “**PERS Contract**”), the Prior Bonds and certain other matters

entitled *City of Fairfield v. All Persons* (Case No. FCS024682). On November 24, 2004, the court entered a default judgment to the effect, among other things, that the PERS Contract, the Prior Bonds and all contracts and agreements executed and delivered in connection therewith are obligations imposed by law and are valid and binding obligations under the Constitution and laws of the State. On December 24, 2004, the judgment became binding and conclusive in accordance with State law. As with any judgment, there can be no assurance that this judgment will not be challenged in the future, although no such challenge has been filed, and the City is unaware of any threatened challenge to this judgment. In issuing its approving opinion, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will rely, among other things, on the above-described judgment.

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the City to restrain or enjoin the authorization, execution or delivery of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the Bonds, the Indenture or the agreement for the sale of the Bonds, or in any way contesting or affecting the transactions described in this Official Statement.

There are a number of lawsuits and claims pending and threatened against the City unrelated to the Bonds or actions taken with respect to the Bonds. It is the opinion of the City as of the date of this Official Statement that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make debt service payments on the Bonds.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "AA-" to the Bonds. This rating reflects only the view of the rating agency, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from the rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement). There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

EXECUTION

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

CITY OF FAIRFIELD, CALIFORNIA

By: _____
City Manager

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APPENDIX A

CITY OF FAIRFIELD GENERAL DEMOGRAPHIC INFORMATION

General

The County. Solano County (the “**County**”), which encompasses approximately 907 square miles, is located in Bay-Delta region of the State of California (the “**State**”), about halfway between San Francisco and Sacramento. The County is one of the nine San Francisco Bay Area counties. The county seat is the City of Fairfield (the “**City**”) and its largest city is Vallejo.

The City. The City, which comprises approximately 35 square miles, is located in the County some 44 miles northeast of San Francisco and 42 miles west of Sacramento. The City is served by Interstate 80, the major freeway link between San Francisco and Sacramento, as well as Highway 12, a connecting freeway from Interstate 80 to the Napa Valley.

The City was incorporated in 1903, and remained a small agriculturally-based community until 1942, when the United States government built what became Travis Air Force Base on 6,000 acres in what is now the eastern portion of the City. Travis Air Force Base is a United States Air Force airfield in the Central Valley of California, lying in parts of Fairfield and Vacaville. Called the “Gateway to the Pacific”, Travis handles more cargo and passengers than any other military air terminal in the United States. The base’s host unit, the 60th Air Mobility Wing, is the largest wing in the Air Force’s Air Mobility Command, with a versatile fleet of 37 C-5 Galaxies and 27 KC-10 Extenders. The base is also host to David Grant USAF Medical Center, a major Air Force teaching hospital and regional trauma center. However, the Travis Air Force Base property is tax exempt, and the Base Exchange and hotel do not pay sales or transient occupancy taxes.

Today, the City is at the center of a rapidly expanding county. Situated between two of the fastest growing areas in the State, the City bridges the gap between the San Francisco Bay Area and the Sacramento metropolitan region. This location on the Interstate 80 growth corridor is a focal point for new development in Northern California, owing to relatively low land costs, good transportation, and abundant development sites. Community amenities include an enclosed regional shopping mall with over one million square feet and 150 stores, a center for the performing arts, senior citizens center, and the 650-acre Rockville Hills Park. Natural amenities include the nearby Vaca Mountains, the fertile agricultural area of the Suisun Valley, the Suisun Marsh (the nation’s largest fresh water marsh) and the Sacramento River Delta. The Napa and Sonoma wineries lie an hour to the west, and Lake Tahoe two hours to the east. The City enjoys a temperate climate, and cooling sea breezes mitigate summertime heat.

City Services and Government

The City provides a broad range of services including police, fire, public works, community development, and community services.

It also operates municipal utilities for water, wastewater, storm water, refuse collection, recycling and landfill disposal in addition to an enterprise operation for a golf course. The water utility provides water service beyond the municipal boundaries and has a total service population of approximately 112,000, as of January, 2015. Certain infrastructure construction

and community development activities had previously been provided through a legally separate redevelopment agency. In 2011, the State legislature adopted legislation that eliminated redevelopment agencies. The assets and liabilities of the City’s former redevelopment agency were transferred to a private-purpose trust fund in 2012. Also in 2012, the City Council elected to become the Successor Agency to the former redevelopment agency. For more information on the Successor Agency, see footnote 18 to “APPENDIX C – Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.”

The City, incorporated in 1903, is a general law city and operates under a Council-Manager form of government with a separately-elected Mayor and four Council members, elected at large to staggered four-year terms. The City Council appoints the City Manager and the City Attorney. The City Clerk and City Treasurer are separately elected. Department heads are appointed by the City Manager. The City is organized into seven departments: Public Works, Police, Fire, Community Development, Parks and Recreation, Finance and Technology, and Human Resources. In addition, City Administration comprises the executive, legislative and legal offices.

Population

The Fairfield area experienced significant growth over the 1980s. The population of the City was 58,099 as of the 1980 census. By January 1, 1990 the population of the City was estimated to be 77,211, a percentage increase of approximately 33% over this ten-year period. Further growth occurred during the 1990s, when population grew another 25% over this ten-year period to 2000. The table below shows population estimates for the City, the County and the State since 2010.

**Table A-1
CITY OF FAIRFIELD, COUNTY OF SOLANO AND STATE OF CALIFORNIA
Population Estimates- Calendar Years 2010 through 2015**

Calendar Year	City of Fairfield	County of Solano	State of California
2010	103,224	413,268	37,223,900
2011	105,955	413,391	37,427,946
2012	106,897	415,787	37,668,804
2013	108,714	420,339	37,984,138
2014	110,283	425,169	38,357,121
2015	111,891	429,552	38,714,725

Source: California State Department of Finance, as of January 1.

Employment and Industry

The County is included in the Vallejo-Fairfield Metropolitan Statistical Area (“MSA”). The unemployment rate in the County was 5.8 percent in April 2015, down from a revised 6.2 percent in March 2015, and below the year-ago estimate of 7.5 percent. This compares with an unadjusted unemployment rate of 6.1 percent for the State and 5.1 percent for the nation during the same period.

The following table shows civilian labor force and wage and salary employment data for the Vallejo-Fairfield Metropolitan Statistical Area, which is coterminous with the County, for the past five calendar years.

**Table A-2
VALLEJO-FAIRFIELD METROPOLITAN STATISTICAL AREA
Civilian Labor Force, Employment and Unemployment
(Annual Averages)**

	2010	2011	2012	2013	2014
<u>Civilian Labor Force</u> ⁽¹⁾	202,800	202,800	203,900	204,300	203,700
Employment	177,300	178,200	182,200	185,900	188,500
Unemployment	25,400	24,600	21,700	18,400	15,200
Unemployment Rate	12.5%	12.1%	10.6%	9.0%	7.5%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,400	1,400	1,500	1,700	1,900
Mining and Logging	200	300	200	200	300
Construction	7,200	7,800	8,100	8,600	8,400
Manufacturing	9,700	9,600	10,000	10,200	10,800
Wholesale Trade	4,200	4,100	4,200	4,200	4,400
Retail Trade	16,400	16,500	16,900	17,200	17,500
Trans., Warehousing and Utilities	4,200	3,700	3,700	3,900	4,100
Information	1,300	1,100	1,100	1,100	1,100
Financial Activities	5,200	5,100	5,000	5,100	4,900
Professional and Business Services	8,800	8,800	8,900	9,400	9,500
Educational and Health Services	20,200	20,400	21,200	23,000	23,600
Leisure and Hospitality	13,700	13,900	14,200	14,600	15,200
Other Services	3,600	3,600	3,900	4,000	4,000
Federal Government	4,600	4,200	3,900	3,800	3,700
State Government	5,000	5,200	5,300	5,200	5,100
Local Government	15,300	14,900	14,900	15,000	15,500
Total, All Industries ⁽³⁾	120,900	120,600	123,100	127,200	129,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

Employment in the City area traditionally is centered around food processing, financial and service employees and the public sector. The following tables list some of the largest employers located within the City and the County.

**Table A-3
CITY OF FAIRFIELD
Major Employers
As of June 30, 2014**

Employer Name	No. of Employees	Type of Industry
Travis Air Force Base	14,353	Military Base
Fairfield-Suisun Unified School District	2,707	Education
County of Solano	2,628	Local Government
Northbay Medical Center	1,982	Hospital
Solano Community College	867	Education
City of Fairfield	504	City Government
Sutter Regional Medical Foundation	475	Medical
Jelly Belly Candy Co.	461	Candy & Confections
Westamerica Bancorporation	418	Financial
Partnership HealthPlan	403	Service

Source: City of Fairfield Comprehensive Annual Financial Report as of June 30, 2014.

Table A-4
SOLANO COUNTY
Largest Employers (Listed Alphabetically)
As of June 1, 2015

Employer Name	Location	Industry
Anheuser-Busch Inc	Fairfield	Brewers (Mfrs)
California Medical Facility	Vacaville	Government Offices-State
Flatiron Construction Corp	Benicia	General Contractors
Ford Lincoln Fairfield	Fairfield	Automobile Dealers-New Cars
Gbg Corp	Vacaville	Wellness Programs
Genentech Inc	Vacaville	Pharmaceutical Products-Wholesale
Guittard Chocolate Co	Fairfield	Chocolate & Cocoa (Whls)
Honeywell	Benicia	Aerospace Industries (Mfrs)
Jelly Belly Candy Co	Fairfield	Management Services
Kaiser Foundation Hospitals	Vallejo	Hospitals
Kaiser Permanente-Hospice	Vallejo	Hospices
M&g Dura Vent Inc	Vacaville	Building Materials-Wholesale
Northbay Medical Ctr	Fairfield	Hospitals
Northbay Vacavalley Hospital	Vacaville	Hospitals
Six Flags	Vallejo	Amusement & Theme Parks
Solano County Health & Social	Fairfield	County Government-Public Health Programs
Solano County Sheriff	Fairfield	Sheriff
Solano County Superintendent	Fairfield	Schools
Sutter Solano Medical Ctr	Vallejo	Hospitals
Touro College	Vallejo	Schools-Universities & Colleges Academic
Travis Air Force Base	Fairfield	Military Bases
USDA Forest Service	Vallejo	Government-Forestry Services
Vacaville City Hall	Vacaville	City Hall
Westamerica Bancorp	Fairfield	Holding Companies (Bank)
Westrust-Nut Tree	Vacaville	Real Estate Developers

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2010 through 2014.

**Table A-5
CITY OF FAIRFIELD, COUNTY OF SOLANO,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
Calendar Years 2010 Through 2014**

Year	Area	Total Effective Buying Income (000s omitted)	Median Household Effective Buying Income
2010	City of Fairfield	\$ 2,099,998	\$51,247
	County of Solano	8,629,795	53,347
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Fairfield	\$ 2,190,555	\$52,291
	County of Solano	9,056,825	53,146
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Fairfield	\$ 2,296,005	\$53,521
	County of Solano	9,385,483	53,444
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Fairfield	\$ 2,363,233	\$53,591
	County of Solano	9,786,833	53,898
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Fairfield	\$ 2,414,508	\$53,906
	County of Solano	9,934,308	54,340
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: The Nielsen Company (US) Inc.

Construction Activity

The following tables show a summary of the valuation of building permits issued in the City and the County since 2009. Data for the County is not yet available for calendar year 2014.

**Table A-6
CITY OF FAIRFIELD
Total Building Permit Valuations
(Valuations in Thousands)***

Permit Valuation	2009	2010	2011	2012	2013	2014
New Single-family	\$25,055.5	\$22,791.2	\$29,802.2	\$44,464.2	\$36,934.8	\$85,386.2
New Multi-family	0.0	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>1,827.5</u>	<u>3,091.0</u>	<u>3,809.5</u>	<u>40,294.1</u>	<u>5,961.6</u>	<u>15,923.7</u>
Total Residential	26,883.0	25,882.2	33,611.7	84,758.3	42,896.4	101,310.0
New Commercial	16,824.8	6,292.0	181.2	2,544.1	12,447.8	14,112.6
New Industrial	18,151.9	0.0	0.0	417.4	8,860.1	19,289.2
New Other	2,205.4	869.4	0.0	0.0	1,211.2	0.0
Com. Alterations/Additions	<u>33,653.5</u>	<u>12,206.2</u>	<u>15,723.6</u>	<u>9,497.6</u>	<u>17,403.2</u>	<u>12,432.7</u>
Total Nonresidential	70,835.6	19,367.6	15,904.8	12,459.1	39,922.3	45,834.4
New Dwelling Units						
Single Family	147	139	181	275	217	316
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	147	139	181	275	217	316

Source: Construction Industry Research Board, Building Permit Summary.

* Subtotals may be slightly off due to rounding.

**Table A-7
COUNTY OF SOLANO
Total Building Permit Valuations
(Valuations in Thousands)***

Permit Valuation	2009	2010	2011	2012	2013
New Single-family	\$124,971.4	\$100,399.6	\$84,425.3	\$94,240.0	\$109,649.8
New Multi-family	0.0	0.0	0.0	3,711.3	27,083.8
Res. Alterations/Additions	<u>21,394.9</u>	<u>27,058.7</u>	<u>33,302.5</u>	<u>75,926.4</u>	<u>27,713.7</u>
Total Residential	146,366.3	127,458.2	117,727.8	173,877.7	\$164,447.3
New Commercial	22,301.8	19,899.6	5,482.4	26,516.0	38,581.2
New Industrial	21,310.9	1,500.0	3,185.9	9,138.7	9,736.1
New Other	13,380.5	14,183.1	6,593.0	110.0	15,895.0
Com. Alterations/Additions	<u>85,324.1</u>	<u>55,500.3</u>	<u>77,069.7</u>	<u>53,261.2</u>	<u>51,102.4</u>
Total Nonresidential	142,317.3	91,083.0	92,331.0	89,025.9	115,314.7
New Dwelling Units					
Single Family	559	441	392	470	524
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>59</u>	<u>281</u>
TOTAL	559	441	392	529	805

Source: Construction Industry Research Board, Building Permit Summary.

* Subtotals may be slightly off due to rounding.

Assessed Valuation.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" in the body of the Official Statement.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuation History.

The following table shows a five-year history of the City's assessed valuation.

**Table A-8
CITY OF FAIRFIELD
Assessed Valuations of All Taxable Property
Fiscal Years 2010-11 through 2014-15**

	Secured	Utility	Unsecured	Total	Percent Change
2010-11	\$9,122,334,894	\$16,167,476	\$526,673,562	\$9,665,175,932	--
2011-12	9,033,520,216	32,054,176	494,317,101	9,559,891,493	(1.09)%
2012-13	8,830,632,477	27,410,697	500,694,671	9,358,737,845	(2.10)
2013-14	9,603,702,930	25,582,674	510,873,883	10,140,159,487	8.35
2014-15	10,444,134,507	24,229,435	516,683,921	10,984,947,863	8.33

Source: California Municipal Statistics, Inc.

Major Property Taxpayers.

The following table shows the ten largest taxpayers in the City as determined by their combined secured and unsecured assessed valuations in 2014-15.

**Table A-9
CITY OF FAIRFIELD
Principal Property Tax Payers
Fiscal Year 2014-15**

Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total ⁽¹⁾
1 Anheuser Busch Inc	Industrial	\$255,285,664	2.32%
2 Star-West Solano Mall LLC	Commercial	173,779,482	1.58
3 Meyer Cookware Industries Inc	Industrial	80,084,285	0.73
4 Ball Metal Beverage Cont Corporation	Industrial	70,102,660	0.64
5 N.A. Rolling Oaks-88 LP	Residential	53,380,558	0.49
6 SBC Services	Unsecured	53,162,544	0.48
7 Jelly Belly Candy Company	Unsecured	48,442,934	0.44
8 US Real Estate Limited Partnership	Industrial	44,545,703	0.41
9 Clorox International The	Industrial	43,696,831	0.40
10 NV NBHQ	Commercial	41,999,753	0.38

(1) Total Taxpayers Assessed Valuation: \$10,984,963,503.

Source: Solano County Assessor's Office (HdL Report).

Historical Property Tax Levies and Collections. The property tax levies and collections for the City for 2009-10 through 2013-14 are shown in the following table:

**Table A-10
CITY OF FAIRFIELD
Secured Tax Charges and Delinquencies
Fiscal Years 2009-10 through 2013-14**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30 ⁽²⁾	% Delinquent June 30 ⁽²⁾
2009-10	\$552,768.12	\$14,903.26	2.69%
2010-11	629,790.34	11,451.96	1.82
2011-12	628,655.92	9,551.27	1.52
2012-13	563,221.04	6,707.87	1.19
2013-14	441,468.20	4,936.47	1.12

(1) 1% General Fund apportionment.

(2) The Board of Supervisors of the County has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the City, for which the County acts as the tax-levying or tax-collecting agency.

Source: California Municipal Statistics, Inc.

Commercial Activity

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2013 in the City were reported to be \$1,666,580,000, a 9.18% increase over the total taxable sales of \$1,526,410,000 reported during calendar year 2012. Data is not yet available for calendar year 2014.

**Table A-11
CITY OF FAIRFIELD
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	1,260	\$ 916,520	1,903	\$1,228,082
2010	1,339	944,452	1,978	1,240,790
2011	1,391	1,050,596	2,032	1,418,267
2012	1,417	1,122,369	2,045	1,526,410
2013	1,420	1,220,506	2,043	1,666,580

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2014 in the County were reported to be \$6,377,402,000, a 5.62% increase over the total taxable sales of \$6,037,959,000 reported during calendar year 2012. Data is not yet available for calendar year 2014.

**Table A-12
COUNTY OF SOLANO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2009	5,182	\$3,354,679	7,655	\$5,319,472
2010	5,354	3,494,615	7,839	5,233,333
2011	5,439	3,844,513	7,916	5,779,363
2012	5,607	4,110,380	8,102	6,037,959
2013	5,693	4,344,846	8,129	6,377,402

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

APPENDIX B

SUMMARY OF INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust relating to the Bonds not contained in the main body of the Official Statement. Such summary is not intended to be definitive, and reference should be made to the complete document for the definitive terms thereof.

Certain Definitions

“Authorized Representative” means: (a) with respect to the City, its City Manager, Finance Director, or any other Person designated as an Authorized Representative of the City by a Certificate of the City signed by its City Manager or Finance Director and filed with the Trustee; and (b) with respect to the Trustee, any Vice President, any Assistant Vice President or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or execute any document by or pursuant to a resolution of the Board of Directors of the Trustee or the bylaws of the Trustee.

“Beneficial Owner” means, for purposes of the Indenture, any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Bonds, including persons holding Bonds through nominees, depositories or other intermediaries, or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, San Francisco, California, and its successors; or any other firm of nationally recognized bond counsel selected by the City.

“Bonds” the \$_____ City of Fairfield Refunding Bonds (Federally Taxable), Series 2015, issued pursuant to the Indenture.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the City of San Francisco, California, or in any state in which the Office is located, or the New York Stock Exchange, are closed. If any payment hereunder is due on a day which is not a Business Day, such payment will be made on the next succeeding Business Day.

“City” means the City of Fairfield, California.

“Closing Date” means the date on which the Bonds are delivered to the original purchaser thereof.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the issuance of the Bonds, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including fees of its counsel), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of

rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Debt Service Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Depository” means The Depository Trust Company, or such other securities depository as the City may designate in a Written Certificate delivered to the Trustee.

“DTC” means The Depository Trust Company and its successors and assigns.

“Escrow Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State, as will be certified in writing by the City to the Trustee, for the moneys proposed to be invested therein:

- (a) direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the payment of principal of and interest on which are directly or indirectly unconditionally guaranteed by, the United States of America; and
- (b) direct obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the City designated in a Written Certificate of the City delivered to the Trustee.

“Indenture” means the Indenture of Trust, dated as of September 1, 2015, related to the Bonds, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Independent Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the City, and who, or each of whom: (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City but who may be regularly retained to make reports to the City.

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means June 1 and December 1 of each year, commencing December 1, 2015.

“Moody's” means Moody's Investors Service, Inc., its successors and assigns.

“Nominee” means Cede & Co.

“Office” means the corporate trust office of the Trustee at 100 Pine Street, Suite 3150, San Francisco, CA 94111, or at such other address or addresses designated by the Trustee in written notice filed with the City and the Owners, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the City will have been discharged in accordance with the Indenture, including Bonds (or portions of Bonds) disqualified under the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” or **“Bond Owner,”** whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

“Participant” means each broker-dealer, bank and other financial institution from time to time for which a Depository holds Bonds as security depository.

“Participating Underwriter” will have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) certificates of beneficial ownership issued by the Farmers Home Administration; (ii) participation certificates issued by the General Services Administration; (iii) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (iv) project notes issued by the United States Department of Housing and Urban Development; and (v) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) in federal or state chartered savings and loan associations or in federal or State banks (including the Trustee and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association will be rated in the highest short-term rating category by Moody's and S&P, or (ii) such demand or time deposits will be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by Moody's and S&P, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by Moody's and S&P, which mature not more than 270 days following the date of investment therein;

(f) obligations of the State or any political subdivisions of the State which are rated "A" or better by Moody's and S&P;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated "AA" or better by Moody's and S&P;

(h) money market funds (including money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) which are rated in the highest rating category by Moody's and S&P;

(i) the Local Agency Investment Fund established pursuant to section 16429.1 of the California Government Code, to the extent the Trustee may deposit and withdraw funds directly, provided that the Trustee may restrict such investment if required to keep moneys available for the purposes of the Indenture; and

(j) Shares in the California Asset Management Program (CAMP).

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

"Refunding Bond Law" means Articles 10 and 11 (commencing with section 53570) of Chapter 3, Division 2, Title 5 of the California Government Code.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Retirement Law" means the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code, commencing with section 20000 of said Code, as amended from time to time.

"S&P" means Standard & Poor's Rating Services, and its successors.

"State" means the State of California.

“Supplemental Indenture” means a Supplemental Indenture modifying, amending or supplementing the Indenture, entered into by and between the City and the Trustee pursuant to the provisions of the Indenture.

“Surplus Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Term Bonds” means the Bonds maturing on June 1 in each of the years _____, _____ and _____.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or its successor, as Trustee hereunder as provided in the Indenture, and as paying agent, transfer agent and registrar for the Bonds.

“2004B Bonds” means the \$20,955,000 City of Fairfield Refund Obligation Refunding bonds (Federally Taxable), Series 2004B.

“2004B Indenture” means the Indenture of Trust, dated as of February 1, 2005, by and between the City and The Bank of New York Mellon Trust Company, N.A.

“Written Certificate” and **“Written Request”** of the City mean, respectively, a written certificate or written request executed in the name of the City by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

The Bonds

Payment of Interest and Principal. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before November 15, 2015, in which event it will bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; *provided, however,* that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds will be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the United States designated in such written request.

Principal of any Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Office. The principal of and interest on the Bonds will be payable in lawful money of the United States of America.

Book-Entry System. The Bonds will be initially executed and delivered in the form of a separate single fully registered Bond for each maturity (which may be typewritten). Upon initial execution and delivery, the ownership of each such Bond for each maturity will be registered on the Registration Books in the name of the Nominee, as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds will be registered on the Registration Books in the name of the Nominee. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Depository will no longer so act and gives notice to the Trustee of such determination, or (iii) the City determines to discontinue the book-entry system with the Depository, the City may replace the Depository with another qualified securities depository or discontinue the book-entry system.

If the City determines to replace the Depository with another qualified securities depository, the City will prepare or direct the preparation of a new single, separate, fully registered Bond, registered in the name of such successor or substitute qualified securities depository or its nominee. If the City fails to identify another qualified securities depository to replace the Depository, then the Bonds will no longer be restricted to being registered on the Registration Books in the name of the Nominee, but will be registered in whatever name or names Owners transferring or exchanging Bonds will designate, in accordance with the provisions of the Indenture.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such Bond, and all notices with respect to such Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Costs of Issuance Fund

The Trustee will establish and maintain a separate fund to be known as the "Costs of Issuance Fund" into which will be deposited a portion of the proceeds of sale of the Bonds pursuant to the Indenture. The moneys in the Costs of Issuance Fund will be disbursed by the Trustee to pay or reimburse, as the case may be, the Costs of Issuance. Upon the determination by the City that all Costs of Issuance have been paid, the City will instruct the Trustee to transfer any moneys then remaining in the Costs of Issuance Fund to the City, to be used for the reimbursement of administrative expenses of the finance department of the City, and the Costs of Issuance Fund will thereupon be closed.

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture will be invested by the Trustee solely in Permitted Investments, as directed in writing by the City two (2) Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the City will determine. All Permitted Investments will be acquired subject to such limitations or requirements as may be established by the Written Request of the City. Moneys in all funds and accounts will be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the City, the Trustee will invest any funds held by it in Permitted

Investments described in clause (h) of the definition thereof provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee will have received a Written Request of the City specifying a specific money market fund and, if no such Written Request of the City is so received, the Trustee will hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture will be deposited in the Debt Service Fund. Notwithstanding anything to the contrary contained in the Indenture, interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investments will be credited to the fund from which such accrued interest was paid.

Other Covenants of the City

Punctual Payment. The City covenants to punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof.

Records and Accounts. The City covenants that it will keep proper books of record and accounts of its financial affairs, in which complete and correct entries are made of all transactions relating to the Bonds. Said books will, upon reasonable request, be subject to the inspection of any Owner owning not less than ten percent (10%) of the Outstanding Bonds or such Owner’s representative authorized in writing. In addition, the City covenants that it will cause its books and accounts to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office, upon reasonable request, a copy of the report of such Independent Accountant.

Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, will, to the extent indemnified to its satisfaction from and against any costs, liabilities or expenses, including fees and expenses of its attorneys) or any Bondholder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the section of the Indenture related thereto.

Events of Default and Remedies

Events of Default Defined. Each of the following events will be an “**Event of Default**”:

- (a) Default in the due and punctual payment of the principal of any Bonds when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, or otherwise.
- (b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same become due and payable.
- (c) Default by the City in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such

default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the City by the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, if in the reasonable judgment of the City the default stated in the notice can be corrected, but not within such sixty (60) day period, such default will not constitute an Event of Default if corrective action is instituted by the City within such sixty (60) day period and diligently pursued until the default is corrected.

(d) The filing by the City of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or the approval by a court of competent jurisdiction of a petition, filed with or without the consent of the City, seeking reorganization of the City under the federal bankruptcy laws or any other applicable law of the United States of America, or the assumption of custody or control of the City or of the whole or any substantial part of its property, under the provisions of any other law for the relief or aid of debtors, by any court of competent jurisdiction.

Remedies Upon Event of Default. Subject to the limitations on Bond Owners' Right to Sue described below, the Trustee will have the right, for the equal benefit and protection of all Bond Owners similarly situated, to exercise any or all of the following remedies upon the occurrence and the continuation of an Event of Default:

(a) The Trustee may, by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it by the Indenture and by the Retirement Law.

(b) The Trustee may, by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights.

(c) The Trustee may, upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the City and its members and employees to account as if it and they were the trustees of an express trust.

Application of Revenues and Other Funds After Default. If an Event of Default has occurred and is continuing, all amounts then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees and expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and to the payment of the reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which will have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption and, if the amount available will not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Refunding Bond Law, the Retirement Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the Refunding Bond Law, the Retirement Law or any other applicable law. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee, hereunder, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Bond Owner will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Refunding Bond Law, the Retirement Law or any other

applicable law with respect to the Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then outstanding have made written request upon the Trustee to exercise its powers or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and such tender of indemnity has been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture, the Refunding Bond Law, the Retirement Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Amendment of Indenture

The Indenture and the rights and obligations of the City and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which will have been filed with the Trustee. No such modification or amendment will (a) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

The Indenture and the rights and obligations of the City, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into, without the consent of any Bond Owners, for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power under the Indenture reserved to or conferred upon the City;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the Indenture for any purpose whatsoever as the City may deem necessary or desirable, provided that no such amendment or modification will materially adversely affect the interest of the Bond Owners in the opinion of Bond Counsel filed with the City and the Trustee; and

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute.

Discharge of Indenture

Any or all of the Bonds may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Bonds in accordance with the Indenture; or

(c) by delivering to the Trustee, for cancellation by it, all of such Bonds.

If the City will also pay or cause to be paid all other sums payable under the Indenture by the City, including without limitation any compensation then due and owing the Trustee, then and in that case, at the election of the City (evidenced by a Written Certificate of the City filed with the Trustee signifying the intention of the City to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds will not have been surrendered for payment, the Indenture and all covenants, agreements and other obligations of the City under the Indenture will cease, terminate, become void and be completely discharged and satisfied with respect to the Bonds (or portions thereof) with respect to which such action will have been taken. In such event, upon the Written Request of the City, the Trustee will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the City.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to maturity, notice of redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the City in respect of such Bonds will cease, terminate and be completely discharged, and the Owners thereof will thereafter be entitled only to payment out of such money or securities deposited with the Trustee for their payment.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and will be --

(a) Lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the date fixed for redemption of the Bonds; or

(b) Non-callable Federal Securities the principal of, premium, if any, and interest on which when due will provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the date fixed for redemption of the Bonds, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case, that the Trustee will have received written verification from an Independent Accountant of the sufficiency of the money or securities deposited with the Trustee to pay or redeem the Bonds as and when the same will become due and payable or subject to redemption and the Trustee will have been irrevocably instructed (by the terms of the Indenture or by Written Request of the City) to apply such funds to the payment of such principal and interest with respect to such Bonds.

Miscellaneous

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, subject to the laws of the State, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for one (1) year after the date when such Bonds have become due and payable, at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, will be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Bond Owners will look only to the City for the payment of such Bonds; *provided, however*, that before being required to make any such payment to the City, the Trustee will, at the expense of the City, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys will be returned to the City.

Payment on Non-Business Days. In the event any payment is required to be made under the Indenture on a day which is not a Business Day, such payment will be made on the next succeeding Business Day with the same effect as if made on such preceding non-Business Day.

APPENDIX C

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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City of Fairfield, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



Prepared by the Finance Department

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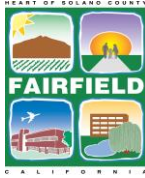


C A L I F O R N I A

City of Fairfield, California

**Comprehensive Annual
Financial Report**

**For the Fiscal Year Ended
June 30, 2014**



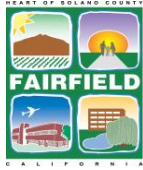
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For the Year Ended June 30, 2014
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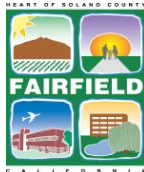
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City of Fairfield

City Council and Elected Officials



**Harry T. Price
Mayor**



**Rick Vaccaro
Vice Mayor**



**Pam Bertani
Councilmember**



**Catherine Moy
Councilmember**



**John Mraz
Councilmember**



**Karen L. Rees
City Clerk**



**Oscar G. Reyes Jr.
City Treasurer**



City of Fairfield

Management Leadership Team



David A. White
City Manager



Greg W. Stepanicich
City Attorney



Walter B. Tibbet
Police Chief



Anthony M. Velasquez
Fire Chief



Erin L. Beavers
Director of
Community
Development



Fred W. Marsh
Director of
Finance



George R. Hicks
Director of
Public Works



City of Fairfield

People and Places in the City





CITY OF FAIRFIELD

Founded 1856

Incorporated December 12, 1903

COUNCIL

Mayor
Harry T. Price
707.428.7395

Vice-Mayor
Rick Vaccaro
707.429.6296

Councilmembers
707.429.6296
Pam Bertani
Catherine Moy
John Mraz

City Manager
David White
707.428.7400

City Attorney
Gregory W. Stepanich
707.428.7419

City Clerk
Karen Rees
707.428.7384

City Treasurer
Oscar G. Reyes Jr.
707.428.7400

DEPARTMENTS

City Manager's Office
707.428.7400

Community Development
707.428.7394

Community Resources
707.428.7465

Finance
707.428.7496

Fire
707.428.7375

Police
707.428.7362

December 9, 2014

Honorable Mayor and City Council City of Fairfield, California

The City is pleased to submit its Comprehensive Annual Financial Report (CAFR) of the City of Fairfield (the City) for the fiscal year ended June 30, 2014. The information contained in this CAFR is prepared in accordance with general accepted accounting principles (GAAP) and includes an unmodified opinion on the report by the City's independent certified public accountants, Vavrinek, Trine, Day and Company LLP. Management assumes responsibility for the accuracy and fairness of the information provided in this report.

The CAFR is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the City's organizational chart and a list of municipal officers and officials. The financial section includes management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information, as well as the auditor's report on the financial statements and schedules. The MD&A provides additional information regarding management of the City's finances and should be read in conjunction with the transmittal letter. The statistical section includes selected financial and demographic information of the City, generally presented on a multi-year basis.

City Profile

The City was incorporated in 1903 and is located in Solano County, a growing region in the northern portion of the San Francisco Bay Area. The City has a permanent staff of approximately 504 employees and serves approximately 110,000 residents in a land area of approximately 37 square miles. The median income of the community in 2014 was approximately \$65,000 and the unemployment rate was 8.7%.

The City is an ethnically diverse community, as reflected by the fact that approximately 16% of the community is black, 15% Asian, 27% Hispanic, 35% white and 7% of other origin. A number of local educational institutions are located within the community, including Solano Community College and satellite campuses of St. Mary's College, Golden Gate University, University of Phoenix, Chapman University, California Maritime Academy and Touro University. Some of the major employers within the City include:

Travis Air Force Base
Fairfield-Suisun Unified School District
Solano Community College
Sutter Fairfield Medical Campus
Westamerica Bank

County of Solano
NorthBay Healthcare Center
Jelly Belly Candy Company
Anheuser-Busch
Partnership HealthPlan

The Reporting Entity and Services

Fairfield is a general law city and operates under a Council-Manager form of government. The City provides a full range of municipal services, including police, fire, water, public transportation, streets and infrastructure, housing assistance, cultural and recreation facilities, social services, golf courses, public works and parks, planning, and economic development. Sewer service is provided by agreement with the Fairfield-Suisun Sewer District, which operates and maintains interceptors and the treatment plant, while the City maintains local collector sewers.

This report includes all activities considered to be a part of, controlled by, and dependent on the City. Accordingly, this report includes the financial activities of the following:

- Water Facilities / Sewer Improvement Districts
- Municipal Park Improvement District
- Housing Authority
- Public Financing Authority
- Storm Drain Facilities Improvement District
- Community Facilities Districts



Accounting System and Budgetary Control

Note 1 in the Basic Financial Statements provides a detailed explanation of the City's significant accounting policies. The City has established internal controls to insure the government's assets are protected from loss, theft, or misuse and to demonstrate stewardship of public resources. Because the cost of internal controls should not outweigh their benefits, the City's framework on internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

Each year, departments work with the City Manager and Finance departments to submit operating budget requests for the next fiscal year. The City Manager and Assistant City Manager then make recommendations to the City Council regarding the budget for the next fiscal year. After public discussion and evaluation of their recommendations, the City Council adopts, for the upcoming fiscal year, the annual budget and multi-year forecast.



Expenditures are controlled at the fund level for all budgeted departments within the City, and may not legally exceed appropriations. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP). Any amendments to the total appropriations of a fund must be approved by the City Council.

Economic Condition and Outlook – General Fund



The City was able to maintain General Fund reserves at the City Council's established level of 20% of expenditures during Fiscal Year (FY) 2013-14, and to present a balanced budget for the General Fund for FY 14-15. Unfortunately, the City's difficult fiscal challenges do not end with the passage of the FY 14-15 budget.

A significant portion of the City's General Fund portion of the revenue base is dependent revenues received from local Measure P, a 1% transaction and use tax that has a five-year term. The tax went into effect on April 1, 2013 and is set to expire March 31, 2018. The new revenue from this measure is being used to maintain existing service levels, build reserves, stimulate the local economy, and invest in street maintenance. Should the term of this measure not be extended, the City will need to implement additional budget cuts in 2018 that will result in the loss of additional police officers, the closure of a fire station and the Allan Witt Aquatics Complex, reduction in street maintenance, closure of the youth and/or senior center and a reduction in other service levels. The City's forecast for its General Fund through Fiscal Year 2018-19 (assuming no extension of Measure P and no budget cuts in 2018) is shown below:

General Fund Five Year Projections through Fiscal Year 2018-19 (in millions)

	14-15	15-16	16-17	17-18	18-19
Revenues / Transfers In	77.4	81.2	81.7	81.7	68.9
Expenditures / Transfers Out	77.3	79.0	81.0	82.4	83.0
(Deficit)/Surplus for Year	0.1	2.2	0.7	(0.7)	(14.1)
Ending Available Fund Balance	19.5	21.7	22.4	21.8	7.7
% of Expenditures	25%	27%	28%	26%	9%

The five-year forecast includes the following assumptions:

- Annual population growth of 0.5% - 1.75%
- Sales Tax growth between 1% - 1.6%
- Property Tax growth between 3% - 4.7%
- Other Revenue growth between 1.6% - 3%
- Salary Cost of Living increases of 1% annually
- Initial estimates of future Miscellaneous and Safety PERS (pension) rates

The initial projections of future PERS rates include the projected effect of the recent changes made by CalPERS to their amortization and smoothing policies, which was to smooth changes to the rate over a five instead of a fifteen year period.



Economic Conditions and Outlook – Other Funds

The General Fund is not the only fund dealing with financial challenges. The following is a brief summary of the issues facing the City's enterprise, capital projects, and internal service funds:

Water Funds With water consumption hovering at low levels due to the drought, and operating costs on the rise, during FY 13-14 the Water Utility secured water rate increases of 2.5% for four years in order to fund operations, maintain adequate reserves, and support its capital program. The City's forecast for its Water Funds through FY 18-19 is shown below:



Water Five Year Projections through Fiscal Year 2018-19
(in millions)

	14-15	15-16	16-17	17-18	18-19
Revenues / Transfers In	31.4	34.2	34.6	34.4	35.3
Expenditures / Transfers Out	37.0	34.1	34.5	34.3	35.2
(Deficit)/Surplus for Year	(5.6)	0.1	0.1	0.1	0.1
Ending Operating Reserves	6.9	7.0	7.2	7.3	7.4
% of Expenditures	19%	21%	21%	21%	21%
Available Capital Reserves	22.0	14.4	12.8	12.5	9.3

Golf Funds After many years of decline, the total number of taxable rounds has increased at both Paradise Valley and Rancho Solano during the past few fiscal years. Despite this rebound, as well as the cost saving measures implemented by City staff in previous years, both Paradise Valley and Rancho Solano require financial support from the City. In addition, the clubhouses and other ancillary buildings are showing their age and are in need of rehabilitation. The City's forecast for its Golf Funds through FY 18-19 is shown below:



Golf Five Year Projections through FY 2018-19
(in millions)

	14-15	15-16	16-17	17-18	18-19
Revenues / Transfers In	\$ 5.5	\$ 5.3	\$ 5.4	\$ 5.5	\$ 5.5
Expenses / Transfers Out	5.4	5.3	5.4	5.5	5.6
(Deficit)/Surplus for Year	0.1	-	-	-	(0.1)
Ending Working Capital	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
% of Expenditures	-9%	-9%	-9%	-9%	-11%

Economic Conditions and Outlook – Other Funds (Continued)

Transit In FY 13-14, the Transit system built on the success it enjoyed in FY 12-13. However, the long-term forecast indicates that there is the potential for Transit to begin generating deficits. The size of the deficits, if any, are contingent on a number of factors, including the availability of grants, bus replacement requirements, and other capital needs. Transit relies heavily on grants to satisfy its equipment replacement and capital needs, and there is no guarantee that these grants will be available in the future. In the event grant funds are not available, Transit will have to explore alternatives to reduce operating expenses and/or grow revenues. The City’s forecast for its Transit Funds through FY 18-19 is shown below:



**Transit Five Year Projections through FY 2018-19
(in millions)**

	14-15	15-16	16-17	17-18	18-19
Revenues / Transfers In	\$ 12.4	\$ 11.8	\$ 12.4	\$ 13.2	\$ 18.8
Expenditures / Transfers Out	12.1	11.4	12.0	12.7	18.5
Surplus for Year	0.3	0.4	0.4	0.5	0.3
Ending Working Capital	0.5	0.9	1.3	1.8	2.1
% of Expenditures	4%	8%	11%	14%	11%

Capital Project Funds To assist in building new parks and facilities, including police and fire, the City relies on the collection of its AB 1600 Impact fees from new development in the City. The amount of funds collected during the past few fiscal years has dropped significantly due to a large drop in development occurring within in the City. Without a significant increase in new development, future parks and facilities may be delayed or eliminated from the City’s master plan. In addition to new parks and facilities, the City also transfers in Gas Tax revenue to fund street capital projects. The City’s forecast for its Capital Projects Funds through FY 18-19 is shown below:



**Capital Projects Five Year Projections through FY 2018-19
(in millions)**

	14-15	15-16	16-17	17-18	18-19
Revenues / Transfers In	36.8	36.4	28.1	28.7	26.3
Expenditures / Transfers Out	38.1	28.1	19.6	26.1	20.0
(Deficit)/Surplus for Year	(1.3)	8.3	8.5	2.6	6.3
Available Ending Reserves	4.8	13.1	21.6	24.2	30.5

Economic Conditions and Outlook – Other Funds (Continued)

Internal Service Funds These funds account for many services provided to all departments within the City. The main focus is with the insurance and the compensated absence funds. Since the City is self-insured, it is prudent to fund a portion or all of the liability owed over time so other funds are not heavily affected in any one year. The major self-insurance liabilities, other post-employment benefits, and compensated absences with their corresponding funding reserves as of June 30, 2014 are listed below:

	<u>Worker's Compensation</u>	<u>General Liability</u>	<u>Other Post- Employment Benefits (OPEB)</u>	<u>Compensated Absences (Governmental Activities only)</u>
Cash Reserve	\$ 10,201,918	\$ 2,954,777	\$ 775,415 ⁽¹⁾	\$ 156,468
Liability	\$ 8,145,000	\$ 2,062,000	\$ 4,044,863 ⁽²⁾	\$ 14,007,941
% of Liability Funded	125%	143%	19%	1%

⁽¹⁾ This represents the cash in the fund. Since the amount has not been placed in a trust, no amount is shown on the three year schedule of funding progress (as presented in the Required Supplementary Information).

⁽²⁾ This amount represents the actuarial accrued liability (as presented in the Required Supplementary Information).

Major Initiatives and Projects

Due to the uncertainty of Measure P and the economic turnaround, the 13/14 budget that was adopted by City Council was focused on maintaining services (no layoffs and maintaining grant-funded positions) and building reserves. New investment and initiatives were limited and focused on economic development activities to increase revenues, maintain streets (through the creation of the Measure P Street Team), and expanding youth services at the Sullivan Interagency Youth Services Center. The following summarizes the achievements accomplished during Fiscal Year 2013-14 and some of the goals that were adopted by the City Council for Fiscal Year 2014-15:

- **Fiscal and Organizational Stability** – After depleting its reserves during the Great Recession, setting aside funds for emergencies and unforeseen events continues to be a priority. The City Council established a goal of achieving a 20% General Fund Reserve, which the City achieved during 13/14. Also, the City Council acknowledged the importance of investing in employees. Given the size of the City's workforce and turnover due to retirements, it is critical that the organization continue to invest in its employees to ensure that they are well-trained, safe, and productive. In 2014, this will include implementing the Leadership Academy for the third consecutive year and developing a wellness program.
- **Economic Development** – 2013 was a successful year. Some of the accomplishments over the past year include businesses in the wine industry securing almost one (1) million square feet of commercial space and the opening of many new businesses such as Carmax, Chrysler/Dodge, H&M, and Airstream. Despite these successes, there are still many areas of the economy that continue to lag – the vacancy rate for the office market remains above 20%, the unemployment rate is still somewhat high, there are retail vacancies, and the city is

vulnerable to the loss of additional retailers that are underperforming either locally or nationally. For this reason, the City Council set economic development as a top priority to direct resources towards stimulating the local economy, creating jobs, and increasing revenues.

- Address Youth Needs and Community Violence - In 2013, the city experienced an increase in crime of approximately 8%. This is consistent with trends throughout the state and is attributable to a number of factors including, but not limited to, the impacts of realignment (legislation adopted by the state that resulted in the early release of convicted felons at state and local jail facilities). Given the increase in crime, City Council supported initiatives that will enable the department to fill its vacant positions as quickly as possible (Police Officer trainee Program) to get the Police Department to full strength. In addition, with the addition of a Sergeant position, the City was able to establish a second street operations team to provide targeted neighborhood patrols everyday within the City. Lastly, in 2013, the City Council approved relocating the Police Athletic League (PAL) to the Sullivan Interagency Youth Services Center. This relocation allowed the City to work closely with the Fairfield-Suisun School District to align PAL's programs and activities with those of the Fairfield-Suisun School District and better meet the needs of Fairfield's underserved youth.
- Invest in Quality of Life initiatives - City Council has indicated that homelessness, graffiti, abandoned shopping carts, illegal dumping, and abandoned/vacant lots are issues that need to be addressed. In response, in the Fall of 2013, the City established a Quality of Life task force, consisting of employee-representatives of every city department to develop strategies to respond to each one of the items listed above. The proposed 14/15 budget consists of a number of new initiatives that germinated from the Task Force and will be implemented in the upcoming fiscal year. City staff continuously monitors its progress and success as it is in the early stages of dealing with these complicated issues.
- Invest in Street Maintenance - In 13/14, the City Council approved the hiring of four (4) employees for the Measure P Street Team and the transferring \$3.3 million to the Street Fund for pavement maintenance activities. Due to the improvement in City revenues and new funding from Measure P, the City Council approved an additional \$1.5 million for pavement maintenance in April 2014 and up to another \$4.2 million from the General Fund to the Streets Fund annually through 17/18, when Measure P expires.
- Support Travis Air Force Base – Travis Air Force Base has a significant impact on the local economy. The base estimates its impact at approximately \$1.6 billion. It is becoming more evident that the federal government will implement service reductions without a formal process (i.e., BRAC, or Defense Base Closure and Realignment Commission). This was made apparent to the City in 2013, when Travis grappled with the potential loss of the KC-10 Air Force mission. Although the decision to eliminate the KC-10 mission was delayed, it is critical for the City to work proactively with state and federal representatives and government officials to protect Travis. The City Council has already supported increasing the City's investment in the Travis Community Consortium (TCC) and the City will work with existing members of the TCC to increase its membership and advocacy efforts on behalf of Travis Air Force Base.



Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairfield for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013, marking the 26th time Fairfield has received this award. In order to be awarded a Certificate of Achievement, the City was required to produce a report that met GFOA's high standards for reporting. It is anticipated that the current CAFR will continue to meet the Certificate of Achievement Program's requirements.



This CAFR was prepared by the City's Finance Director and the Finance Department staff, who worked hundreds of hours between them to prepare this award winning document, including:

- Accounting Manager Michael Less
- Principal Accountant Myles Dixon
- Accountants Tenzin Choera, Bryan Chua, and Julie de Guzman

Thanks are also extended to the City's independent auditors for their review of this report, and to the City Council, City Treasurer and City Manager for their stewardship and commitment in planning for the long-term fiscal health of the City.

Respectfully submitted,

David A. White
City Manager

Fred W. Marsh
Finance Director



Government Finance Officers Association

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

Presented to

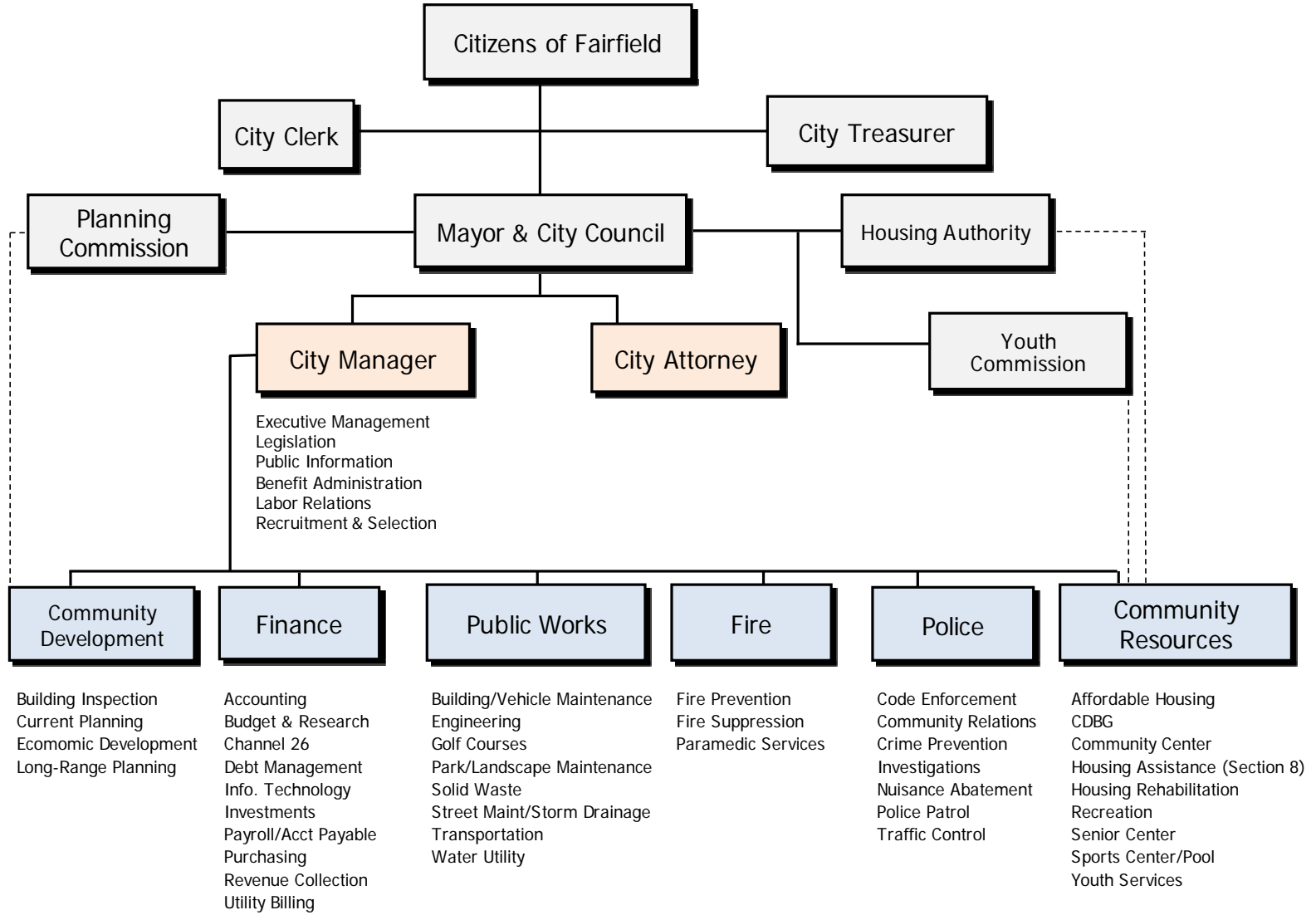
**City of Fairfield
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Fairfield Organization Chart



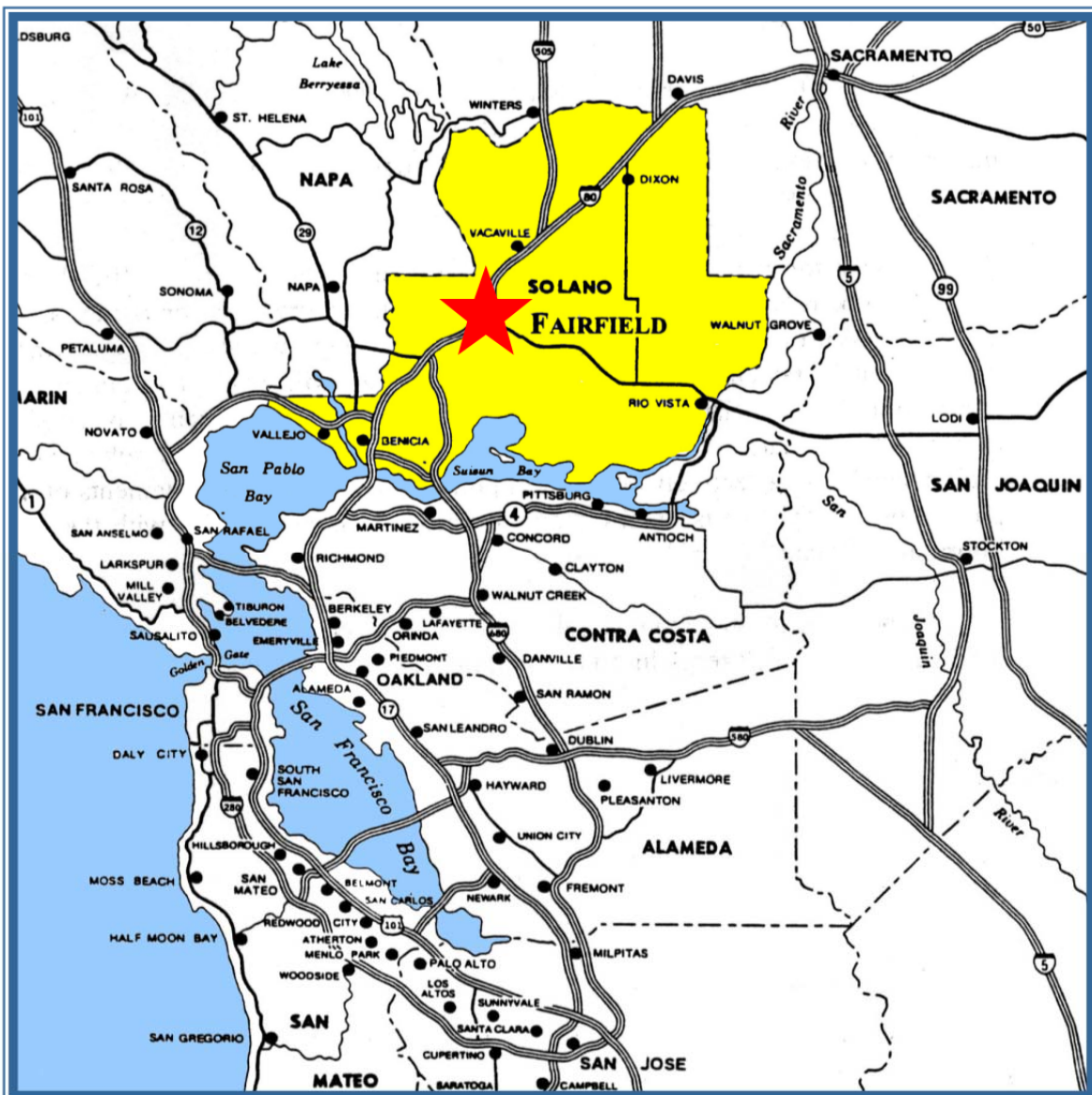


City of Fairfield

City Map

Fairfield, California sits at the northeastern portion of the San Francisco Bay Area. The County seat of Solano County since 1858, Fairfield has the vision of a progressive city. Founded in 1856 by Captain Robert Waterman, the City was named after Fairfield, Connecticut. Fairfield incorporated as a City in 1903, and remained a small agricultural based community until 1942, when the government built what became Travis Air Force Base on 6,000 acres in what is now the eastern portion of the City. The base now hosts the largest Air Mobility Wing in the Air Force.

Today, Fairfield is at the center of a rapidly expanding County. Situated between two of the fastest growing areas in California, Fairfield bridges the gap between the San Francisco Bay Area and the Sacramento metropolitan region. This strategic location on the dynamic I-80 growth corridor is a focal point for new development in Northern California, owing to low land costs, good transportation, and abundant development sites. Fairfield boasts a “Bay Area experience without Bay Area costs.”





City of Fairfield

City Values and Mission Statement

The City is committed to responding to the changing needs of its community, to providing superior quality public service, and to creating a distinctive place to live.

We Value Trust

- We are committed to uncompromised honesty and integrity in all our actions.
- We believe our actions should be reliable, dependable, and consistent.
- We want teamwork and a spirit of cooperative effort.
- We strive for a record of honesty, fairness and approachability.

We Value Quality

- We strive for excellence, professionalism and pride in everything we do.
- We believe in providing the best quality of service and facilities.
- We expect quality from employees, vendors and contractors.

We Value Innovation

- We have a bias for action and support reasonable risk-taking
- We encourage fiscal innovation that creates new revenue sources.
- We accept that innovators have their share of failures.

We Value the Worth of the Individual

- We respect individuals and are sensitive to their needs.
- We are committed to fair treatment of people.
- We seek ideas and participation from all levels.
- We encourage individual initiative and acceptance of responsibility.

We Value Effective Service

- We believe in timely, efficient and effective public service.
- We set trends and provide leadership in municipal services.
- We conduct sound and prudent financial operations.
- We take pride in conserving public resources.

We Value Future Orientation

- We want to make decisions that will endure the test of time.
- We want to control our own destiny.
- We will foster economic success and develop new resources in the public sector
- We will promote the City's financial security and independence.
- We strive for economic development, employment, housing diversification, cultural and leisure opportunities



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
Fairfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, California (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison information for the General Fund and Housing Authority Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 1 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2013. Our opinion is not modified with respect to this matter.

Deficit Net Position

As described in Note 16 to the financial statements, the City's Golf Course Enterprise Fund has a negative net position of \$14,315,051 primarily due to an interfund advances payable of \$25,141,275 as described at Note 3 of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California

December 9, 2014



City of Fairfield

People and Places in the City





City of Fairfield

Management Discussion and Analysis

This discussion and analysis of the City of Fairfield's (City's) financial activities and performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$618 million. Of this amount, \$70 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors of the City.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance \$171 million. Of this amount, \$0.3 million is non-spendable, \$126 million is restricted by outside parties and obligations, land held for development, and outstanding loans which will be collected over time, \$11 million is committed by the City, and \$9 million has been assigned to future debt payments and Measure P reserves for future expenditures. Approximately \$24 million, or 14%, of the combined fund balance from above is considered unassigned and available for spending at the City's discretion in the General Fund. Debt decreased by \$7 million resulting from annual debt service payments.



Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consists of three parts: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements presented herein include all of the activities of the City and its component units.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide readers with a broad view of the City's finances, using the economic resources measurement focus and accrual basis of accounting. These accounting methods are similar to those used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Position reflects information about all assets (including infrastructure) as well as all liabilities (including long-term debt) of the City. Net position is the difference between assets, deferred outflows of resources, and liabilities, which is one way to measure the City's financial health. The Statement of Activities reflects the changes in net position of the underlying events, giving rise to the changes as they occur, regardless of timing of related cash flows. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. City activities are separated into two categories:

- **Governmental activities**—Most of the City's basic services are reported in this category, including administration, finance, police, fire, public works, community development, and community resources. Property and sales taxes, user fees, interest income, franchise fees, along with state and federal grants, are among the revenues that finance these activities.



City of Fairfield

Management Discussion and Analysis

- **Business-type activities**—The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City’s water distribution system, water treatment plants, golf courses, transit services, and police training center are reported as business-type activities.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law or bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to demonstrate it is meeting legal responsibilities for using certain taxes, grants or other money that is restricted in use. Fund Financial Statements provide detailed information about the most significant funds.



The City has three types of funds:

- **Governmental funds**—Most of the City’s basic services are reported in governmental funds, using the current financial resources measurement focus and modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds are used to account for essentially the same functions reported as “governmental activities” in the Government-Wide Financial Statements. However, unlike the Government-Wide Statements, Governmental Funds Financial Statements focus on *current* financial resources. The focus is on how spendable money flows into and out of those funds, and the balances left at year-end, which are available for spending. The information derived from the governmental funds help determine the amount of financial resources available in the near future to finance the City’s programs.
- **Proprietary funds**—When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way in which all activities are reported under the Government-Wide Financial Statements, using the accrual basis of accounting. The City’s enterprise funds are actually the same as “business-type activities” reported in the government-wide statements, but provide more detail and additional information, such as cash flow statements. The City uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City’s other programs and activities, such as the City’s central stores, automotive services, communication services, as well as its self-insurance, compensated absences, public buildings, and loan funds. The internal service funds are reported with “governmental activities” in the Government-Wide Financial Statements.
- **Fiduciary funds**—The City is the trustee, or *fiduciary*, for certain funds held on behalf of a variety of third parties. The fiduciary activities are made of two types of funds: agency funds, which only report a balance sheet and do not have a measurement focus, and the private purpose trust fund, which accounts for the Successor Agency/former redevelopment agency transactions. See note 18 for additional information. The City’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and are excluded from the City’s other financial statements, because the City cannot use these assets to finance its operations. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



City of Fairfield

Management Discussion and Analysis

Other Information

The notes to the financial statements, starting on page 44, provide additional information to provide the reader with a better understanding of the data provided in both the Government-Wide Financial Statements and Fund Financial Statements. In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's progress in funding its obligation to provide pension and retiree health benefits to its employees. The required supplementary information can be found on page 89. The combining statements for the non-major funds and internal service funds are presented immediately following the required supplementary information and can be found starting on page 98.



Government-wide Financial Analysis

Net position, over time, may serve as a useful indicator of the government's financial position. The City's Statement of Net Position and Statement of Activities are shown below (in millions) for FY 2014 and 2013:

Summary Statement of Net Position (in millions)

	Government Activities		Business Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 288	\$ 242	\$ 57	\$ 63	\$ 345	\$ 305
Capital assets	282	288	206	212	488	500
Total assets	570	530	263	275	833	805
Total deferred outflow of resources	-	-	1	-	1	-
Long-term liabilities outstanding	72	74	112	117	184	191
Other liabilities	9	8	23	24	32	32
Total liabilities	81	82	135	141	216	223
Net position:						
Net investment in capital assets	280	286	104	103	384	389
Restricted	147	132	17	15	164	147
Unrestricted	62	30	8	16	70	46
Total net position	\$ 489	\$ 448	\$ 129	\$ 134	\$ 618	\$ 582



City of Fairfield

Management Discussion and Analysis

Summary Statement of Activities (in millions)

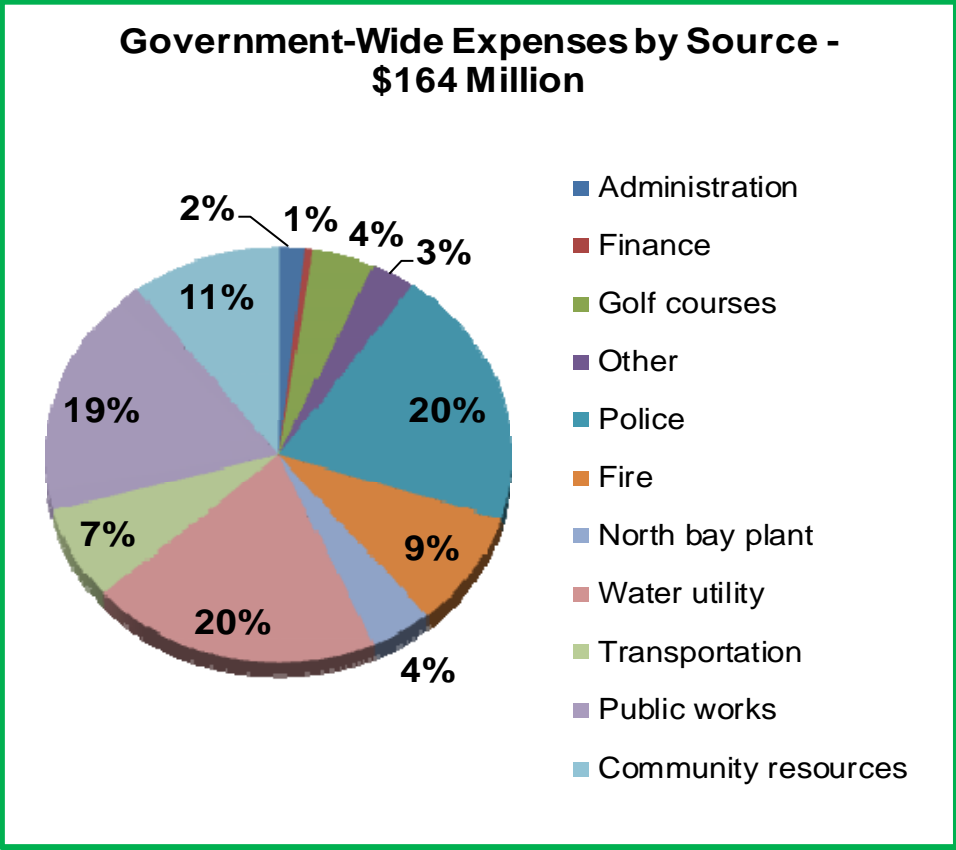
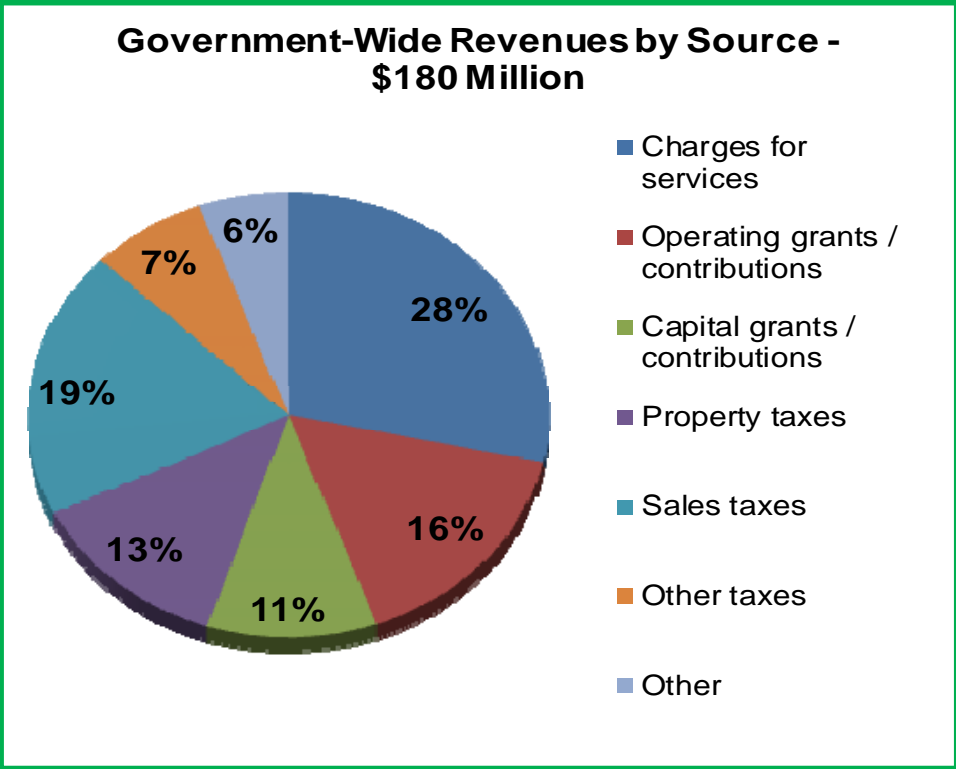
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 3	\$ 3	\$ 47	\$ 51	\$ 50	\$ 54
Operating grants and contributions	21	19	8	7	29	26
Capital grants and contributions	19	21		5	19	26
General revenues:						
Taxes:						
Property taxes	23	27			23	27
Sales taxes	35	19			35	19
Other taxes	13	12			13	12
Investment earnings	2	2	1		3	2
Miscellaneous	5	4			5	4
Gain on sale of property	2	5			2	5
Total revenues	123	112	56	63	179	175
Expenses:						
Administration	3	3			3	3
Finance	1	1			1	1
Police	33	31			33	31
Fire	15	14			15	14
Public works	31	33			31	33
Community development	2	3			2	3
Community resources	16	16			16	16
Interest on long term debt	2	1			2	1
Water utility			33	39	33	39
North bay treatment plant			7	7	7	7
Transportation			12	12	12	12
Golf courses			7	6	7	6
Police training center			1	1	1	1
Total expenses	103	102	60	65	163	167
Increase (decrease) in net position before transfers	20	10	(4)	(2)	16	8
Transfers	1		(1)		-	-
Change in net position before extraordinary items	21	10	(5)	(2)	16	8
Extraordinary items - gain (loss)	16	(36)			16	(36)
Increase (decrease) in net position	37	(26)	(5)	(2)	32	(28)
Net position July 1**	452	484	134	136	586	620
Net position June 30	\$ 489	\$ 458	\$ 129	\$ 134	\$ 618	\$ 592

** Reflects the restated net position as of July 1, 2013 (see note 20)



City of Fairfield

Management Discussion and Analysis





City of Fairfield

Management Discussion and Analysis

The Statement of Net Position reflects the fact that the City's net position increased by \$32 million in the current fiscal year. The increase to net position reflects a decrease to net investment in capital assets by \$5 million, because of the annual depreciation of capital assets. The restricted net position increased by \$17 million and can be attributed to capital funding exceeding expenses. The balance of unrestricted net position increased \$20 million is primarily due to the extraordinary gain of \$16 million from the Successor Agency as well as an increase in sales tax due to Measure P. The City recognized a prior period adjustment of \$4 million, see note 20 for more information, which also increased the City's unrestricted net position. All unrestricted funds may be used to meet the government's ongoing obligations.

Governmental Activities

The total cost of services for all governmental activities this year was \$103 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$60 million because some of the cost was paid by those who directly benefited from the programs (\$3 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$21 million), and capital grants and contributions (\$19 million). Overall, these governmental program revenues totaled \$43 million. The City paid for the remaining portion of governmental activities with taxes (some of which could only be used for certain programs) and other revenues, such as interest, general entitlements, the sale of property, and transfers. The City's net cost slightly increased by \$1 million this year to \$60 million, when compared to last year's net cost of \$59 million.



Total resources available to finance the governmental activities were \$302 million, consisting of the \$132 million restricted and \$30 million unrestricted of Net Position at July 1, 2013, program revenues of \$43 million, general revenues and transfers of \$81 million, and an extraordinary gain of \$16 million. Total Governmental Activities expenses were \$103 million, causing an increase to the Net Position of \$37 million during the year. The following shows the Net Cost of Governmental Activities.

Net Program Revenue/(Cost) of Governmental Activities (in millions)

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Administration / Finance	\$ 4	\$ 4	\$ (2)	\$ (3)
Police	33	31	(30)	(28)
Fire	15	14	(14)	(13)
Public works	31	33	(9)	(12)
Community development	2	3	1	(2)
Community resources	16	16	(3)	-
Interest on long term debt	2	1	(3)	(1)
Total	\$ 103	\$ 102	\$ (60)	\$ (59)



City of Fairfield Management Discussion and Analysis

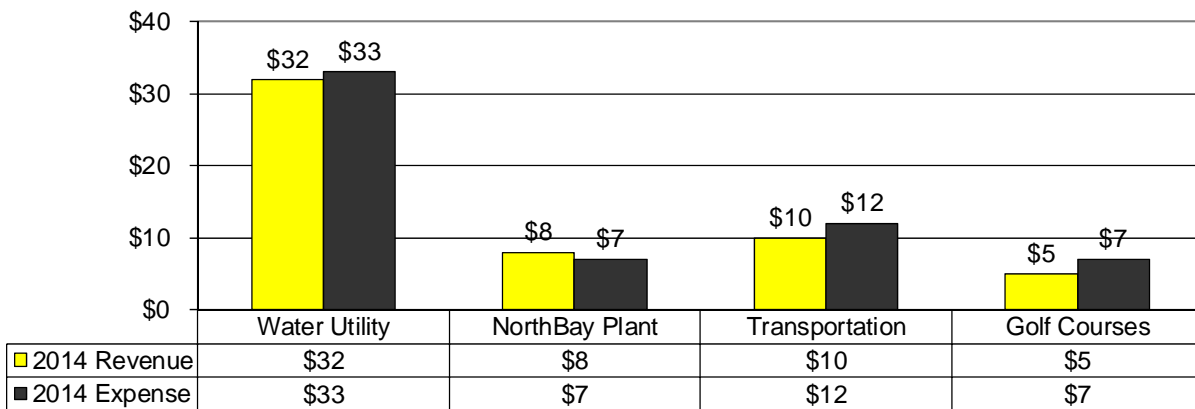
Business Type Activities

The total cost of all Business-Type activities this year was \$60 million. As shown in the Statement of Activities, the amounts paid by users of the systems was \$47 million, received from operating and capital grants and contributions were \$8 million, for a total of \$55 million of program revenues to offset the cost of these activities. The remaining \$5 million in costs were funded by general revenues and beginning net position of these activities. Total resources available during the year to finance Business-Type Activities were \$87 million, consisting of the \$15 million in restricted and \$16 million unrestricted of Net Position at July 1, 2013, program revenues of \$55 million, and interest and miscellaneous income totaling approximately \$1 million. Total expenses of Business-Type Activities during the year were \$61 million, which generated a \$5 million decrease to the net position from \$134 million to \$129 million. The below revenues do not include the investment income or transfers, which is reflected as general revenue to the business-type activities.



Net Program Revenue / (Cost) of Business-Type Activities (in millions)

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Water utility	\$ 33	\$ 39	\$ (1)	\$ (6)
North bay treatment plant	7	7	1	4
Transportation	12	12	(2)	2
Golf courses	7	6	(2)	(2)
Police training center	1	1	(1)	-
Total	\$ 60	\$ 65	\$ (5)	\$ (2)



The Water Utility fund net cost of \$1 million was mostly caused by a reduction in revenue due to the drought situation in California. The transportation fund net cost of \$2 million is caused by the depreciation expense associated with the capital assets of the program. The \$2 million net cost reflected in the Golf Courses was mostly caused by increased maintenance and repair expenses, interest expense on outstanding debt, and depreciation expense associated with the capital assets of the program.



City of Fairfield

Management Discussion and Analysis

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fund Financial Statements focus on individual parts of the City's government, reporting operations in more detail than the Government-Wide Statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported a combined fund balance at June 30, 2014, of \$171 million, an increase of \$25 million over the end of the previous fiscal year.

The General Fund is the chief operating fund of the City and reflects an increase of \$11 million in fund balance. This increase can be mostly attributed to new revenues received from Measure P which was passed by the voters in November 2012.

The Housing Authority reflects an increase to fund balance by \$3 million due to the transfer of long-term receivables from the Successor Agency. With the dissolution of the redevelopment agency, the Housing Authority will account for the housing assets previously accounted for in the Successor Agency Low Moderate Income Housing fund, which includes the rehabilitation of certain low moderate income housing units and all revolving loan programs in accordance with Health and Safety Code.



The City Capital Projects fund balance increased by \$7 million, due to construction projects which have been delayed. In FY 2014-2015, the funding has already been re-appropriated as through the budget towards the upcoming projects within the City.

Other Governmental Funds reflect an increase in fund balance of \$4 million. The increase was due to a decrease in capital project expenditures from the prior fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Factors concerning these funds have previously been addressed in the discussion of business-type activities under the Government-Wide Statements.

General Fund Budgetary Highlights

General Fund revenues exceeded the final budget by \$9.8 million, due mainly to higher than anticipated collections of the City's new transactions and use tax; Measure P, and higher assessed property valuations. General Fund expenditures were under budget by \$2.3 million, due mainly to the City's prudent fiscal management of employee benefit costs, one-time savings from an audit of street light billings, and overall cost savings achieved throughout the City. These savings were offset by the transfer of \$2.1 million to replenish the reserves of the State Gas Tax Special Revenue fund and Compensated Absences Internal Service fund to offset shortfalls in prior years, but due to achievement of sufficient reserves in the General Fund, the funds are being returned to help support street maintenance and to begin funding City's compensated absence liability.



City of Fairfield

Management Discussion and Analysis

Capital Assets and Long-Term Obligations

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City's functions, including infrastructure assets. Under GASB Statement No. 34, eligible infrastructure capital assets are depreciated using the straight-line method. At June 30, 2014, net capital assets of the governmental activities totaled \$282 million and the net capital assets of the business-type activities totaled \$206 million. For governmental activities, depreciation on capital assets is recognized in the Statement of Activities, while the depreciation for the business-type activities is recognized in the Statement of Revenues, Expenses, and Changes in Net Position for the Proprietary Funds. Refer to note 7 for a more detailed listing of all capital assets.



Summary of Capital Assets (in millions)

	Cost	Accumulated Depreciation	Carrying Amount
Governmental Activities:			
Land	\$ 33		\$ 33
Buildings and Improvements	170	(52)	118
Equipment, Vehicles, Machinery	38	(24)	14
Infrastructure	280	(178)	102
Construction in Progress	15		15
Total Governmental Activities	\$ 536	\$ (254)	\$ 282
Business-Type Activities:			
Land / Intangibles	\$ 20		\$ 20
Buildings and Improvements	91	(42)	49
Equipment, Vehicles, Machinery	34	(26)	8
Infrastructure	183	(65)	118
Construction in Progress	11		11
Total Business-Type Activities	\$ 339	\$ (133)	\$ 206

This year the major capital asset transactions include the continuing construction of the Fairfield/Vacaville Train Station, along with the construction of the East-West water transmission lines.

Long-Term Obligations

Long-term obligations of the governmental activities decreased during FY 2013/14 by \$2 million to an outstanding balance of \$72 million as of June 30, 2014. The net decrease is mainly a direct result of scheduled annual debt payments. Long-term obligations for business-type activities decreased in FY 2013/14 by a net of \$5 million, to \$112 million, as a result of scheduled annual debt payments. Refer to Note 9 for a more detailed listing of the City's outstanding debt.



City of Fairfield

Management Discussion and Analysis

Summary of Long-Term Indebtedness (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 9	\$ 10			\$ 9	\$ 10
Pension Obligation Bonds	36	36			36	36
Utility-Water Revenue Bonds			104	108	104	108
Recreational Revenue Bonds			7	8	7	8
Long-Term Notes Payable	2	2			2	2
Compensated Absences	14	14	1	1	15	15
Claims and Judgments	10	11			10	11
Net OPEB Obligation	1	1			1	1
Total Indebtedness	\$ 72	\$ 74	\$ 112	\$ 117	\$ 184	\$ 191

Economic Factors and Next Year's Budget

The City annually prepares a multi-year financial plan, which focuses on long-term financial viability and allows decision makers to better understand the impact of policy decisions. Multi-year planning also provides both an early warning of adverse financial trends and more time to implement changes to ensure better outcomes. Budget development is guided by a series of policies adopted by the City Council, which guides long-term planning, minimum reserve levels, employee compensation, cash and debt management, information technology and utility rates. The budget was based on these key assumptions:

- **Property Tax** - The budget projection for 2014/15 assumes a decrease in property tax collections, which includes the City's portion of assessed value from dissolved redevelopment project areas now subject to county-wide revenue sharing. This decrease was a result of one-time funds received in the prior fiscal year which should stabilize moving forward where the City has forecasted an average growth rate of 3 - 4.7% for future years.
- **Sales Tax** – The budget projection for 2014/15 assumes continued growth in this area due to higher collections from the new Measure P transactions and use tax. However, these taxes will grow at a much slower pace than it has over the previous two fiscal years, due to limited new retail development within the City, as well as competition from nearby cities.
- **New Housing Units** – In calendar year 2013, approximately 200 new housing units were built, and a similar number is forecast for calendar year 2014. Even though housing unit development is expected to grow, the City is conservative when forecasting additional revenues generated for the General Fund from the new development.
- **New Commercial/Industrial Square Footage** – In calendar year 2013, development of commercial and industrial square footage grew by 387,000, which is expected to continue in calendar year 2014. The industrial market is strong and Fairfield enjoys one of the lowest vacancy rates in the region.





City of Fairfield

Management Discussion and Analysis

Economic Factors and Next Year's Budget (Continued)

The industrial market will continue to show signs of improvement due to Fairfield's proximity to Sacramento and San Francisco and the quality of its transportation network.

- Personnel Costs – Personnel expenses are expected to rise due to a.) employees returning to a 40 hour per week after five years of furloughs and b.) increased pension and health costs, the latter partially being offset by increased employee contributions for these benefits.
- Inflation Growth - The budget forecast assumes a 3% rate of inflation for most operating expenses which is consistent with historical rates, but slightly higher than occurred during 13/14.

As part of the budget preparation process, the City Council adopts goals and objectives for the next year and evaluates the progress made on the goals established as part of the previous budget. The following represents some of the more significant goals established for Fiscal Year 2014-15:

- Encourage economic development within the City by adding a new Economic Development Project Manager, maintain funding for the Fairfield Mainstreet Association, fund a promotional campaign, and prepare a specific plan to facilitate new development in downtown and the surrounding areas
- Form a Measure P street team consisting of four new positions in the Public Works department to focus on pothole repair activities in the City's older neighborhoods
- Add a police sergeant to allow the police department to perform targeted neighborhood patrols seven days a week, and establish a Police Officer Trainee program to be able to expand the pool of applicants for vacant police officer positions
- Address Quality of Life issues by addressing the homelessness issue in the City, performing additional community outreach and increase responsiveness to such issues as graffiti, vandalism and illegal dumping
- Establish a two person squad at Fire Station 37 to respond primarily to medical calls, staffed every day from 8 a.m. to 8 p.m.

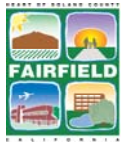


Contacting the City's Financial Management

This Comprehensive Annual Financial Report (CAFR) is designed to provide a general overview of the City's finances. This report can be obtained at no cost from the City's website at <http://www.fairfield.ca.gov/gov/depts/finance/cafr/default.asp> If you have questions about this report, or need any additional financial information, contact the City's Finance Department at 1000 Webster Street, Fairfield CA 94533, phone 707-428-7515.

Government-Wide Financial Statements

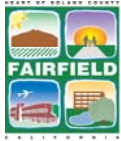




City of Fairfield

Statement of Net Position June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments (Note 4)	\$139,136,439	\$ 47,471,581	\$186,608,020
Receivables, net (Note 5)	85,403,733	11,150,755	96,554,488
Inventory	572,703	201,574	774,277
Prepaid items	94,076	54,882	148,958
Restricted cash and investments (Note 4)	484,552	22,643,165	23,127,717
Land held for development	8,005,816		8,005,816
Internal balances (Note 3)	25,141,275	(25,141,275)	-
Investment in joint agencies		500,672	500,672
Net pension asset (Note 6)	28,486,501		28,486,501
Capital assets (Note 7):			
Nondepreciable	48,553,414	30,610,659	79,164,073
Depreciable, net	233,901,121	175,317,433	409,218,554
Total capital assets	<u>282,454,535</u>	<u>205,928,092</u>	<u>488,382,627</u>
Total assets	<u>569,779,630</u>	<u>262,809,446</u>	<u>832,589,076</u>
Deferred Outflows of Resources:			
Deferred charge on refunding		1,521,809	1,521,809
Total deferred outflows of resources	-	<u>1,521,809</u>	<u>1,521,809</u>
Liabilities:			
Accounts payable and other current liabilities (Note 8)	7,693,265	6,544,639	14,237,904
Interest payable	194,638	16,188,263	16,382,901
Unearned revenue	671,520	471,622	1,143,142
Long-term obligations (Note 9):			
Long-term debt - due within one year	4,152,446	5,889,872	10,042,318
Long-term debt - due in more than one year	68,195,393	105,994,240	174,189,633
Total liabilities	<u>80,907,262</u>	<u>135,088,636</u>	<u>215,995,898</u>
Net Position (Note 11):			
Net investment in capital assets	<u>280,220,525</u>	<u>103,591,615</u>	<u>383,812,140</u>
Restricted for:			
Capital projects	32,592,797		32,592,797
Debt service	3,400,917	1,013,750	4,414,667
Community development	70,877,744		70,877,744
Special projects	39,651,650		39,651,650
Major maintenance		14,802,311	14,802,311
Minority Interest		1,849,805	1,849,805
Outreach Independence:			
Expendable	11,426		11,426
Nonexpendable	335,375		335,375
Total restricted	<u>146,869,909</u>	<u>17,665,866</u>	<u>164,535,775</u>
Unrestricted	<u>61,781,934</u>	<u>7,985,138</u>	<u>69,767,072</u>
Total net position	<u>\$488,872,368</u>	<u>\$ 129,242,619</u>	<u>\$618,114,987</u>



City of Fairfield

Statement of Activities For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities					
Administration	\$ 3,151,626	\$ 4,728		\$ 1,816,273	\$ 1,821,001
Administrative Services					
Finance	1,395,498	7,403		317,471	324,874
Police	33,325,087	581,584	\$ 2,510,774		3,092,358
Fire	14,682,630	25,013	787,410		812,423
Public works	30,816,138	791,108	7,245,356	14,036,645	22,073,109
Community development	2,170,508	8,490	667,360	2,068,304	2,744,154
Community resources	15,941,172	1,997,949	10,018,235	819,233	12,835,417
Interest on long-term debt	2,345,601				
Total governmental activities	103,828,260	3,416,275	21,229,135	19,057,926	43,703,336
Business-type activities:					
Water utility	32,968,445	32,183,364			32,183,364
North bay treatment plant	7,387,888	7,613,251			7,613,251
Transportation	12,260,948	2,540,617	7,829,261	273,674	10,643,552
Golf courses	6,651,196	4,527,945			4,527,945
Police training center	777,911	122,357			122,357
Total business-type activities	60,046,388	46,987,534	7,829,261	273,674	55,090,469
Total primary government	\$ 163,874,648	\$ 50,403,809	\$ 29,058,396	\$ 19,331,600	\$ 98,793,805

General Revenues, Transfers, and Extraordinary Item:

Taxes:

- Property taxes
- Sales taxes
- Franchise taxes
- Utility user taxes
- Transient occupancy taxes
- Business license taxes
- Other taxes
- Total taxes

Unrestricted intergovernmental revenues

Investment earnings

Miscellaneous

Gain on sale of property

Extraordinary gain--dissolution of Fairfield Redevelopment Agency (Note 18)

Transfers

Total general revenues, transfers, and extraordinary item

Change in net position

Net position - beginning of year, as restated (See Note 20)

Net position - end of year

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,330,625)		\$ (1,330,625)
(1,070,624)		(1,070,624)
(30,232,729)		(30,232,729)
(13,870,207)		(13,870,207)
(8,743,029)		(8,743,029)
573,646		573,646
(3,105,755)		(3,105,755)
(2,345,601)		(2,345,601)
<u>(60,124,924)</u>		<u>(60,124,924)</u>
	\$ (785,081)	(785,081)
	225,363	225,363
	(1,617,396)	(1,617,396)
	(2,123,251)	(2,123,251)
	<u>(655,554)</u>	<u>(655,554)</u>
	(4,955,919)	(4,955,919)
<u>(60,124,924)</u>	<u>(4,955,919)</u>	<u>(65,080,843)</u>
23,062,490		23,062,490
35,407,196		35,407,196
4,299,687		4,299,687
3,717,518		3,717,518
2,058,939		2,058,939
1,255,672		1,255,672
1,078,017		1,078,017
<u>70,879,519</u>		<u>70,879,519</u>
231,977		231,977
2,295,425	694,248	2,989,673
4,707,347	103,169	4,810,516
1,749,844		1,749,844
16,336,659		16,336,659
650,499	(650,499)	
<u>96,851,270</u>	<u>146,918</u>	<u>96,998,188</u>
36,726,346	(4,809,001)	31,917,345
<u>452,146,022</u>	<u>134,051,620</u>	<u>586,197,642</u>
<u>\$ 488,872,368</u>	<u>\$ 129,242,619</u>	<u>\$ 618,114,987</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

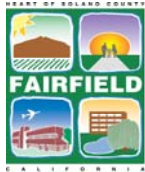
People and Places in the City





Governmental Funds Financial Statements





City of Fairfield

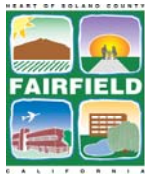
Balance Sheet Governmental Funds June 30, 2014

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Housing Authority</u>	<u>City Capital Projects</u>
Assets:			
Cash and investments	\$ 24,836,177	\$ 910,245	\$ 23,976,879
Receivables, net	7,399,377	38,838,958	3,850,238
Prepaid Items	6,110		
Restricted cash and investments			
Land held for development		8,005,816	
Advances to other funds			
Total assets	<u>\$ 32,241,664</u>	<u>\$ 47,755,019</u>	<u>\$ 27,827,117</u>
Liabilities:			
Accounts payable and other current liabilities	\$ 1,750,989	\$ 6,681	\$ 4,571,951
Due to other funds			
Unearned revenues			
Total liabilities	<u>1,750,989</u>	<u>6,681</u>	<u>4,571,951</u>
Deferred Inflows Of Resources:			
Unavailable revenue-loans interest receivable		817,060	
Total deferred inflows of resources	<u>-</u>	<u>817,060</u>	<u>-</u>
Fund Balances:			
Nonspendable	6,110		
Restricted		46,931,278	23,255,166
Committed			
Assigned	6,229,328		
Unassigned	24,255,237		
Total fund balances	<u>30,490,675</u>	<u>46,931,278</u>	<u>23,255,166</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,241,664</u>	<u>\$ 47,755,019</u>	<u>\$ 27,827,117</u>

The notes to the basic financial statements are an integral part of this statement.

Total Non-Major Governmental Funds	Total Governmental Funds
\$ 46,560,683	\$ 96,283,984
23,051,792	73,140,365
	6,110
484,552	484,552
	8,005,816
<u>7,690,386</u>	<u>7,690,386</u>
<u>\$ 77,787,413</u>	<u>\$ 185,611,213</u>
\$ 715,528	\$ 7,045,149
339,948	339,948
<u>671,520</u>	<u>671,520</u>
<u>1,726,996</u>	<u>8,056,617</u>
<u>6,135,465</u>	<u>6,952,525</u>
<u>6,135,465</u>	<u>6,952,525</u>
335,375	341,485
55,773,677	125,960,121
10,764,506	10,764,506
3,051,394	9,280,722
	<u>24,255,237</u>
<u>69,924,952</u>	<u>170,602,071</u>
<u>\$ 77,787,413</u>	<u>\$ 185,611,213</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

Reconciliation of the Governmental Funds Balance Sheet To the Government-Wide Statement of Net Position June 30, 2014

Total Fund Balances - Total Governmental Funds \$ 170,602,071

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$8,437,547, the capital assets were adjusted as follows:

Nondepreciable Assets	48,553,414
Depreciable buildings, property, equipment, and infrastructure, net	225,463,574
Total Capital Assets, net of accumulated depreciation	<u>274,016,988</u>

The net pension asset resulting from the contributions in excess of the annual required contribution (from the issuance of the Pension Obligation Bonds and the subsequent payment to PERS for pension costs) are not financial resources and therefore are not reported in the funds.

28,486,501

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.

(194,012)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Position.

54,198,873

resulting from activities in which revenues were earned but funds were not available, were recognized as revenues in the Government-Wide Financial Statements.

6,952,525

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$27,157,261, the long-term liabilities were adjusted as follows:

Long-term liabilities - due within one year	(891,890)
Long-term liabilities - due in more than one year	(44,298,688)
Total long-term liabilities	<u>(45,190,578)</u>

Net Position of Governmental Activities \$ 488,872,368

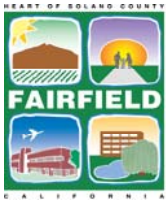
The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

People and Places in the City





City of Fairfield

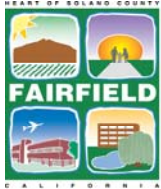
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2014

	Major Funds		
	<u>General Fund</u>	<u>Housing Authority</u>	<u>City Capital Projects</u>
Revenues:			
Property taxes	\$ 22,587,191		
Sales taxes	35,407,196		
Taxes	12,409,733		
Development fees			\$ 7,268,473
Special assessments levied			
Licenses, permits and fines	3,409,222		
Developers' contributions			774,649
Intergovernmental	372,257		6,508,884
Charges for services	3,396,573		
Investment income	275,112	\$ 216,711	170,930
Miscellaneous	1,417,805	1,200	131,200
Total revenues	<u>79,275,089</u>	<u>217,911</u>	<u>14,854,136</u>
Expenditures:			
Current:			
Administration	1,271,781		
Finance	1,301,481		
Police	30,127,434		
Fire	13,851,664		
Public works	6,855,746		
Community resources	4,117,466	744,778	
Community development	2,076,496		
Non-departmental	1,496,102		
Capital outlay			12,725,131
Debt service:			
Principal retirement			
Interest			
Fiscal agent fees			
Total expenditures	<u>61,098,170</u>	<u>744,778</u>	<u>12,725,131</u>
Revenues over (under) expenditures	<u>18,176,919</u>	<u>(526,867)</u>	<u>2,129,005</u>
Other Financing Sources (Uses):			
Transfers in	339,694		5,465,552
Transfers out	(7,344,069)	(17,152)	(305,870)
Total other financing sources (uses)	<u>(7,004,375)</u>	<u>(17,152)</u>	<u>5,159,682</u>
Net change in fund balances before extraordinary items	<u>11,172,544</u>	<u>(544,019)</u>	<u>7,288,687</u>
Extraordinary Items:			
Extraordinary gain - dissolution RDA (Note 18)		3,174,391	
Net change in fund balances	11,172,544	2,630,372	7,288,687
Fund Balances:			
Beginning of year, as restated (Note 20)	<u>19,318,131</u>	<u>44,300,906</u>	<u>15,966,479</u>
End of year	<u>\$ 30,490,675</u>	<u>\$ 46,931,278</u>	<u>\$ 23,255,166</u>

The notes to the basic financial statements are an integral part of this statement.

Total Non-Major Governmental Funds	Total Governmental Funds
\$ 475,299	\$ 23,062,490
	35,407,196
2,463,223	14,872,956
	7,268,473
4,579,329	4,579,329
	3,409,222
217,220	991,869
16,525,809	23,406,950
	3,396,573
338,794	1,001,547
<u>1,356,058</u>	<u>2,906,263</u>
<u>25,955,732</u>	<u>120,302,868</u>
	1,271,781
317,472	1,618,953
1,822,397	31,949,831
157,448	14,009,112
4,099,427	10,955,173
10,398,198	15,260,442
65,168	2,141,664
	1,496,102
1,470,028	14,195,159
806,890	806,890
2,347,188	2,347,188
20,559	20,559
<u>21,504,775</u>	<u>96,072,854</u>
<u>4,450,957</u>	<u>24,230,014</u>
4,513,859	10,319,105
<u>(4,883,149)</u>	<u>(12,550,240)</u>
<u>(369,290)</u>	<u>(2,231,135)</u>
<u>4,081,667</u>	<u>21,998,879</u>
	<u>3,174,391</u>
4,081,667	25,173,270
<u>65,843,285</u>	<u>145,428,801</u>
<u>\$ 69,924,952</u>	<u>\$ 170,602,071</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 25,173,270
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures in the amount of \$14,195,159. In the Government-Wide Statement of Activities, a portion of these expenditures, \$5,333,033 are reported as capital assets. Additional departmental assets were recorded at \$1,071,644. Loss on retirement of capital assets were \$1,024,929.	5,379,748
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(12,566,969)
In the current fiscal year, compensated absences are now accounted for in an internal service fund and the liability for governmental activities is reflected there. This entry adjusts the liability reflecting this accounting change.	14,114,041
Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.	806,890
Amortization of Net Pension Asset does not take place at the fund financial statement level as this item was recorded as expenditures in the year of the related bond issuance. For the Government Wide Statements, these charges are capitalized and amortized over time. This amount is the current year amortization of the Net Pension Asset.	(1,356,500)
GASB 65, implemented in the current year, has resulted in Bond Issuance Costs (classified in previous years as Deferred Charges) being written off in the current year. In prior years, these were capitalized and amortized at the Government-Wide Statement of Activities.	(962,659)
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in Governmental Funds. This amount represents the change in accrued interest from prior year.	1,587
In the Governmental Funds, current year interest income accruals on outstanding loans receivable are recorded as unearned revenue due to income not being available. In the Government-Wide Statements, these amounts are recognized as income on the full accrual basis of accounting.	819,374
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The decrease in net position, before extraordinary items of the Internal Service Funds is reported with Governmental Activities.	(7,844,704)
The City recorded an extraordinary gain in the Government-Wide Statements related to the Successor Agency transferring certain properties to the City that were approved by the California Department of Finance for Public Use.	1,114,576
In the internal service fund financial statements, associated with the dissolution of the Fairfield Redevelopment Agency in FY 2012, the internal service fund financial statements recognized an extraordinary gain related to the City reinstating loans from the Successor Agency (i.e. loans receivable for the City) that were approved by the Department of Finance in the current 13/14 fiscal year. These loans were owed by the former Fairfield Redevelopment Agency and in the prior fiscal year 2012/2013, due to uncertainty regarding state approval, the loans had been written off and an extraordinary loss was recognized.	<u>12,047,692</u>
Change in Net Position of Governmental Activities	<u>\$ 36,726,346</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 20,021,000	\$ 19,724,000	\$ 22,587,191	\$ 2,863,191
Sales taxes:				
Sales taxes	17,116,000	17,116,000	19,406,710	2,290,710
Transaction and use tax	12,750,000	12,750,000	16,000,486	3,250,486
Taxes	11,338,000	11,444,000	12,409,733	965,733
Licenses, permits and fines	2,739,000	3,095,000	3,409,222	314,222
Intergovernmental	130,000	347,000	372,257	25,257
Charges for services	3,300,000	3,633,000	3,396,573	(236,427)
Investment income	208,000	208,000	275,112	67,112
Miscellaneous	1,865,000	1,150,000	1,417,805	267,805
Total Revenues	69,467,000	69,467,000	79,275,089	9,808,089
Expenditures:				
Current:				
Administration	1,261,000	1,261,000	1,271,781	(10,781)
Finance	1,265,000	1,265,000	1,301,481	(36,481)
Police	30,628,000	30,568,000	30,127,434	440,566
Fire	13,977,000	14,076,000	13,851,664	224,336
Public works	7,426,000	7,468,000	6,855,746	612,254
Community resources	4,296,000	4,296,000	4,117,466	178,534
Community development	2,185,000	2,185,000	2,076,496	108,504
Non-departmental	2,157,000	2,217,000	1,496,102	720,898
Total Expenditures	63,195,000	63,336,000	61,098,170	2,237,830
Excess Revenues Over (Under) Expenditures	6,272,000	6,131,000	18,176,919	12,045,919
Other Financing Sources (Uses):				
Transfers in	1,059,000	1,157,000	339,694	(817,306)
Transfers out	(5,749,000)	(7,249,000)	(7,344,069)	(95,069)
Total Other Financing Sources (Uses)	(4,690,000)	(6,092,000)	(7,004,375)	(912,375)
Net change in fund balance	1,582,000	39,000	11,172,544	11,133,544
Fund Balance - Beginning of Year, as restated (See Note 20)	19,318,131	19,318,131	19,318,131	-
Fund Balance - End of Year	\$ 20,900,131	\$ 19,357,131	\$ 30,490,675	\$ 11,133,544

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Housing Authority Major Special Revenue Fund For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget- Positive (Negative)
Revenues:				
Investment income	\$ 231,000	\$ 231,000	\$ 216,711	\$ (14,289)
Miscellaneous			1,200	1,200
Total Revenues	<u>231,000</u>	<u>231,000</u>	<u>217,911</u>	<u>(13,089)</u>
Expenditures:				
Current:				
Community Resources	629,194	716,194	744,778	(28,584)
Total Expenditures	<u>629,194</u>	<u>716,194</u>	<u>744,778</u>	<u>(28,584)</u>
Excess Revenues Over (Under) Expenditures	<u>(398,194)</u>	<u>(485,194)</u>	<u>(526,867)</u>	<u>(41,673)</u>
Other Financing Uses:				
Transfers out	(18,000)	(18,000)	(17,152)	848
Total Other Financing Uses	<u>(18,000)</u>	<u>(18,000)</u>	<u>(17,152)</u>	<u>848</u>
Net change in fund balances before extraordinary item	<u>(416,194)</u>	<u>(503,194)</u>	<u>(544,019)</u>	<u>40,825</u>
Extraordinary item:				
Extraordinary gain - dissolution RDA (Note 18)			3,174,391	3,174,391
Net change in fund balance	(416,194)	(503,194)	2,630,372	3,133,566
Fund Balance - Beginning of Year	<u>44,300,906</u>	<u>44,300,906</u>	<u>44,300,906</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 43,884,712</u>	<u>\$ 43,797,712</u>	<u>\$ 46,931,278</u>	<u>\$ 3,133,566</u>

The notes to the basic financial statements are an integral part of this statement.



Proprietary Funds Financial Statements





City of Fairfield

Statement of Net Position Proprietary Funds June 30, 2014

	Business-type Activities		
	Water Utility	North Bay Treatment Plant	Transportation
Assets:			
Current Assets			
Cash and investments	\$ 41,793,309	\$ 3,046,601	\$ 1,660,045
Receivables, net	6,493,042	1,340,785	3,121,829
Inventory			
Prepaid items			26,474
Due from other funds			
Total current assets	<u>48,286,351</u>	<u>4,387,386</u>	<u>4,808,348</u>
Noncurrent Assets			
Restricted cash and investments	5,643,691	14,802,311	
Advances to other funds		1,869,715	
Investment in joint agencies	500,672		
Loans Receivable			
Notes Receivable	94,859		
Capital assets:			
Nondepreciable	18,361,743	775,851	
Depreciable, net	115,010,982	36,579,678	11,239,014
Total capital assets	<u>133,372,725</u>	<u>37,355,529</u>	<u>11,239,014</u>
Total noncurrent assets	<u>139,611,947</u>	<u>54,027,555</u>	<u>11,239,014</u>
Total assets	<u>187,898,298</u>	<u>58,414,941</u>	<u>16,047,362</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	99,085		
Total deferred outflows of resources	<u>99,085</u>	<u>-</u>	<u>-</u>
Liabilities:			
Current Liabilities			
Accounts payable and other current liabilities	1,291,595	346,798	4,390,516
Accrued interest payable	762,182		
Unearned revenue			184,013
Compensated absences	43,208	53,282	23,382
Claims and judgments payable			
Long-term debt - due within one year	<u>4,890,000</u>		
Total current liabilities	<u>6,986,985</u>	<u>400,080</u>	<u>4,597,911</u>
Noncurrent Liabilities			
Advances from other funds	1,869,715		
Accrued interest payable	15,292,331		
Compensated absences	388,873	479,540	210,437
Claims and judgments payable			
Net OPEB obligation			
Long-term debt - due in more than one year	<u>98,596,157</u>		
Total noncurrent liabilities	<u>116,147,076</u>	<u>479,540</u>	<u>210,437</u>
Total liabilities	<u>123,134,061</u>	<u>879,620</u>	<u>4,808,348</u>
Net Position:			
Net investment in capital assets	35,629,344	37,355,529	11,239,014
Restricted for major maintenance		14,802,311	
Restricted for minority interest		1,849,805	
Restricted for debt service			
Unrestricted	<u>29,233,978</u>	<u>3,527,676</u>	
Total net position (deficit)	<u>\$ 64,863,322</u>	<u>\$ 57,535,321</u>	<u>\$ 11,239,014</u>

The notes to the basic financial statements are an integral part of this statement.

<u>Golf Courses</u>	<u>Police Training Center</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 931,713	\$ 39,913	\$ 47,471,581	\$ 42,852,455
86,248	13,992	11,055,896	215,676
201,574		201,574	572,703
28,408		54,882	87,966
			339,948
<u>1,247,943</u>	<u>53,905</u>	<u>58,783,933</u>	<u>44,068,748</u>
2,197,163		22,643,165	
		1,869,715	17,450,889
		500,672	
		94,859	12,047,692
10,616,939	856,126	30,610,659	
3,474,482	9,013,277	175,317,433	8,437,547
<u>14,091,421</u>	<u>9,869,403</u>	<u>205,928,092</u>	<u>8,437,547</u>
16,288,584	9,869,403	231,036,503	37,936,128
<u>17,536,527</u>	<u>9,923,308</u>	<u>289,820,436</u>	<u>82,004,876</u>
1,422,724		1,521,809	
<u>1,422,724</u>	<u>-</u>	<u>1,521,809</u>	<u>-</u>
512,435	3,295	6,544,639	648,116
133,750		895,932	626
287,609		471,622	
		119,872	1,964,777
			1,040,516
<u>880,000</u>	<u></u>	<u>5,770,000</u>	<u>255,263</u>
<u>1,813,794</u>	<u>3,295</u>	<u>13,802,065</u>	<u>3,909,298</u>
25,141,275		27,010,990	
		15,292,331	12,043,164
		1,078,850	9,166,484
			708,310
<u>6,319,233</u>	<u></u>	<u>104,915,390</u>	<u>1,978,747</u>
<u>31,460,508</u>	<u>-</u>	<u>148,297,561</u>	<u>23,896,705</u>
<u>33,274,302</u>	<u>3,295</u>	<u>162,099,626</u>	<u>27,806,003</u>
9,498,325	9,869,403	103,591,615	8,437,547
		14,802,311	
		1,849,805	
1,013,750		1,013,750	
(24,827,126)	50,610	7,985,138	45,761,326
<u>\$ (14,315,051)</u>	<u>\$ 9,920,013</u>	<u>\$ 129,242,619</u>	<u>\$ 54,198,873</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2014

	<u>Business-type Activities</u>		
	<u>Water Utility</u>	<u>North Bay Treatment Plant</u>	<u>Transportation</u>
Operating Revenues:			
Charges for services	\$ 31,483,091	\$ 7,613,251	\$ 2,185,604
Miscellaneous	700,273		355,013
Total operating revenues	<u>32,183,364</u>	<u>7,613,251</u>	<u>2,540,617</u>
Operating Expenses:			
Material and supplies			
Operating and maintenance	14,822,739	5,388,443	9,020,857
General and administrative	4,524,686	762,553	1,345,595
Premiums/provision for insurance claims			
Depreciation	<u>6,702,657</u>	<u>1,236,892</u>	<u>1,894,496</u>
Total operating expenses	<u>26,050,082</u>	<u>7,387,888</u>	<u>12,260,948</u>
Operating income (loss)	<u>6,133,282</u>	<u>225,363</u>	<u>(9,720,331)</u>
Nonoperating Revenues (Expenses):			
Investment income	388,901	274,282	17,952
Interest expense	(6,918,363)		
Intergovernmental revenue			7,829,261
Gain on sale of capital asset			
Other revenue (expense)	<u>59,025</u>		<u>11,600</u>
Total nonoperating revenues (expenses)	<u>(6,470,437)</u>	<u>274,282</u>	<u>7,858,813</u>
Income (loss) before contributions and transfers	<u>(337,155)</u>	<u>499,645</u>	<u>(1,861,518)</u>
Capital contributions			273,674
Transfers:			
Transfers in			
Transfers out	<u>(1,201,580)</u>	<u>(91,676)</u>	<u>(32,978)</u>
Total transfers	<u>(1,201,580)</u>	<u>(91,676)</u>	<u>(32,978)</u>
Change in net position before extraordinary items	<u>(1,538,735)</u>	<u>407,969</u>	<u>(1,620,822)</u>
Extraordinary items:			
Extraordinary gain-- dissolution of Fairfield Redevelopment Agency (Note 18)			
Change in net position	<u>(1,538,735)</u>	<u>407,969</u>	<u>(1,620,822)</u>
Net Position:			
Beginning of year	<u>66,402,057</u>	<u>57,127,352</u>	<u>12,859,836</u>
End of year	<u>\$ 64,863,322</u>	<u>\$ 57,535,321</u>	<u>\$ 11,239,014</u>

The notes to the basic financial statements are an integral part of this statement.

<u>Golf Courses</u>	<u>Police Training Center</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 4,527,945	\$ 119,671	\$ 45,929,562	\$ 15,599,599
	2,686	1,057,972	26,875
<u>4,527,945</u>	<u>122,357</u>	<u>46,987,534</u>	<u>15,626,474</u>
	8,389	8,389	3,535,875
4,072,495	212,823	33,517,357	19,997,818
	18,540	6,651,374	1,766,954
			1,941,171
<u>775,294</u>	<u>538,159</u>	<u>11,147,498</u>	<u>1,193,879</u>
<u>4,847,789</u>	<u>777,911</u>	<u>51,324,618</u>	<u>28,435,697</u>
<u>(319,844)</u>	<u>(655,554)</u>	<u>(4,337,084)</u>	<u>(12,809,223)</u>
12,908	205	694,248	359,096
(1,803,407)		(8,721,770)	(26,055)
		7,829,261	
<u>32,544</u>	<u></u>	<u>103,169</u>	<u>1,749,844</u>
<u>(1,757,955)</u>	<u>205</u>	<u>(95,092)</u>	<u>2,082,885</u>
<u>(2,077,799)</u>	<u>(655,349)</u>	<u>(4,432,176)</u>	<u>(10,726,338)</u>
		273,674	
507,735	168,000	675,735	2,996,856
		(1,326,234)	(115,222)
<u>507,735</u>	<u>168,000</u>	<u>(650,499)</u>	<u>2,881,634</u>
<u>(1,570,064)</u>	<u>(487,349)</u>	<u>(4,809,001)</u>	<u>(7,844,704)</u>
			12,047,692
<u>(1,570,064)</u>	<u>(487,349)</u>	<u>(4,809,001)</u>	<u>4,202,988</u>
<u>(12,744,987)</u>	<u>10,407,362</u>	<u>134,051,620</u>	<u>49,995,885</u>
<u>\$ (14,315,051)</u>	<u>\$ 9,920,013</u>	<u>\$ 129,242,619</u>	<u>\$ 54,198,873</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

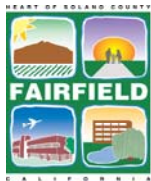
Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2014

	Business-type Activities		
	Water Utility	North Bay Treatment Plant	Transportation
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 31,667,722	\$ 8,792,667	\$ 2,548,310
Payments to suppliers	(11,776,636)	(3,883,550)	(7,044,263)
Payments to employees	(4,669,870)	(2,249,132)	(669,693)
Payments for interfund services used	(3,853,732)	(232,028)	(2,629,409)
Net cash provided by (used for) operating activities	11,367,484	2,427,957	(7,795,055)
Cash Flows from Noncapital Financing Activities:			
Grants			7,202,407
Advances from other funds			
Receipt of other revenue			
Transfers in			
Transfers out	(1,201,580)	(91,676)	(32,978)
Net cash provided by (used for) noncapital financing activities	(1,201,580)	(91,676)	7,169,429
Cash Flows from Capital and Related Financing Activities			
Principal payments-bonds	(4,655,000)		
Principal payments-notes payable			
Principal payments-interfund loan	(600,000)		
Interest paid	(3,264,085)		
Fiscal agent fees paid	(12,735)		
Capital contributions			1,271,982
Proceeds from sales of capital assets	59,025		11,600
Purchases of capital assets	(3,434,626)	(528,094)	(273,674)
Construction of capital assets	(1,064,893)		
Net cash provided by (used by) capital and related financing activities	(12,972,314)	(528,094)	1,009,908
Cash Flows from Investing Activities:			
Investment income received	435,225	237,067	17,385
Net cash provided by investing activities	435,225	237,067	17,385
Net increase (decrease) in cash and cash equivalents	(2,371,185)	2,045,254	401,667
Cash and Cash Equivalents:			
Beginning of year	49,808,185	15,803,658	1,258,378
End of year	<u>\$ 47,437,000</u>	<u>\$ 17,848,912</u>	<u>\$ 1,660,045</u>

The notes to the basic financial statements are an integral part of this statement.

<u>Golf Courses</u>	<u>Police Training Center</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 4,488,265	\$ 115,764	\$ 47,612,728	\$ 14,905,017
(4,038,281)	(211,820)	(26,954,550)	(8,507,389)
	(32,656)	(7,588,695)	(5,346,255)
		(6,747,825)	(391,021)
<u>449,984</u>	<u>(128,712)</u>	<u>6,321,658</u>	<u>660,352</u>
		7,202,407	
175,000		175,000	
			1,608,234
507,735	168,000	675,735	2,996,856
		(1,326,234)	(115,222)
<u>682,735</u>	<u>168,000</u>	<u>6,726,908</u>	<u>4,489,868</u>
(845,000)		(5,500,000)	(252,056)
		(600,000)	
(280,175)		(3,544,260)	(26,055)
(2,427)		(15,162)	
		1,271,982	
2,240		72,865	92,126
(231,579)		(4,467,973)	(1,530,262)
		(1,064,893)	
<u>(1,356,941)</u>	<u>-</u>	<u>(13,847,441)</u>	<u>(1,716,247)</u>
<u>13,342</u>	<u>205</u>	<u>703,224</u>	<u>376,036</u>
<u>13,342</u>	<u>205</u>	<u>703,224</u>	<u>376,036</u>
(210,880)	39,493	(95,651)	3,810,009
<u>3,339,756</u>	<u>420</u>	<u>70,210,397</u>	<u>39,042,446</u>
<u>\$ 3,128,876</u>	<u>\$ 39,913</u>	<u>\$ 70,114,746</u>	<u>\$ 42,852,455</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

Statement of Cash Flows (continued) Proprietary Funds For the Year Ended June 30, 2014

	<u>Business-type Activities</u>		
	<u>Water Utility</u>	<u>North Bay Treatment Plant</u>	<u>Transportation</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 6,133,282	\$ 225,363	\$ (9,720,331)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	6,702,657	1,236,892	1,894,496
(Increase) decrease in receivable	(495,021)	331,921	7,693
(Increase) in inventory			
(Increase) in prepaid items			(26,474)
(Increase) in advances to other funds		600,000	
Increase (decrease) in accounts payable	(1,311,582)	59,600	214,642
Increase (decrease) in compensated absences	58,189	(25,819)	(4,822)
(Decrease) in claims and judgments payable			
Increase (decrease) in net OPEB obligation			
Increase (decrease) unearned revenue			(160,259)
Increase in advances from other funds			
Non-cash expense	279,959		
Total adjustment	<u>5,234,202</u>	<u>2,202,594</u>	<u>1,925,276</u>
Net cash provided by (used for) operating activities	<u><u>\$ 11,367,484</u></u>	<u><u>\$ 2,427,957</u></u>	<u><u>\$ (7,795,055)</u></u>

Non-cash transactions:

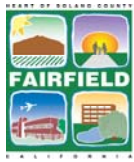
Extraordinary gain--reinstatement of loans receivable
from Successor Agency

The notes to the basic financial statements are an integral part of this statement.

<u>Golf Courses</u>	<u>Police Training Center</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
\$ (319,844)	\$ (655,554)	\$ (4,337,084)	\$ (12,809,223)
775,294	538,159	11,147,498	1,193,879
(39,680)	(6,593)	(201,680)	(98,372)
(28,477)		(28,477)	(83,733)
(28,408)		(54,882)	(59,075)
		600,000	(1,002,745)
66,490	(4,724)	(975,574)	82,166
		27,548	14,007,941
			(441,000)
			18,690
24,609		(135,650)	(148,176)
		279,959	
<u>769,828</u>	<u>526,842</u>	<u>10,658,742</u>	<u>13,469,575</u>
<u>\$ 449,984</u>	<u>\$ (128,712)</u>	<u>\$ 6,321,658</u>	<u>\$ 660,352</u>

\$ 12,047,692

The notes to the basic financial statements are an integral part of this statement.



Fiduciary Funds Financial Statements





City of Fairfield

Statement of Net Position Fiduciary Funds June 30, 2014

	Agency Funds	Successor Agency to the Fairfield Redevelopment Agency Private-Purpose Trust Fund
Assets:		
Cash and investments	\$ 14,479,355	\$ 5,194,575
Receivables, net	725,793	2,907,952
Restricted cash and investments	4,310,291	678,989
Prepaid items		25,472
Land held for resale		9,581,878
Total Assets	<u>\$19,515,439</u>	<u>18,388,866</u>
Liabilities:		
Accounts payable and other current liabilities	\$ 19,515,439	2,872
Interest payable		427,277
Loans payable to Fairfield Housing Authority		7,407,391
Loans payable to City of Fairfield		12,365,182
Long-term debt - due within one year		2,670,000
Long-term debt - due in more than one year		38,609,594
Total Liabilities	<u>\$ 19,515,439</u>	<u>61,482,316</u>
Net Position:		
Held in trust		<u>(43,093,450)</u>
Total net position (deficit)		<u>\$ (43,093,450)</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

Statement of Changes in Net Position Fiduciary Funds For the Year Ended June 30, 2014

	Successor Agency to the Fairfield Redevelopment Agency Private-purpose Trust Fund
Additions:	
Property taxes	\$ 3,529,387
Investment income	91,290
Miscellaneous income	245,958
Total additions	<u>3,866,635</u>
Deductions:	
Dissolution payments to Solano County	95,018
Enforceable obligations	2,272,572
Program expenditures	2,301,926
Total deductions	<u>4,669,516</u>
Extraordinary loss--dissolution of Fairfield Redevelopment Agency (Note 18)	16,336,659
Change in net position	<u>(17,139,540)</u>
Net Position	
Beginning of Year	(25,953,910)
End of Year	<u>\$ (43,093,450)</u>

The notes to the basic financial statements are an integral part of this statement.



City of Fairfield

People and Places in the City

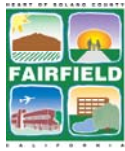




City of Fairfield

Notes to Basic Financial Statements For the Year Ended June 30, 2014

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City of Fairfield

Notes to Basic Financial Statements For the Year Ended June 30, 2014

1) Summary of Significant Accounting Policies

A. Organization and Reporting Entity

The City of Fairfield (the City) was incorporated on December 12, 1903, under the laws of the State of California. The City is a general law city administered by a Council-Manager form of government. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Component units, although legally separate entities, are, in substance, part of the City's operations and data from these units are combined with data of the City. Based on the above criteria, the accompanying financial statements include the financial activities of these component units:

- Fairfield Public Financing Authority
- Fairfield Water Facilities Improvement District No. 1
- Fairfield Municipal Park Improvement District No. 1
- Fairfield Storm Drain Facilities Improvement District No. 1
- Fairfield Community Facilities Districts
- Housing Authority of the City of Fairfield

These entities are legally separate from each other; however, the City Council serves in separate session as the governing body of these related agencies. The financial activities of these entities are integrally related to those of the City and blended with those of the City. Blending involves aggregating/merging component unit data and data from the City at both the Government-Wide and Fund Financial Statement level.

The City also has an ownership interest in the Solano Water Authority and the California Joint Powers Risk Management Authority. These entities do not meet the criteria for being a component unit of the City, and their financial information is not combined with that of the City. The City's equity investment in the Solano Water Authority is reported in the Water Utility Enterprise Fund as an Investment in Joint Venture.

Each of the component units or activities included in the Government-Wide and Fund Financial Statements is described as follows:

Fairfield Public Financing Authority

The Fairfield Public Financing Authority (the Financing Authority) is a public agency created under a joint exercise of powers agreement between the City and the former Redevelopment Agency (now Successor Agency). The Financing Authority was created for the purpose of providing financing of public capital improvements for the City and the former Agency. The City Council is the governing board of the Financing Authority.

Fairfield Water Facilities Improvement District No. 1

The Fairfield Water Facilities Improvement District No. 1 (the Water Improvement District) is a voter-approved improvement district formed in 1972 to finance and build water treatment and storage facilities. The City Council is the governing board of the Water Improvement District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for the District.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Fairfield Municipal Park Improvement District No. 1

The Fairfield Municipal Park Improvement District No. 1 (the Park Improvement District) is a voter-approved improvement district formed in 1972 to finance acquisition and construction of parks and recreational facilities. The City Council is the governing board of the Park Improvement District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for the District.

Fairfield Storm Drain Facilities Improvement District No. 1

The Fairfield Storm Drain Facilities Improvement District No. 1 (the Storm Drain Facilities Improvement District) is a voter-approved improvement district formed in 1972 to finance construction of storm drainage facilities. The City Council is the governing board of the Storm Drain Facilities Improvement District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for the District.

Fairfield Community Facilities Districts

The City of Fairfield Community Facilities Districts were created in accordance with the State of California Mello-Roos Community Facilities Act of 1972. The Districts were formed to levy special taxes, issue bonds, and obtain loans supported by special taxes for open space and general traffic and street improvements. The City Council is the governing board of the Fairfield Community Facilities District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for these Districts.

Housing Authority of the City of Fairfield

The Housing Authority of the City of Fairfield (the Housing Authority) is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through Federal assistance programs and low/moderate income housing programs.

The Housing Authority is governed by a Board of Commissioners composed of five City Council members and two members of the public. This entity is a blended component because the governing body of it and the City are substantively the same and management of the City has operational responsibility for the Authority.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. These statements implement all the applicable GASB statements.

The accounts of the City and its component units are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Government - Wide Financial Statements

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

These statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

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 are aggregated. An accompanying reconciliation schedule is presented to explain the differences in governmental fund balances as presented in these statements to the net position presented in the Government-Wide financial statements.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the Balance Sheets. 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 when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period (the City considers all revenues available if they are collected within 90 days after year-end). Property taxes, sales tax, franchise taxes, licenses, interest, grants, and special assessments are susceptible to accrual. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City has presented all major funds that met the applicable criteria. The City of Fairfield reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those which are restricted as to use.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

The Housing Authority Special Revenue Fund is used to account for housing assets, functions, and all responsibility previously performed by the now defunct Redevelopment Agency, including financial development and rehabilitation of low and moderate income housing units, including all revolving loan fund programs. The fund is restricted to account for the use of the resources that will increase, improve and preserve the supply of housing available for the low and moderate-income households. The primary source of funding is interest income and the repayment of loans receivables (as well as the sale of land).

The City Capital Projects Fund is used to account for construction projects. The primary sources of funding have been City-levied development taxes, State Gas Tax, Local Transportation Tax, Traffic Safety Funds and temporary loans to projects.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements. Internal Service Funds account for the following activities: Central Stores, Automotive Services, Communication Services, Intra-governmental Loans, Insurance, Public Buildings and Compensated Absences. These funds provide a variety of services to all City departments such as printing and mailing, automotive, communication, cogeneration and Civic Center maintenance, insurance requirements, as well as loans and advances.

Proprietary Funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City has presented all proprietary funds as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole. The City of Fairfield reports the following major proprietary fund types:

The Water Utility Fund accounts for the operations of the water system. This is a self-supporting activity which provides water services on a user charge basis to residences and businesses located in the City.

The North Bay Treatment Plant is used to account for the operations of a joint water treatment plant built by the cities of Fairfield and Vacaville. This plant supplies treated water to both the cities. City of Fairfield is the designated administrator and operator of the plant.

The Transportation Fund accounts for the operations of the City's transportation system for a fixed route and demand response service which, along with fare box revenues, receives grants from the Transportation Development Act (TDA) and the Federal Transit Administration (FTA) and state and regional funding.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

The Golf Course Fund accounts for the operations of the two City-owned public golf courses (Rancho Solano and Paradise Valley). The revenue generated from the courses is used to pay the debt service payments on the bond issues with which the courses were constructed.

The Police Training Facility Fund accounts for the operations of the training facility built by the City of Fairfield. The facility includes twenty 25-yard pistol lanes, six 100-yard rifle range, three driving simulators, force option simulator, conference room, and classroom along with other miscellaneous training rooms. The facility is one of the only training centers which offers such a wide range of on-site training in Northern California and will be used by surrounding public safety agencies to support the operational costs.

The City reports the following internal service funds:

The Central Stores Fund accounts for the printing, copying, and mail services provided to the various City departments; as well as accounting for public work maintenance supplies for the various City departments.

The Automotive Services Fund accounts for automotive services performed for the various City departments as well as accounting for the City's Vehicle Replacement Fund.

The Communication Services Fund accounts for the charges to the various departments for the use and maintenance of the main power supplies for various communication devices such as hand radios, phones, and computers.

The Intragovernmental Loan Fund accounts for loans made to City funds or affiliated agencies.

The Insurance Fund accounts for all insurance activities of the City.

The Public Buildings Fund accounts for the operation of the cogeneration facilities, and major maintenance of the Civic Center complex.

The Compensated Absences Fund accounts for the funding and tracking of the liabilities for vacation, personal leave, and sick leave for the Governmental Activities of the City.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and Statement of Changes in Net Position. The City's Fiduciary funds represent Agency Funds and Private Purpose Trust Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting. Agency activities include Other Deposits, Payroll Trust, Solid Waste, Fairfield-Suisun Sewer District, Downtown Improvement District, North Texas Business Improvement District, Solano Animal Control, Green Valley Maintenance District, Tri-City County Regional Parks and Open Space Group, Tourism Business Improvement District, and Assessment and Improvement Districts (for servicing the debt service of the non-commitment debt—see Note 19).

The Private Purpose Trust Fund is a Fiduciary Fund type used by the City to report trust arrangements under which principal and income benefit other governmental entities. This trust fund uses the economic resources measurement focus and the accrual basis of accounting. This fund reports the assets, liabilities and activities of the Successor Agency to the former Fairfield Redevelopment Agency (Successor Agency).



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Use of Restricted/Unrestricted Net Position

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

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as cash and investments which are considered to be liquid assets for purposes of measuring cash flows. Cash and investments of all funds are pooled with the City's pooled cash and investments, and are considered cash and cash equivalents.

Investments

Investments are recorded at fair value; changes in fair value are included with investment income in the operating statements.

Restricted Cash and Investments

In the Proprietary, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds, as well as in the governmental activities, certain proceeds of debt issues, along with certain resources, are set aside for their repayment and classified as restricted cash and investments on the balance sheet, because their use is limited by applicable bond covenants and/or other agreements.

Unbilled Services Receivable

Utility Revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Inventory and Prepaid Items

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at \$5,000 and infrastructure at \$100,000. Donations or contributions of capital assets are recorded at fair market value when received.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Buildings	30-60 years
Improvements.....	30-60 years
Equipment.....	5-60 years
Infrastructure.....	25-60 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system, water purification and distribution system, sewer and water pipes system, park and recreation lands and improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

Capitalized Interest

For the City's business-type activities, interest costs relating to the acquisition or construction of capital assets are capitalized as a component of the cost of the capital assets. In situations where the construction of capital assets is financed with proceeds from tax-exempt debt, the amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period. In situations where the construction of capital assets is financed with proceeds from taxable debt, the amount of interest to be capitalized is calculated by applying the specific or otherwise determined borrowing rate to the average accumulated expenditures pertaining to the project, including previously any capitalized interest on incomplete projects. Under both methods, interest is only capitalized up to the amount of interest incurred during the fiscal year. Interest expense for the fiscal year was \$8,721,770 from business-type activities, of which none was capitalized interest.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, which is the deferred charges on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from interest receivable on notes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. At the government-wide statements, this item is eliminated and recognized as revenue since "availability" of resources is not a criteria used in the government-wide statements.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Compensated Absences

The liability for compensated absences includes the unused vacation leave, sick leave, and compensatory time off and personal leave, which are accrued as earned.

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and related expenses and liabilities are reported.

Fund Financial Statements

In the current fiscal year, compensated absences for governmental activities are now recorded in an internal service fund. Thus, the liability in the internal service fund is reported as compensated absences expenses are incurred. In proprietary funds, compensated absences are expensed and funded by the various funds in the period in which they are earned.

Fund Balances

The Government Fund Balances consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below: (See Note 12 for tabular presentation)

Nonspendable: Items that cannot be spent because they are not in spendable form, long term portions of receivables (net of the amount accounted for in restricted funds), inventories, prepaid items, and also items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources which use is constraint by limitations that the government imposes upon itself by formal action through City Council Resolution. The City Council is also the highest level of decision making for all of its component units. Commitments may be changed or removed only by the same formal action (City Resolution) taken by the City Council to impose the constraint.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Finance Director has been given authority by the City Council to assign funds for the City of Fairfield.

Unassigned: Unassigned fund balances encompass residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Spending Policy

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the City and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. The City has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 20% of expenditures.

At the governmental fund financial statement level, the City's policy is that restricted, committed, and assigned fund balances are considered to have been spent first before unassigned fund balances have been spent, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Implementation of New GASB Pronouncements

In fiscal year 2013-2014, the City implemented new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

Statement No. 65	<i>Items Previously Reported as Assets and Liabilities</i>	Provides guidance for the financial reporting and accounting for items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources.
Statement No. 66	<i>Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62</i>	Provides clarification on potentially conflicting accounting guidance in the prior two statements listed. This statement did not have a material effect on the financial statements.
Statement No. 70	<i>Accounting and Financial Reporting for Nonexchange Financial Guarantees</i>	Provides guidance to establish accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). This statement did not have a material effect on the financial statements.

C. Stewardship, Compliance, and Accountability

Budgetary Information

The City adopts annual budgets for its General, Special Revenue, Capital, Debt Service, and Enterprise Funds of the City. The City uses the following procedures in establishing the annual budgets and financial plans: After January 1, the departments prepare estimates for required appropriations for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and forecast revenues for the fiscal year. The initial budget is presented to the City Manager and the City staff for review. Prior to July 1, the proposed budget is submitted to the City Council and a public hearing is conducted at a City Council meeting. After the public hearing has concluded and the public comments are considered, the City Council adopts the budget resolutions. The approved budgets may be amended by the City Council during the year,



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

and were so amended in fiscal year 2014. The effect of the amendments were not material in relation to the original appropriations.

For General Fund, budgets are appropriated and approved by the City Council at the departmental level and City Council approval is required to transfer General Fund operating budget appropriations between departments. The City's department heads may make transfers of appropriations within a department however, departments may not exceed the departmental appropriations. The legal level of budgetary control for the General Fund is at the department level. For Capital Projects Funds, budgets are appropriated and approved by the City Council at the project level and budgetary control is also at the project level. For Special Revenue Funds, Debt Service Funds, and Enterprise Funds, budgets are appropriated and approved by the City Council at the fund level and budgetary control is at the fund level. The City does not budget for its permanent fund and therefore no budget to actual comparison is done for this fund. The budgets for all Governmental funds are adopted on the modified accrual basis (GAAP) consistent with the basis used for fund financial reporting; the budgets for all Enterprise Funds are adopted on the full accrual basis.

2) Property Taxes

Property taxes are levied and become a lien on real property at January 1, based on the assessed values determined by the Solano County Assessor (the County). Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Property tax revenues are recognized when levied.

Article XIII of the California Constitution (more commonly known as "Proposition 13") limits ad valorem taxes on real property to 1 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2 percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of 2/3 of the qualified electors.

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, cities, schools and special districts' operating expenditures. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies with historical tax delinquency rates less than three percent, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of taxes levied. This method was placed in effect by Solano County in the 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

3) Interfund Transactions

The City had numerous transactions between funds to finance operations, provide services, construct assets, and service debt all within the course of normal business operations. As discussed below, these transactions are classified as transfers in/out, due to/from other funds or advances to/from other funds. The following tables summarize interfund transfers (as presented in the City's Fund Financial Statements) for the fiscal year ended June 30, 2014:

	Transfers In (fund receiving transfer):						Total
	Governmental Funds			Enterprise			
	General Fund	City Capital Projects	Non-Major Governmental Funds	Golf Courses	Police Training Center	Internal Service	
Transfers Out: (fund making transfer)							
Governmental Funds:							
General Fund			\$ 3,677,278	\$ 507,735	\$ 168,000	\$ 2,991,056	\$ 7,344,069
Housing Authority Special Revenue Fund			17,152				17,152
City Capital Projects Fund			305,870				305,870
Non-Major Governmental Funds	\$ 339,694	\$ 4,465,552	72,103			5,800	4,883,149
Enterprise Funds:							
Water Utility		1,000,000	201,580				1,201,580
North Bay Treatment Plant			91,676				91,676
Transportation			32,978				32,978
Golf Courses							
Total Enterprise Funds	-	1,000,000	326,234	-	-	-	1,326,234
Internal Service Funds	-		115,222				115,222
Totals	\$ 339,694	\$ 5,465,552	\$ 4,513,859	\$ 507,735	\$ 168,000	\$ 2,996,856	\$ 13,991,696

The major transfer activity consists of the following:

City Capital Projects – Transfers in from Non-Major Governmental Funds (Gas Tax Special Revenue Fund, Development Tax Special Revenue Fund, and Special Programs Special Revenue Fund) with a combined amount of \$3,886,582 to fund street maintenance, traffic improvements, pavement rehabilitation and various street capital projects. The construction of these capital projects are needed to meet standards contained in the City's General Plan. Also, there was a transfer in from Non-Major Governmental Funds (Assessment and Improvement Districts Capital Projects Fund) for \$578,970, which was for pavement rehabilitation of various street projects in the City. Transfer in from Water Utility Enterprise Fund for \$1,000,000 was to fund water line relocations related to the Train Station Project.

Non-Major Governmental Funds - The majority of the \$4,513,859 transfers in is from various funds, including the General Fund. The General Fund transferred \$2,024,278 to the Non-Major Governmental Fund (Pension Obligation Debt Service Fund) for the servicing of the Pension Obligation Bond debt. Also, the General Fund transferred \$1,500,000 to the Non-Major Governmental Fund (State Gas Tax Special Revenue Fund) to repay for costs incurred for traffic operations.

Internal Service Funds – The majority of the \$2,996,856 transfers in is from various funds, including the General Fund which transferred \$2,359,000 into the Insurance Internal Service Fund to fund costs incurred for claims, settlements, legal fees, and insurance premiums.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

The composition of interfund receivable/payable balances at June 30, 2014 is as follows:

	<u>Due to Other Funds (fund receiving loan)</u>
<u>Due From Other Funds: (fund making loan)</u>	
Internal Service Funds	\$ 339,948
Totals	<u>\$ 339,948</u>

Due to Other Funds consist of short term advances for year-end cash flow purposes.

Advances From/To Other Funds consist of the following at June 30, 2014:

	<u>Advances From Other Funds (fund receiving loan)</u>		
	<u>Enterprise</u>		
<u>Advances to Other Funds (fund making loan)</u>	Water Utility	Golf Courses	Total
Non-Major Governmental Fund		\$ 7,690,386	\$ 7,690,386
Internal Service Funds		17,450,889	17,450,889
Enterprise Funds:			
North Bay Treatment Plant	\$ 1,869,715		1,869,715
Totals	<u>\$ 1,869,715</u>	<u>\$ 25,141,275</u>	<u>\$ 27,010,990</u>

Enterprise - Golf Courses - \$25,141,275 in advances represent principal and interest on loans received primarily to facilitate the construction of the two golf courses: \$17,450,889 from the Internal Service Intragovernmental Loan Fund and \$7,690,386 from the Non-Major Special Revenue Fund-Development Tax Fund. The advances made to the Golf Course Fund are not expected to be repaid within one year and are long term in nature. The Enterprise Fund—North Bay Treatment Plant advanced funds to the Enterprise Fund—Water Utility Funds to finance water plant improvements. The North Bay Treatment Plant Loan will be repaid over a four year period.

4) Cash and Investments

The City manages the cash of the City and component units on a pooled basis. Funds are invested in accordance with Section 53601 of the State government code and the City's established investment policy. All monies not required for immediate expenditure are invested or deposited to earn the maximum yield consistent with safety and liquidity. All investments have the City as registered owner or are kept in the custody of the City or a qualified safekeeping institution. A monthly report is submitted to the City Manager and City Council showing a description of the investments, purchase price, purchase date, current market value for all securities with a maturity of more than 12 months, maturity date, par value, discount or premium if any, cost, yield, safekeeping institution for each deposit or investment, average weighted maturity and effective yield of the portfolio. A portion of the portfolio is managed by third party investment managers.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

A. Deposits

The carrying amount of the City's cash deposits at June 30, 2014 was \$13,890,980 and the bank balance was \$10,896,747. The entire bank balance was covered by federal depository insurance up to \$250,000 or by collateral held by the City's agent in the City's name as discussed below.

The California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC).

B. Investments

The City's investment policy restricts investments to the following:

Certificates of Deposit must be FDIC insured or fully collateralized. They must also be purchased from banks or financial institutions located in California.

Negotiable Certificates of Deposit may not exceed 30% of the City's invested funds.

Bankers' Acceptances must be issued by domestic branches or subsidiaries of foreign banks, the short term paper of which is rated in the highest category by Moody's Investor Services, Inc. ("Moody's") or by Standard and Poor's Corporation ("Standard and Poor's"). The issuing bank must be domiciled in a country rated AAA by Moody's, or by Fitch.

Treasury Bills and Notes with a maximum maturity of five years.

Federally-Sponsored Credit Agency Securities with a maximum maturity of five years.

Repurchase Agreements may only be purchased from the 15 largest banks in the U.S. and are used solely as a short-term investment, not to exceed 90 days. Repurchase agreements are supported by eligible investments, of which physical delivery to or safekeeping documentation from a qualified safekeeping institution is required.

Local Agency Investment Fund (LAIF) deposits may be made in this fund up to the State of California limit of \$50,000,000 for each government entity. The City and its component units have four accounts with LAIF, therefore the maximum deposit that may be made is \$200,000,000.

Savings Accounts, Money Market Accounts and General Checking Accounts may be used to deposit idle cash. No account may be opened without written authorization from the Finance Director.

Commercial Paper must be rated prime quality (P1 by Moody's or A1 by Standard and Poor's). Eligible paper is further limited to notes issued by corporations organized and operating within the U.S. and having total assets in excess of \$500,000,000 and having an "A" or higher rating in other long term debt.

Corporate Medium-Term Notes must be rated at least A by an NRSO (Nationally Recognized Statistical Rating Organization). The maximum maturity of medium-term notes may not exceed five years. No more than



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

25% of the City's portfolio may be invested in this category. "Asset Backed Securities" (i.e., credit card securities) purchases are only allowed with approval of the Finance Director; must be rated AAA; and no more than 20% of the portfolio may be invested in this category.

Reverse Repurchase Agreements, Financial Futures and Options, U.S. Zero Coupons and Bonds and Small Business Administration Guaranteed Notes may not be invested in without specific instruction from the Finance Director.

The Cash with Fiscal Agents represents primarily restricted bond proceeds (for bond required reserves) and is governed by the provisions of the relevant bond documents and indentures.

C. Risk Disclosures

Interest Rate Risk is defined as the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, State law and the City's investment policy limits the City's investment portfolio to maturities not to exceed five years from the time of purchase. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations (including \$14,214,244 of debt proceeds held by bond trustees) is provided by the following table that shows the fair values of investments held by the City grouped by maturity at June 30, 2014:

	Remaining Maturity (in years)			<u>Total</u>
	<u>One year or less</u>	<u>One to Two Years</u>	<u>Two to Five Years</u>	
Local Agency Investment Fund	\$ 40,011,950			\$ 40,011,950
U.S. Government Agencies	6,451,054	\$ 21,864,853	\$ 27,320,874	55,636,781
U.S. Treasuries	1,907,029	26,404,855	42,139,770	70,451,654
Negotiable Certificates of Deposit	2,501,313	5,697,941		8,199,254
Medium Term Notes	697,069	9,797,798	23,387,034	33,881,901
Money Market Mutual Funds	4,393,069			4,393,069
Commercial Paper	7,933,358			7,933,358
	<u>\$ 63,894,842</u>	<u>\$ 63,765,447</u>	<u>\$ 92,847,678</u>	<u>\$ 220,507,967</u>

Credit Risk This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Generally, this is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization (NRSRO) (see credit quality ratings in section D). The City's credit quality risk policy is discussed in section B above, within the individual security types.

Custodial Credit Risk This is a risk that in the event of the failure of the counterparty (e.g. broker-dealer), the City will not be able to recover the value of its investment or collateral securities that are held by the counterparty. All of the City's investments in securities are held in the name of the City and are held via book entry at the location of the City's third party custodian. Therefore, the City has no custodial credit risk.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Concentration Risk This risk can also arise in the wake of a failure to adequately diversify investments. The City's investment policy attempts to limit the City's investments in any one bank or corporation to no more than 20% of the total portfolio (at the time of purchase). Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total City's investment portfolio are as follows:

<u>U.S. Agencies</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank (FHLB)	\$ 17,596,958	7.98%
Federal National Mortgage Association (FNMA)	19,542,141	8.86%
Federal Home Loan Mortgage Corporation (FHLMC)	13,626,149	6.18%
	<u>\$ 50,765,248</u>	<u>23.02%</u>

Investments in Local Agency Investment Funds

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2014, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

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

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flow from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2014, the City has \$40,011,950 invested in LAIF which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2014, by multiplying its account balance with LAIF of \$40,000,000 by a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00029875.

The LAIF is part of the Pooled Money Investment Account (PMIA) with the state. The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house investment committee. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members, as designated by statute. Additionally, the State Treasurer's Office is audited by the Bureau of State Audits on an annual basis, as well as a continuing audit process throughout the year.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

D. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2014:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and Investments	\$ 139,136,439	\$ 47,471,581	\$ 186,608,020	\$ 19,673,930	\$ 206,281,950
Restricted Cash and Investments	484,552	22,643,165	23,127,717	4,989,280	28,116,997
Total Cash and Investments	\$ 139,620,991	\$ 70,114,746	\$ 209,735,737	\$ 24,663,210	\$ 234,398,947

At June 30, 2014, the City had the following deposits and investments (with corresponding credit quality ratings):

	Standard & Poor's Credit Quality Ratings	Fair Value
City Treasury:		
Deposits		\$ 12,317,503
Investments		
Securities of US Gov't Agencies		
FHLB	AA	16,435,830
FNMA	AA	19,542,141
FHLMC	AA	13,626,149
FFCB	AA	4,871,533
Total Securities of US Gov't Agencies		54,475,653
US Treasury Notes	AA	62,227,142
Medium Term Notes	AA	22,778,688
Medium Term Notes	A	11,103,213
Negotiable CD	A-1	4,999,358
Negotiable CD	AA	1,599,368
Negotiable CD	A	1,600,528
Mutual Funds	AAA	1,137,942
Commercial Paper	A-1	7,933,358
Local Agency Investment Funds	Not rated	40,011,950
Total Investments		207,867,200
Total City Treasury		220,184,703
Fiscal Agents:		
Deposits		1,573,477
Investments		
Securities of US Gov't Agencies		
FHLB	AA	1,161,128
US Treasury Notes	AA	8,224,512
Mutual Funds	AAA	3,255,127
Total Investments		12,640,767
Total Cash and Investments with Fiscal Agents		14,214,244
Total Cash and Investments		\$ 234,398,947



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

E. Designated Cash and Investments

In the Internal Service – Intragovernmental Loan Fund, the City has unrestricted cash and investments of \$16,714,216. Of this amount, the City Council has designated cash and investments in the amount of \$10,884,058 that shall be used for the purposes of a pending dispute with the State Controller's Office regarding Health and Safety Code Section 34165.7. This amount is being set aside and designated for purposes of potentially paying the State Controller regarding the Redevelopment dissolution process and their assertion that the City had unallowable transfers from the RDA to the City. This is an ongoing disputed matter with the State, and in addition to designating this amount of cash and investments for this purpose, the City has also referenced this dollar amount as a contingent liability. See Note 15.

5) Receivables

Receivables as of June 30, 2014, net of applicable allowances for uncollectible accounts (where applicable), are as follows:

Governmental Activities

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Activities
	General Fund	Housing Authority	City Capital Projects		
Taxes	\$ 6,497,083			\$ 33,594	\$ 6,530,677
Interest and other	92,431	\$ 2,160	\$ 51,055	99,299	244,945
Accounts	521,743			505,735	1,027,478
Intergovernmental	288,120		3,774,490	821,232	4,883,842
Notes		38,836,798	24,693	21,591,932	60,453,423
Total Receivables	<u>\$ 7,399,377</u>	<u>\$ 38,838,958</u>	<u>\$ 3,850,238</u>	<u>\$ 23,051,792</u>	<u>73,140,365</u>
Add Internal Service Fund Receivables					12,263,368
Total Receivables					<u>\$ 85,403,733</u>

Business-Type Activities

	Major Funds				Police Training Center	Total Business-Type Activities
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses		
Interest and other	\$ 102,479	\$ 83,637	\$ 3,621	\$ 1,436	\$ 94	\$ 191,267
Accounts	6,518,570	1,257,148	8,502	84,812	13,898	7,882,930
Intergovernmental			3,109,706			3,109,706
Notes	94,859					94,859
Less Allowance for Doubtful Accounts	(128,007)					(128,007)
Total Receivables, Net	<u>\$ 6,587,901</u>	<u>\$ 1,340,785</u>	<u>\$ 3,121,829</u>	<u>\$ 86,248</u>	<u>\$ 13,992</u>	<u>\$ 11,150,755</u>

In the governmental activities, approximately \$38,543,000 of the outstanding balance of notes receivable in the Housing Authority Special Revenue Fund and \$20,907,000 in Non-Major Governmental Special Revenue Funds (Home, CDBG and NSP) are not anticipated to be collected within the next one year.

Amounts due to the City from the Successor Agency at June 30, 2014 are \$32,137,755, of which \$19,772,573 is reported in Housing Authority Special Revenue Fund, \$317,490 is reported in the Non-Major Governmental Special Revenue Home Fund and \$12,047,692 is reported in Intragovernmental Internal Service Fund (see Note 18).



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

6) Net Pension Asset

The City is a member of the California Public Employees' Retirement System (PERS), a public employees defined benefit retirement program. In fiscal year 2004/2005, the City issued \$41,745,000 in Pension Obligation Bonds in order to refund the City's unamortized, unfunded actuarial accrued liability with PERS. This payment to PERS resulted in the City recording a Net Pension Asset in the Government Wide Financial Statements in the original amount of \$40,695,000. This amount is being amortized over the thirty year life of the bonds. The balance of the Net Pension Asset at June 30, 2014 is \$28,486,501.

7) Capital Assets

The following table presents summary information on infrastructure assets as of June 30, 2014:

Asset Description	Cost to Build June 30, 2014	Accumulated Depreciation	Balance June 30, 2014
Governmental activities:			
Bridges and box culverts	\$ 22,255,417	\$ (12,201,017)	\$ 10,054,400
Retention and catch basins	6,730,121	(3,230,609)	3,499,512
Manholes	19,040,267	(8,773,703)	10,266,564
Pavement	116,043,892	(80,818,149)	35,225,743
Pump stations - sewer	1,016,805	(404,435)	612,370
Sewer pipes	12,378,612	(6,341,756)	6,036,856
Sidewalks, curbs and gutters	36,959,151	(23,618,528)	13,340,623
Storm drains and open channels	41,983,813	(28,247,727)	13,736,086
Street lights	13,179,499	(8,459,893)	4,719,606
Traffic signals	10,418,299	(5,294,221)	5,124,078
Total governmental activities	<u>280,005,876</u>	<u>(177,390,038)</u>	<u>102,615,838</u>
Business - type activities:			
Water utility	182,593,546	(64,794,345)	117,799,201
Total business - type activities	<u>182,593,546</u>	<u>(64,794,345)</u>	<u>117,799,201</u>
Total infrastructure assets	<u>\$ 462,599,422</u>	<u>\$ (242,184,383)</u>	<u>\$ 220,415,039</u>

For the year ended June 30, 2014, depreciation expense on capital assets was charged to the governmental functions of the City as follows:

Administration	\$ 508,584
Finance	19,064
Police	727,058
Fire	382,471
Public works	9,736,213
Community development	35,536
Community resources	1,158,043
Governmental Funds Depreciation Expense	12,566,969
Internal Service Depreciation Expense	1,193,879
Total Governmental Activities Depreciation Expense	<u>\$ 13,760,848</u>



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

For the year ended June 30, 2014, depreciation expense on capital assets was charged to the business-type activities of the City as follows:

Water utility	\$ 6,702,657
North bay treatment plant	1,236,892
Transportation	1,894,496
Golf courses	775,294
Police training center	538,159
Business-type Activities - Depreciation Expense	<u>\$ 11,147,498</u>

Capital Assets of the City for the year ended June 30, 2014, consisted of the following:

Asset Description	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Governmental activities:					
Non-depreciable assets:					
Land	\$ 31,939,942	\$ 1,114,576			\$ 33,054,518
Construction in progress	13,413,138	5,309,142	\$ (1,024,929)	\$ (2,198,455)	15,498,896
Total Non-depreciable assets	45,353,080	6,423,718	(1,024,929)	(2,198,455)	48,553,414
Depreciable assets:					
Land improvements	90,726,962			1,054,455	91,781,417
Buildings and improvements	78,233,937				78,233,937
Machinery and equipment	36,110,015	2,450,258	(2,098,616)	1,173,734	37,635,391
Infrastructure	279,643,555	362,321			280,005,876
Total depreciable assets	484,714,469	2,812,579	(2,098,616)	2,228,189	487,656,621
Accumulated depreciation:					
Land improvements	(7,148,097)	(2,220,496)			(9,368,593)
Buildings and improvements	(40,427,449)	(2,368,246)			(42,795,695)
Machinery and equipment	(23,911,068)	(2,358,988)	2,098,616	(29,734)	(24,201,174)
Infrastructure	(170,576,920)	(6,813,118)			(177,390,038)
Total accumulated depreciation	(242,063,534)	(13,760,848)	2,098,616	(29,734)	(253,755,500)
Total depreciable assets, net	242,650,935	(10,948,269)	-	2,198,455	233,901,121
Total governmental activities	288,004,015	(4,524,551)	(1,024,929)	-	282,454,535
Business - type activities:					
Non-depreciable assets:					
Land	14,775,357				14,775,357
Intangibles	5,126,663				5,126,663
Construction in progress	9,643,747	4,288,389		(3,223,497)	10,708,639
Total Non-depreciable assets	29,545,767	4,288,389	-	(3,223,497)	30,610,659
Depreciable assets:					
Land improvements	11,753,976	-			11,753,976
Buildings and improvements	79,502,071	227,900	(30,523)		79,699,448
Machinery and equipment	33,625,738	968,807	(530,749)	(29,734)	34,034,062
Infrastructure	179,322,280	47,769		3,223,497	182,593,546
Total depreciable assets	304,204,065	1,244,476	(561,272)	3,193,763	308,081,032
Accumulated depreciation:					
Land improvements	(8,865,903)	(420,905)			(9,286,808)
Buildings and improvements	(30,907,706)	(2,009,333)	30,523		(32,886,516)
Machinery and equipment	(24,162,228)	(2,194,185)	530,749	29,734	(25,795,930)
Infrastructure	(58,271,270)	(6,523,075)			(64,794,345)
Total accumulated depreciation	(122,207,107)	(11,147,498)	561,272	29,734	(132,763,599)
Total depreciable assets, net	181,996,958	(9,903,022)	-	3,223,497	175,317,433
Total business - type activities	211,542,725	(5,614,633)	-	-	205,928,092
Total net capital assets	\$ 499,546,740	\$ (10,139,184)	\$ (1,024,929)	\$ -	\$ 488,382,627



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

8) Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities as of June 30, 2014 are as follows:

Governmental Activities	Major Funds				Total Governmental Activities
	General Fund	Housing Authority	City Capital Projects	Other Non-Major Governmental Funds	
Accounts Payable	\$ 1,682,445	\$ 6,681	\$ 3,341,279	\$ 709,548	\$ 5,739,953
Deposits Payable	68,544		1,230,672	5,980	1,305,196
Total Accounts Payable & Other Current Liabilities	<u>\$ 1,750,989</u>	<u>\$ 6,681</u>	<u>\$ 4,571,951</u>	<u>\$ 715,528</u>	<u>7,045,149</u>
Add: Internal Service Accounts Payable and Other Current Liabilities					648,116
Total Accounts Payable & Other Current Liabilities					<u>\$ 7,693,265</u>

Business-Type Activities	Major Funds				Total Business-Type Activities
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses	
Accounts Payable	\$ 1,291,595	\$ 346,798	\$ 4,387,083	\$ 282,901	\$ 6,311,672
Deposits Payable			3,433	229,534	232,967
Total Accounts Payable & Other Current Liabilities	<u>\$ 1,291,595</u>	<u>\$ 346,798</u>	<u>\$ 4,390,516</u>	<u>\$ 512,435</u>	<u>\$ 6,544,639</u>

9) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2014:

	Balance June 30, 2013	Incurred or Issued	Satisfied or Matured	Balance June 30, 2014	Due within One Year	More than One Year
Governmental Activities:						
General Obligation bonds	\$ 9,862,468		\$ 421,890	\$ 9,440,578	\$ 421,890	\$ 9,018,688
Pension Obligation bonds	36,135,000		385,000	35,750,000	470,000	35,280,000
Long-term notes payable	2,486,066		252,056	2,234,010	255,263	1,978,747
Compensated absences	14,114,041	\$ 2,453,164	2,559,264	14,007,941	1,964,777	12,043,164
Claims and judgments payable	10,648,000	530,908	971,908	10,207,000	1,040,516	9,166,484
Net OPEB obligation	689,620	213,164	194,474	708,310	-	708,310
Total Governmental Activities	<u>\$ 73,935,195</u>	<u>\$ 3,197,236</u>	<u>\$ 4,784,592</u>	<u>\$ 72,347,839</u>	<u>\$ 4,152,446</u>	<u>\$ 68,195,393</u>
Business-Type Activities:						
Utility-Water revenue bonds	\$ 107,611,697		\$ 4,655,000	\$ 102,956,697	\$ 4,890,000	\$ 98,066,697
Recreational revenue bonds	7,795,000		845,000	6,950,000	880,000	6,070,000
Compensated absences	1,171,174	\$ 85,100	57,552	1,198,722	119,872	1,078,850
Subtotal	<u>116,577,871</u>	<u>85,100</u>	<u>5,557,552</u>	<u>111,105,419</u>	<u>5,889,872</u>	<u>105,215,547</u>
Less Bond Premiums	867,825		89,132	778,693	-	778,693
Total Business-Type Activities	<u>\$ 117,445,696</u>	<u>\$ 85,100</u>	<u>\$ 11,204,236</u>	<u>\$ 111,884,112</u>	<u>\$ 5,889,872</u>	<u>\$ 105,994,240</u>



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

General Obligation Bonds

The general obligation bonds are repaid from property tax revenues, and the City is obligated under the law to levy a property tax sufficient to service the debt.

The City has pledged future zone of benefit property tax revenues to pay the Solano County Water Agency for the North Bay Aqueduct project costs. The City is obligated under the agreement to levy a zone of benefit property tax sufficient to service the contractual payments. The debt does not bear interest. The debt is serviced through the Non-major General Obligation Bonds Debt Service Fund. Debt service in fiscal year 2014 amounted to \$421,890 and the property tax revenue received to service this debt was \$475,299.

The annual debt service requirements for the General Obligation Bonds are as follows:

Fiscal Year Ending	General Obligation Bonds--Governmental Activities		
	Principal	Interest	Total
2015	\$ 421,890		\$ 421,890
2016	421,890		421,890
2017	421,890		421,890
2018	421,890		421,890
2019	421,890		421,890
2020 - 2024	2,109,450		2,109,450
2025 - 2029	2,109,450		2,109,450
2030 - 2034	3,112,228		3,112,228
Total	\$ 9,440,578	-	\$ 9,440,578

Pension Obligation Bonds

The City is a member of the California Public Employees' Retirement System (PERS), a public employees defined benefit retirement program. In fiscal year 04/05, the City issued \$41,745,000 in order to refinance the City's unamortized, unfunded actuarial accrued liability with PERS (see Note 13 for more information on PERS pension plan). Series 2004 A was a variable rate debt in the face amount of \$8,920,000; series 2004 B is fixed rate debt and was issued in the face amount of \$20,995,000; and series 2005 A2 was variable rate debt and was issued in the face amount of \$11,830,000. The Series 2004 B fixed rate debt bears interest at rates ranging from 4.82% to 5.42% and matures in 2034. In FY 2011, the City issued the 2011 series of pension obligation bonds in the amount of \$15,870,000 to fully refund and retire both variable rate series bonds: Series 2004 A in the amount of \$8,920,000 and series 2005 A2 in the amount of \$6,430,000. The 2011 series bonds bear interest at rates ranging from 2.78% to 8.50%, and mature in 2034. The 2004 series B currently have an amount outstanding of \$20,935,000 while the 2011 series bonds have an outstanding balance of \$14,815,000. These Pension Obligation Bonds (POB's) are backed by the full faith and credit of the City. Payment of the fixed rate series 2004 B bonds are insured by a financial guaranty insurance policy. All pension obligation bonds are federally taxable.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

At June 30, 2014, the outstanding balance is \$35,750,000. The debt is serviced through the debt service fund and the annual debt service requirements for the POB's are as follows:

Fiscal Year Ending	Pension Obligation Bonds--Governmental Activities		
	Principal	Interest	Total
2015	\$ 470,000	\$ 2,328,147	\$ 2,798,147
2016	550,000	2,303,191	2,853,191
2017	650,000	2,271,504	2,921,504
2018	750,000	2,232,850	2,982,850
2019	855,000	2,187,083	3,042,083
2020 - 2024	6,205,000	9,956,726	16,161,726
2025 - 2029	10,310,000	7,413,644	17,723,644
2030 - 2034	15,960,000	3,328,367	19,288,367
Total	\$ 35,750,000	\$ 32,021,512	\$ 67,771,512

Utility-Water Revenue Bonds

In March 2005, the City issued \$47,085,000 in revenue bonds with interest rates ranging from 3% to 5% to fully defease and refund the outstanding amount of \$51,680,562 of the 1996 revenue bonds with an interest rate ranging from 4.25% to 5.37%. Although the defeasance resulted in a loss on refinancing of \$429,364, the City reduced its aggregate debt service payments by \$10,327,093 over the next 12 years and also obtained an economic gain (difference between the present values of the old and new debt service payments) of \$3,590,228. The original bond issue in 1996 was to finance the modernization of the water treatment plant. The City has pledged future water customer revenues, net of specified operating expenses to repay the \$47.1 million in water revenue bonds. Principal and interest paid in the current year and the net customer revenues were \$5,171,750 and \$12,835,939, respectively—amounting to 40% of the net revenues. The total principal and interest remaining to be paid on the bonds is \$14,080,000 and \$1,431,000, respectively.

In November 2007, the City issued \$84,466,697 in revenue bonds with interest rates ranging from 4.66% to 5.01% to finance the modernization of the current treatment plant and the construction of water distribution systems. The City has pledged future water customer revenues, net of specified operating expenses to repay the \$84.5 million in water revenue bonds. Annual principal and interest payments on the bonds are expected to require less than 17% of net revenues up to 2021 and increasing to 65% thereafter. Principal and interest paid in the current year and the net customer revenues were \$2,147,325 and \$12,835,939, respectively. The total principal and interest remaining to be paid on the bonds is \$84,466,697 and \$113,805,952, respectively.

In February, 2013, the City issued \$4,810,000 in revenue bonds with interest rates ranging from 2.0% to 5.0% to defease and refund on a current basis the Water Enterprise 2003 Refunding Bonds. This refunding reduced the City's debt service payments by \$947,999 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$571,540. The issuance premium is reported in long-term debt-due on the balance sheet and will be amortized over the next ten years (the remaining life of the bonds). As of June 30, 2014, the balance of the premium is \$529,460. The City has pledged future water customer revenues, net of specified operating expenses to repay the \$4.8 million in water revenue bonds. Annual principal and interest payments on the bonds are expected to require less than 5% of net revenues in future years. Principal and interest paid in the current year and the net customer revenues were \$600,010 and \$12,835,939, respectively. The total principal and interest remaining to be paid on the bonds is \$4,410,000 and \$1,004,950, respectively.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

At June 30, 2014, the water revenue bonds consist of the following:

2005 Water Refunding Revenue Bonds	\$ 14,080,000
2007 Water Revenue Bonds	84,466,697
2013 Water Refunding Revenue Bonds	4,410,000
	<hr/>
Total	<u>\$ 102,956,697</u>

The debt service requirements on the utility water revenue bonds are as follows:

Fiscal Year Ending	Utility-Water Revenue Bonds--Business-type Activities		
	Principal	Interest	Total
2015	\$ 4,890,000	\$ 3,026,075	\$ 7,916,075
2016	5,125,000	2,794,325	7,919,325
2017	5,375,000	2,546,775	7,921,775
2018	5,465,000	2,282,525	7,747,525
2019	5,735,000	2,013,925	7,748,925
2020 - 2024	19,570,406	19,260,667	38,831,073
2025 - 2029	12,835,260	26,361,365	39,196,625
2030 - 2034	9,865,606	29,331,019	39,196,625
2035 - 2039	12,725,425	26,471,201	39,196,626
2040 - 2044	21,370,000	2,154,025	23,524,025
	<hr/>	<hr/>	<hr/>
Total	\$ 102,956,697	\$ 116,241,902	\$ 219,198,599

Recreational Revenue Bonds

In December 2011, the City, on behalf of the Municipal Improvement District No. 1 of the City of Fairfield, issued \$8,775,000 to refund the outstanding Municipal Park Improvement District No. 1 of the City of Fairfield 1998 Revenue Bonds, Series A.

The Bonds were issued to obtain debt service savings and to restructure the debt service requirements of the City's golf courses in Rancho Solano and Paradise Valley. The refunding of the Bonds resulted in a net present value savings of \$729,893. The debt bears interest at the rates ranging from 2% to 4%. These bonds will mature in 2023.

The pledged revenue to pay debt service includes all charges received and all other income and revenues derived by the City from the ownership and operation of the golf courses. In FY 2014, the debt service amounted to \$1,125,175; the Golf Course Fund had net revenues (after depreciation) of \$675,902 and received a transfer of \$507,735 from the General Fund, for a total collected of \$1,183,637. The amount transferred is equivalent to the admissions tax collected by City for the golf courses. To the extent funds are insufficient to pay the operating and maintenance costs and pay the debt service on the bonds, the Council is authorized to levy a tax on taxable property within the Municipal Park Improvement District No. 1 in order to pay such debt service. To date, no levy has been necessary nor made.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

At June 30, 2014, the outstanding balance is \$6,950,000. The debt service requirements on the bonds are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Recreational Revenue Bonds--Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 880,000	\$ 249,900	\$ 1,129,900
2016	910,000	214,100	1,124,100
2017	945,000	177,000	1,122,000
2018	985,000	138,400	1,123,400
2019	1,025,000	98,200	1,123,200
2020 - 2024	2,205,000	198,412	2,403,412
Total	\$ 6,950,000	\$ 1,076,012	\$ 8,026,012

Long-term Notes Payable—Governmental Activities

At June 30, 2014, long-term notes payable consist of the following:

California Energy Resources Conservation	\$ 287,076
California Energy Resources Conservation	1,946,934
Total	<u>\$ 2,234,010</u>

In March, 2011, the City obtained a long term loan from the California Energy Resources Conservation and Development Commission in the amount of \$382,624 to upgrade lighting efficiencies at multiple city buildings. The loan has a fixed rate of 3% with principal and interest due semi-annually through December, 2021. The outstanding balance on this first loan as of June 30, 2014 is \$287,076.

Again in January, 2012 the City obtained a second long term loan from the California Energy Resources Conservation and Development Commission in the amount of \$2,376,232. This loan was to retrofit the City's street and pedestrian crossing lights. This loan has a fixed rate of 1% with payments due semi-annually through December, 2022. The outstanding balance on this second loan as of June 30, 2014 is \$1,946,934.

As of June 30, 2014, the outstanding balance for the combined loans from the California Energy Resources Conservation and Development Commission is \$2,234,010; the debt is serviced by the Internal Service Funds – Public Buildings Fund.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

The debt service requirements on the long-term notes payable are as follows:

Fiscal Year Ending	Long Term Notes Payable--Governmental Activities		
	Principal	Interest	Total
2015	\$ 255,263	\$ 27,276	\$ 282,539
2016	258,459	24,080	282,539
2017	261,835	20,704	282,539
2018	265,203	17,335	282,538
2019	268,628	13,911	282,539
2020 - 2024	924,622	20,688	945,310
Total	\$ 2,234,010	\$ 123,994	\$ 2,358,004

Compensated Absences

The City's vested and unpaid compensated absences for the governmental activities are now being accounted for in the Compensated Absences Internal Service fund. In the current year, the City created this fund to record the outstanding liability and accumulate an appropriate level of reserves to fund the liability since the funding source is primarily the general fund. As of June 30, 2014, the outstanding liability for the governmental activities is \$14,007,941. As for the City's business-type activities, the liabilities for the vested and unpaid compensated absences are accounted by activity and the total outstanding amount as of June 30, 2014 is \$1,198,722.

10) Self-Insurance Program

The City is partially self-insured for workers' compensation insurance with a \$750,000 retention per occurrence and general liability coverage with a \$500,000 retention per occurrence and is a member of joint power authorities for the coverage above and beyond the retention levels (see below). The City is completely self-insured for unemployment insurance, short-term disability insurance, other post-employment benefits (OPEB) and dental insurance coverage programs.

The expenses of the self-insurance programs are recorded in the Insurance Internal Service Fund. In the current year 2014, an independent actuary performed an analysis of the City's self-insured workers' compensation reserves and general liability reserve (i.e. payable claims); this actuarial analysis is performed every two years for these two liability accounts. For fiscal years 2013 and 2014, estimates for incurred but not reported claims (IBNR) are included in the liability estimates recommended by the actuary. Based on the actuarial analysis, which used a rate of 1.5% to discount future investment earnings at a 50% confidence level, the City's worker's compensation actuarial liability at June 30, 2014 is \$8,145,000 and the City's general liability actuarial liability is \$2,062,000.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

The changes in balances of claims liabilities during the past years for the General Liability and Workers' Compensation fund combined are as follows:

	<u>FY 13/14</u>	<u>FY 12/13</u>
Claims Liability (Beginning of Fiscal Year)	\$ 10,648,000	\$ 10,278,001
Incurred Claims including IBNR's	530,908	1,362,286
Claims Payments	(971,908)	(992,287)
Claims Liability (End of Fiscal Year)	<u>\$ 10,207,000</u>	<u>\$ 10,648,000</u>

For worker's compensation, the City purchases excess insurance coverage (above and beyond the retention limit of \$750,000) from a governmental joint powers authority up to statutory limits per occurrence. This joint powers authority is the California State Association of Counties Excess Insurance Authority (CSAC-EIA).

This joint powers authority for workers' compensation is the CSAC-EIA (California State Association of Counties-Excess Insurance Authority), a risk sharing pool of California public agencies, dedicated to controlling losses and providing effective risk management. In 1979, 29 California counties came together to form this joint powers authority in order to pool their risk and provide a viable and cost effective solution for the counties' insurance and risk management needs. Since then, the EIA's membership has expanded to include 93% of the counties in California and nearly 61% of the cities, as well as numerous school districts, special districts, housing authorities, fire districts, and other Joint Powers Authorities. The CSAC-EIA is a separate legal entity and is governed by a 61 member Board of Directors. Members are assessed a contribution for each program in which they participate (for the City of Fairfield, this is the Excess Workers' compensation program). Members may be subject to additional supplemental assessments if it is determined that contributions are insufficient. If it is determined that excess contributions are available, a dividend may be declared. Separate financial statements may be obtained from CSAC-EIA by contacting them at the following address: 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

For general liability, the City is a member of the California Joint Powers Risk Management Authority (CJPRMA), a joint exercise of powers agency which provides the City with additional \$39,500,000 liability coverage over and above the self-insured retention of \$500,000. A property insurance policy is purchased by the member entities of CJPRMA. The deductible amount is \$25,000. The CJPRMA is a legal entity separate and distinct from its member entities, as permitted by the California Government Code. The CJPRMA is governed by a 21-member Board of Directors appointed by the member agencies. Member agencies include approximately 124 California cities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies and to provide excess coverage as a group, thereby reducing its expense. The City contributes its pro rata share of anticipated losses to a pool administered by CJPRMA. Should actual losses among participants are greater than the anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. Separate financial statements may be obtained from CJPRMA by contacting them at the following address: 3201 Doolan Road, Suite 285, Livermore, CA 94551.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

11) Classification of Net Position

In the Government-Wide Financial Statements, net position are classified in the following categories:

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

	Governmental Activities	Business-Type Activities	Totals
Capital Assets	\$ 282,454,535	\$ 205,928,092	\$ 488,382,627
Less Long Term Debt and Liabilities:			
Long Term Debt Due within one year	(4,152,446)	(5,889,872)	(10,042,318)
Long Term Debt Due in more than one year	(68,195,393)	(105,994,240)	(174,189,633)
Total Long Term Debt	(72,347,839)	(111,884,112)	(184,231,951)
Less Long Term Debt not applicable to Capital Assets:			
Compensated absences	14,007,941	1,198,722	15,206,663
Claims and judgments payable	10,207,000		10,207,000
General Obligation Bonds	9,440,578		9,440,578
Pension Obligation Bonds	35,750,000		35,750,000
Net OPEB Obligation	708,310		708,310
Total long term debt not applicable to capital assets	70,113,829	1,198,722	71,312,551
Total long term debt applicable to capital assets	(2,234,010)	(110,685,390)	(112,919,400)
Add unspent bond proceeds related to capital debt	-	6,827,104	6,827,104
Add capital-related deferred outflows of resources	-	1,521,809	1,521,809
Net investment in capital assets	\$ 280,220,525	\$ 103,591,615	\$ 383,812,140

In the Governmental Activities, out of the \$484,552 restricted cash and investments, there are no unspent bond proceeds.

In the Business-Type Activities, out of the \$22,643,165 restricted cash and investments, \$6,827,104 represents remaining (unspent) bond proceeds for debt service reserves, \$1,013,750 represents cash restricted for debt service, and \$14,802,311 represents restricted cash for major maintenance reserves.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments (3rd parties) and restrictions imposed by law through constitutional provisions or enabling legislation. The restrictions are categorized in the governmental activities by Capital Projects, Debt Service, Community Development Programs, and Specific Projects, and in the business-type activities by Debt Service, Major Maintenance, and Minority Interest.

Unrestricted Net Position – This category represents the net position of the City, which are not restricted for any project or other purpose.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

12) Fund Balances

The City's Fund Balances for Governmental funds are presented as follows:

Fund Balances:	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Housing Authority	City Capital Projects		
Nonspendable					
Prepays	\$ 6,110				\$ 6,110
Outreach Independence				\$ 335,375	335,375
Total	<u>6,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>335,375</u>	<u>341,485</u>
Restricted					
Special revenue:					
Housing assistance				1,013,169	1,013,169
Streets and parks				24,016,324	24,016,324
Housing and special projects		46,931,278		20,851,592	67,782,870
Debt service				543,535	543,535
Capital projects			23,255,166	9,337,631	32,592,797
Outreach Independence				11,426	11,426
Total	<u>-</u>	<u>46,931,278</u>	<u>23,255,166</u>	<u>55,773,677</u>	<u>125,960,121</u>
Committed					
Capital projects				10,764,506	10,764,506
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,764,506</u>	<u>10,764,506</u>
Assigned					
Pension obligation bonds				3,051,394	3,051,394
Successor Agency Admin Costs	125,898				125,898
Departmental Carryover Fund	2,076,718				2,076,718
Measure P	4,026,712				4,026,712
Total	<u>6,229,328</u>	<u>-</u>	<u>-</u>	<u>3,051,394</u>	<u>9,280,722</u>
Unassigned	<u>24,255,237</u>				<u>24,255,237</u>
Total Fund Balances	<u>\$ 30,490,675</u>	<u>\$ 46,931,278</u>	<u>\$ 23,255,166</u>	<u>\$ 69,924,952</u>	<u>\$ 170,602,071</u>

13) Pension Plan

Plan Description - The City contributes to the Public Employees Retirement System (PERS), an agent multiple-employer system that acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from the website at www.calpers.ca.gov.

All full-time City employees are eligible to participate in PERS. Benefits are fully vested after five years of service. Employees who have met the above criteria are eligible to retire at or after age 50 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit. PERS also provides death and disability benefits. These benefit provisions and all other requirements have been established by State statute and by specific agreements with City labor groups.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Funding Policy - Active plan members are required to contribute 10.5 percent for miscellaneous and 11.25 percent for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the contribution rate for the fiscal year 2013/14 for miscellaneous and safety employees are 17.966% and 25.98% of covered payroll respectively.

In 2012, the City's bargaining groups representing its Miscellaneous and Fire employees adopted a two tier retirement system. Subsequent to this, the California Legislature adopted the Public Employees Pension Reform Act (PEPRA). PEPRA requires the City to implement new pension formulae, which applies to all employees hired after January 1, 2013. PEPRA has also created limits on pensionable compensation tied to the Social Security taxable wage base and requires member contributions of 50% of normal cost.

Annual Pension Cost and Net Pension Asset - The City's annual pension cost and net pension asset for the year ended June 30, 2014 were as follows:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
Annual required contribution	\$ 3,327,461	\$ 4,720,297	\$ 8,047,758
Adjustment to the annual required contribution	560,865	795,635	1,356,500
Annual Pension Cost (APC)	3,888,326	5,515,932	9,404,258
Annual Contributions made	3,327,461	4,720,297	8,047,758
Decrease in Net Pension Asset	(560,865)	(795,635)	(1,356,500)
Net Pension Asset, Beginning of Year	12,483,149	17,359,852	29,843,001
Net Pension Asset, End of Year	\$ 11,922,284	\$ 16,564,217	\$ 28,486,501

Three Year Trend Information

	<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
Miscellaneous Plan	6/30/2012	\$ 3,771,609	\$ 3,205,001	85%	\$ 13,050,565
	6/30/2013	3,678,753	3,111,338	85%	12,483,149
	6/30/2014	3,888,326	3,327,461	86%	11,922,284
Safety Plan	6/30/2012	\$ 5,257,888	\$ 4,467,996	85%	\$ 18,148,935
	6/30/2013	5,115,906	4,326,822	85%	17,359,852
	6/30/2014	5,515,932	4,720,297	86%	16,564,217
Total	6/30/2012	\$ 9,029,497	\$ 7,672,997	85%	\$ 31,199,500
	6/30/2013	8,794,659	7,438,160	85%	29,843,001
	6/30/2014	9,404,258	8,047,758	86%	28,486,501

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the percentage of funding was 74.5% for miscellaneous plan and 74.5% for safety plan. The actuarial accrued liability for benefits was \$248.0 million for miscellaneous plan and \$222.4 million for safety plan. The actuarial value of assets was \$184.8 million for miscellaneous plan and \$165.6 million for safety plan. The covered payroll (annual payroll of active employees covered by the plan) was \$23.7 million for miscellaneous plan and \$20.1 million for safety plan. The ratio of the unfunded actuarial accrued liability to the covered payroll was 266.9% for miscellaneous plan and 283.0% for safety plan. The Unfunded Accrued Actuarial Liability (UAAL)



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

was \$63.1 million for miscellaneous and the Unfunded Actuarial Accrued Liability (UAAL) for safety was \$56.8 million.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal cost method. The actuarial assumptions at June 30, 2011 included:

- a) 7.50% investment rate of return (net of administrative expenses),
- b) projected salary increases ranging from 3.30% to 14.20% for miscellaneous and safety employees depending on age, service, and type of employment,
- c) an inflation component of 2.75%,
- d) a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period is 30 years as of the valuation date for both miscellaneous and safety plans.

Asset Valuation Method - On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

14) Other Post-Employment Benefits (OPEB)

Plan Description - The City's Retiree Health Plan is a single-employer defined benefit healthcare plan for certain executive management.

Executive Management - The City provides post-retirement health care benefits to certain retired executive management employees and retired City officials as approved by City resolution. Eligibility requirements include: (1) age 53 with 10 or more years of service with the City *and*; (2) provide a minimum of 4 years of service as an executive management employee; and receipt of Public Employees Retirement System (PERS) benefits. The eligible official/employee must elect to be included in this program immediately upon retirement. Currently, twenty-five individuals are covered under this program. The plan is currently closed and the number of covered employees cannot grow beyond the 25 employees currently covered.

<u>Participants as of June 30, 2014</u>	<u>Executive Management</u>
Retirees	22
Active Employees	3
Total	25



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Funding Policy - For the executive management group discussed above, the City pays a subsidy towards the medical and dental premiums for retirees and their dependents. This subsidy is limited to the premium amount that is for the lowest cost medical and dental plans available. For the executive management group, the City contributed \$194,474 to the plan in fiscal year 2014.

Annual OPEB Cost and Net OPEB Obligation - An actuarial study was performed on these OPEB items as of June 30, 2013. The City's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan and changes in the City's net OPEB liability:

	Executive Management
Annual Required Contribution (ARC)	\$ 218,016
Interest on Net OPEB Obligation	27,585
Adjustment to annual required contribution	(32,437)
Annual OPEB cost	<u>213,164</u>
Less Contributions made in FY 2014	(194,474)
Increase in Net OPEB Obligation	<u>18,690</u>
Net OPEB Obligation, Beginning of Year	689,620
Net OPEB Obligation, End of Year	<u><u>\$ 708,310</u></u>

The City Retiree Health annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB liability for 2014 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Annual Percentage of OPEB Cost contributed	Net OPEB Obligation
6/30/2012	\$ 926,000	66%	\$ 4,363,000
6/30/2013	214,152	188%	689,620
6/30/2014	213,164	91%	708,310

The net OPEB obligation has been liquidated primarily by the Insurance Internal Service Fund. Because of a change in actuarial assumptions in fiscal year 2013 and the fact that the implied subsidy was eliminated for all non-executive employees, the net OPEB obligation was substantially reduced from 6/30/12 to 6/30/13.

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$4,004,863. As of June 30, 2013, the Plan Assets were \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$4,004,863. The covered payroll was \$692,448, and the ratio of the UAAL to the covered payroll was 578%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Actuarial Methods and Assumptions - The actuarial amounts were determined using the entry age normal cost method. Since the City's plan contains less than 200 employees, an actuarial study is performed every three years. The most recent actuarial study was done as of June 30, 2013, and the next actuarial study is planned for June 30, 2016. The actuarial assumptions at June 30, 2013 were: a) an assumed 4.0% discount rate; b) amortization period of 25 years; c) amortization method is level percent of pay basis (amortization period is closed); d) annual healthcare cost trend rate of 7% to 9.5%; and a dental cost trend rate of 4.5%; e) a general inflation rate of 3%; and f) projected annual payroll increases of 3.25%.

15) Commitments and Contingent Liabilities

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

The City and the Housing Authority have received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

A. The Successor Agency

Pursuant to AB 1X 26 and AB 1484 (Health and Safety Code Section 34167.5), the State Controller is required to review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred from January 1, 2011 to January 31, 2012, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur and the government agency that received the asset is not contractually committed to a third party, then the State Controller shall order that the assets be returned to the successor agency. The State Controller commenced its review of the City of Fairfield in September 2013 and completed its review in October 2013. The City received a final report from the State Controller in October 2014. The controller report concluded that the Successor Agency had \$10,884,058 in unallowable transfers to the City and claimed that the City must reimburse the Successor Agency for these unallowable transfers. In consultation with the City Attorney, the City disputes these findings by the state controller and has responded to the controller with its position. This matter remains unresolved. Based on the uncertainty of this matter, the City has designated cash in the Internal Service—Intragovernmental Loan Fund for \$10,884,058 should the City need to repay these amounts to the Successor Agency at some point in the future. See Note 4) E. for further discussion regarding the designation of cash for this amount.

B. Other Development Agreements

The City has entered into several agreements with various developers who are developing numerous residential and commercial projects throughout the City. The City agreed to grant the developers' development fee credits since the developers constructed (or have agreed to construct) certain improvements beyond what was needed to serve their specific projects. The value of the credits as of June 30, 2014 was \$409,848. This amount does increase for inflation but does not accrue interest. The accounting for the amounts due are not recorded as liabilities since the payments (the uses of credits) are contingent upon the collection of development fees from building growth that has not yet occurred.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

16) Excess of Expenditures over Appropriations and Negative Fund Balances/Net Position

Negative budget variances exist in the various funds are due to the following reasons:

- a) In the General Fund, the administration department expenditures exceeded appropriations due to unanticipated (and higher than budgeted) personnel costs in the Human Resources divisions. The Finance department expenditures exceeded appropriations due to larger expenditures incurred related to the successor agency administration; these expenditures were offset by a larger revenue amount received for the successor agency administration process. The transfers out exceeded the budgeted amount due to higher admissions taxes collected at the golf courses, and subsequently transferred back out to the golf courses.
- b) In the Housing Authority major special revenue fund expenditures exceeded appropriations due to unexpected administrative costs absorbed by the fund with the dissolution of the redevelopment agency.
- c) In the City Capital Projects major fund, revenues were less than the budget due to lower building permits issued than anticipated. In addition, transfers in were less than budgeted due to delayed streets projects and transfers out were more than budgeted due to a reimbursement back to the development tax fund.
- d) In the non-major funds, the following funds had negative variances for expenditures: special revenue funds-- state gas tax, public safety, special programs, community development block grant, and the section 8 housing funds; as well as for the debt service general obligation bond funds. These variances have been covered by either a compensating increase in revenue in the respective fund or by the use of accumulated net position in each fund.

Net position deficit in the Golf Course Enterprise fund and the Internal Service Compensated Absence fund are due to the following reasons:

- e) The Golf Course Fund reflects a change in net position of (\$1,570,064) resulting in a total net deficit of (\$14,315,051) at the end of the fiscal year. This deficit is caused by increased maintenance and repair expenses, and also interest expense on the outstanding debt. As more revenues are collected and as the bond matures in 2023, the Golf Course Fund is expected to improve its net position. In addition, during the next budget cycle (and next fiscal year), the City may look to adjust the terms of the interfund loans (and recalculate these loans) which would reduce the deficit further.
- f) The Compensated Absence fund reflects a negative net position due to recognizing the outstanding liability the City currently has in regards to its employee benefits. In prior years, this liability was recorded only at the government-wide financial statement level. It is anticipated that increased funding levels will take place in the future which will gradually reduce this deficit over time.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

17) North Bay Treatment Plant

The North Bay Treatment Plant was constructed through a joint exercise of powers agreement between the City and the City of Vacaville to operate and maintain facilities for supplying potable water to their respective service areas. A Joint Powers Policy Committee (JPPC) handles the organization and administration of the North Bay Treatment Plant. The JPPC is composed of the Director of Public Works from the City and the Director of Public Works from Vacaville or their designated alternates. The City presents the North Bay Treatment Plant as a proprietary major fund in the accompanying financial statements.

The City of Vacaville's share of net position is presented as a restriction of net position in the amount of \$1,849,805 at June 30, 2014. This restriction of net position (representing Vacaville's share in the net position of the plant) is net of Vacaville's portion of Net investment in Capital Assets of \$13,206,644 and net of Vacaville's share of the Restriction for Major Maintenance of \$6,056,826 as well. The total share of Vacaville's net position is \$21,113,275 as of June 30, 2014.

At June 30, 2014, the net position broken down between Fairfield and Vacaville is as follows:

	<u>Fairfield</u>	<u>Vacaville</u>	<u>Total</u>
Net Position:			
Net Investment in Capital Assets	\$ 24,148,885	\$ 13,206,644	\$ 37,355,529
Restricted for major maintenance	8,745,485	6,056,826	14,802,311
Restricted for minority interest		1,849,805	1,849,805
Unrestricted	3,527,676		3,527,676
Total	<u>\$ 36,422,046</u>	<u>\$ 21,113,275</u>	<u>\$ 57,535,321</u>

18) Successor Agency Trust for Assets of Former Redevelopment Agency

This purpose of this footnote is to explain the impacts of the dissolution of the Fairfield Redevelopment Agency on the City's financial statements.

On June 28, 2011, the California State Legislature adopted two pieces of legislation - AB 1X 26 and AB 1X 27 - that eliminated redevelopment agencies and provided cities with the opportunity to preserve their redevelopment agency if they agreed to make certain payments to the County Auditor Controller. On behalf of cities and redevelopment agencies throughout the State, the League of California Cities and California Redevelopment Association requested a stay on the implementation of both pieces of legislation and filed a lawsuit with the California Supreme Court challenging both pieces of legislation. The stay was rejected and on December 29, 2011, the Supreme Court validated AB 1X 26 and overturned AB 1X 27. Further, the Supreme Court indicated that all redevelopment agencies in the State of California were to be dissolved and cease operations as a legal entity as of February 1, 2012.

Amongst numerous requirements, AB 1X 26 requires the following:

- (i) subject to the control of a newly established oversight board, assets of the former redevelopment agency must be disposed expeditiously and property tax revenue generated by a former redevelopment agency can only be used to pay enforceable obligations (i.e. debt obligations and other third-party contractual obligations);
- (ii) either the city or another unit of local government may agree to serve as the "Successor Agency" to hold the net position until they are distributed to units of state and local government;



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

- (iii) successor agencies may transfer housing functions of the former redevelopment agency to the appropriate entity; and
- (iv) any property tax revenue in excess of enforceable obligations is to be distributed by county auditor controllers to taxing entities, which includes the City, as surplus property tax.

As a result of the restrictions placed on the assets and liabilities of the former redevelopment agency, they were transferred to a private-purpose trust fund on February 1, 2012. On February 7th, 2012, the City Council elected to become the Successor Agency to the former Fairfield Redevelopment Agency in accordance with AB 1X 26 as part of City resolution number SA2012-01. On May 14, 2012, the Oversight Board to the Successor Agency of the Fairfield Redevelopment Agency agreed to transfer the housing responsibilities and all rights, powers, duties, and obligations associated with the housing activities of the agency to the Fairfield Housing Authority. The transfer of the majority of these housing assets occurred during fiscal year 2012-2013 year after the approval by the State of California Department of Finance.

On September 27, 2013, the City received notification from the State Department of Finance that items previously rejected by the state (for the proposed transfer of certain low and moderate income assets from the Successor Agency to the City), had now been subsequently approved. These items represent three loans receivables for various affordable housing purposes. The value of these loans receivable that were transferred from the Successor Agency to the Housing Authority equals \$3,174,391. In addition, in the current fiscal year, the State Department of Finance approved the transfer of thirteen properties as governmental purpose right-of-way properties with a value of \$1,114,576. The loans were transferred to the Fairfield Housing Authority and the right-of-way properties were transferred to the City in the current fiscal year 2013-2014.

Subsequent to the adoption of AB 1X 26 and AB 1X 27, the California State Legislature adopted AB 1484 in June 2012. Amongst other things, AB 1484 required a process to transfer housing assets of the former redevelopment agency to the entity designated to receive these assets—in this case the City's Housing Authority. The majority of these transfers were completed in fiscal year 2012/2013 but there were additional approved transfers in the fiscal year 2013/2014 of \$3,174,391.

Upon successful completion of the Due Diligence Reviews and the distribution of unobligated funds (which the City completed in Fiscal year 2013), the Successor Agency could apply for a Finding of Completion. The City received its Finding of Completion from the State Department of Finance in April 2013. The Finding of Completion enables the Successor Agency to transfer and sell land and buildings of the former Redevelopment Agency, subject to the review and approval of a Property Management Plan by the State Department of Finance. In addition, by receiving the Finding of Completion, the City could seek to re-establish loans between the City and former redevelopment agency as enforceable obligations.

Subsequently, the Successor Agency had its Property Management Plan approved by the State on February 27, 2014. Also, in the current fiscal year, the Successor Agency received approval from the State to re-establish loans due to the City in the amount of \$12,047,692.

A) Extraordinary Loss of the Successor Agency related to transfer of assets and recording of loans

In the current 2013/2014 fiscal year, under the provisions of AB 1X 26 and AB 1484, the Fairfield Housing Authority (a component unit of the City) accepted additional transfers of the low and moderate income assets from the Successor Agency. This transfer of assets from the private-purpose trust fund to the City's Special Revenue Housing Authority Fund resulted in an extraordinary gain to the City at the fund financial level of \$3,174,391.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary gain recognized in the governmental funds of the City was not the same amount as the extraordinary gain that was recognized in the City's government-wide statement of activities (which equates to the extraordinary loss presented in the Successor Agency fiduciary fund financial statements). The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary gain at the government-wide financial statement level is explained as follows:

<u>Item</u>	<u>Amount</u>
Transfer of low and moderate income assets from Successor Agency to City's Special Revenue Fund—Housing Authority. (equals extraordinary gain to City's fund financial statements and extraordinary loss to successor agency trust fund)	\$3,174,391
Approval by State and recording of City loans owed from the Successor Agency to the City (owed from private purpose trust fund to City Internal Service—Intragovernmental Loan Fund; equates to extraordinary gain to City's government-wide financial statements and extraordinary loss to successor agency trust fund. Note these loans had been written off in the prior year and are now being reinstated based upon State approval)	12,047,692
Transfer of properties for government use purposes (not reflected in City's fund financial statements) from successor agency to City. These are long-term assets which are carried at the City government-wide level, rather than the fund financial statement level. (equates to extraordinary loss to successor agency and extraordinary gain to City's government-wide financial statements)	<u>1,114,576</u>
Extraordinary Gain to the City—Government Wide Statements/Extraordinary Loss to Successor Agency Trust Fund	<u>\$16,336,659</u>

B) Successor Agency Assets and Liabilities

1. Cash and Investments

The total cash balance of \$5,194,575 is presented in a format consistent with GASB 31 and is presented at fair value. Under AB 1X 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor Controller for distribution to taxing entities (in the prior fiscal year). See note 4 for further information and disclosures regarding the City's pooled cash and investments. This amount of \$5,194,575 primarily represents cash on hand at June 30, 2014 received from Solano County through the ROPS (Recognized Obligations Payment Schedule) process to pay the Successor Agency's July 2014 through December 2014 enforceable obligations.

2. Restricted Cash and Investments

\$678,989 represents restricted cash and investments at June 30, 2014 for required debt service reserves held by third-party trustees as determined by bond covenants.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

3. Receivables

At June 30, 2014 receivables consisted of the following:

	Total
	Receivables
Interest and other	\$ 13,655
Loans	2,894,297
Total Receivables, Net	<u>\$ 2,907,952</u>

Several of the loans receivables are those that had been made to small businesses to assist with business development. As payments are received from these loans, these funds are reflected on the Recognized Obligation Payment Schedules (ROPS) as "Other Income" and are subsequently utilized to decrease the resources requested from Solano County and the State of California. The largest loan receivable is for \$2,645,000 and represents a Loans Receivable from Casa Nova Mobile Home Park. Bond proceeds were issued by the former redevelopment agency and originally used to assist Casa Nova Mobile Home Park to purchase the mobile home park (in 1996 and now have been subsequently refinanced), and now the Successor Agency recognizes a loans receivable from Casa Nova equal to the amount of bonds payable that relate to the purchase of the mobile home park. The receivable is reduced as the debt (bonds payable) is paid down by the mobile home park.

4. Land Held for Resale

The total value of Land Held for Resale at June 30, 2014 is \$9,581,878 and consists of properties that were acquired by the former Redevelopment Agency for future development. The properties are carried at the lower of cost or market value. As a result of the Successor Agency having its Property Management Plan approved by the State on February 27, 2014, the Successor Agency will continue to look to sell land to private parties. When the successor agency sells a piece of land, under state law, the proceeds are immediately remitted to Solano County, who in turn distributes the proceeds of sale to the various taxing entities.



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

5. Long Term Obligations

The following is a summary of long-term bonds outstanding of the Successor Agency for the year ended June 30, 2014:

	Balance 7/1/2013	Incurred or Issued	Satisfied or Matured	Refunded	Balance 6/30/2014	Amount Due Within One Year	Amount Due More Than One Year
Tax Allocation Bonds							
2011 TABS, North Texas Project Area	\$ 6,670,000		\$ (55,000)		\$ 6,615,000	\$ 60,000	\$ 6,555,000
	6,670,000	\$ -	(55,000)	\$ -	6,615,000	60,000	6,555,000
Redevelopment Revenue Bonds							
FPFA 2003 Series A Highway 12	20,965,000		(1,615,000)	(19,350,000)	-		
FPFA 2003 Series A City Center	6,450,000		(485,000)	(5,965,000)	-		
FPFA 2003 Series A Cordelia	8,535,000		(640,000)	(7,895,000)	-		
FPFA 2003 Reg Ctr Series B CasaNova	3,540,000		(160,000)	(3,380,000)	-		
	39,490,000	-	(2,900,000)	(36,590,000)	-	-	-
Tax Allocation Refunding Bonds							
Successor Agency 2014 Highway 12		15,399,026			15,399,026	1,506,410	13,892,616
Successor Agency 2014 City Center		4,747,900			4,747,900	457,303	4,290,597
Successor Agency 2014 Cordelia		6,283,074			6,283,074	596,287	5,686,787
Successor Agency 2014 Casa Nova		2,645,000			2,645,000	50,000	2,595,000
	-	29,075,000	-	-	29,075,000	2,610,000	26,465,000
Bond Premiums	-	3,448,095			3,448,095		3,448,095
Total Bonds Payable	\$ 46,160,000	\$ 32,523,095	\$ (2,955,000)	\$ (36,590,000)	\$ 39,138,095	\$ 2,670,000	\$ 36,468,095
Long Term Notes Payable							
Solano business park H12-3A	\$ 1,963,121				\$ 1,963,121		\$ 1,963,121
Kaufman & Broad H12-3A	178,378				178,378		178,378
Total Long Term Notes Payable	\$ 2,141,499	\$ -	\$ -	\$ -	\$ 2,141,499	\$ -	\$ 2,141,499
Total Long Term Debt	\$ 48,301,499	\$ 32,523,095	\$ (2,955,000)	\$ (36,590,000)	\$ 41,279,594	\$ 2,670,000	\$ 38,609,594

Tax Allocation Bonds

The North Texas Redevelopment Project Area Tax Allocation Bonds, Series 2011, were issued in February 2011 by the former Redevelopment Agency in the amount of \$6,725,000 to purchase additional land for development. The bonds bear interest at rates ranging from 3.52% to 8.25%.

The debt service requirements on the tax allocation bonds are as follows:

Fiscal Year Ending	Tax Allocation Bonds		
	Principal	Interest	Total
2015	\$ 60,000	\$ 609,470	\$ 669,470
2016	65,000	606,017	671,017
2017	65,000	602,026	667,026
2018	70,000	597,544	667,544
2019	75,000	592,376	667,376
2020 - 2024	480,000	2,856,244	3,336,244
2025 - 2029	725,000	2,592,075	3,317,075
2030 - 2034	1,135,000	2,160,062	3,295,062
2035 - 2039	1,790,000	1,477,249	3,267,249
2040 - 2044	2,150,000	432,251	2,582,251
Total	\$ 6,615,000	\$ 12,525,314	\$ 19,140,314



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

Tax Allocation Refunding Bonds

On April 3, 2014, the Successor Agency issued \$29,075,000 in bonds to refinance prior obligations and bonds of the Successor Agency and related obligations of the Fairfield Public Financing Authority (which were for Redevelopment purposes). As of June 30, 2014, the outstanding balance of the refunding issue is \$29,075,000. This debt issue has interest rates ranging from 3.00% - 5.00% and has a final maturity date in 2028. This bond issue neither raised new money nor increased the final maturity date. The revenue bonds are secured by a pledge of, and lien on, monies deposited from time to time in the Redevelopment Property Tax Trust Fund. This bond refinancing was approved by both the California Department of Finance as well as the Successor Agency's Oversight Board.

This bond issue of \$29,075,000 included the refinancing of the previously outstanding 2003, Series B bonds which were previously issued (originally in 1996 and subsequently refinanced in 2003) specifically to assist Casa Nova Mobile Home Park in the purchase of their mobile home park. The amount outstanding that pertains to Casa Nova Mobile Home Park at June 30, 2014 is \$2,645,000. This portion of the bonds is being serviced and paid by Casa Nova Mobile Home Park and the Successor Agency has recorded both a receivable and a liability for this same amount. As Casa Nova makes a principal payment, the bonds payable and loans receivable are reduced for an equal amount. As Casa Nova Mobile Home Park makes an interest payment, a miscellaneous revenue is recorded along with an interest expense.

The remaining debt service requirements on these refunding tax allocation bonds are as follows:

Fiscal Year	Tax Allocation Refunding Bonds			
	Ending	Principal	Interest	Total
2015	\$	2,610,000	\$ 946,661	\$ 3,556,661
2016		2,460,000	1,185,600	3,645,600
2017		2,525,000	1,098,200	3,623,200
2018		2,630,000	995,100	3,625,100
2019		2,735,000	874,125	3,609,125
2020 - 2024		14,985,000	2,163,375	17,148,375
2025 - 2029		1,130,000	146,750	1,276,750
Total		\$ 29,075,000	\$ 7,409,811	\$ 36,484,811

Long Term Notes Payable

The former Redevelopment Agency has two long-term notes in the Highway 12 Project Area totaling \$2,141,499 (which includes accrued interest). These notes are subordinate to other debts of the Successor Agency. In September 1981, the Agency issued a long-term note for \$931,081 to reimburse a developer for the cost of oversizing storm drainage facilities in the Highway 12 Project Area. Interest accrued at 10% compounded annually through September 1, 1989 after which the note became non-interest bearing. Total unpaid interest is \$1,032,040, which has been added to the note. In February 1982, the Agency issued a non-interest bearing long-term note to reimburse a developer for the cost of oversizing storm drainage facilities in the Highway 12 Project Area for \$178,378.

Loans Payable to the City of Fairfield and the Fairfield Housing Authority

The City has made prior loans to the former Redevelopment Agency for redevelopment project costs. The loans payable consist of principal and interest due to the City of Fairfield for monies advanced to the Redevelopment Agency for various Redevelopment purposes. Due to uncertainty regarding State approval, in the prior fiscal year, the total loan amount of principal and interest owed to the City of \$82,984,009 had been



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

written off and recorded (in the prior year) as an extraordinary gain to the Successor Agency and an extraordinary loss to the City. In the current fiscal year, the City received approval from the Department of Finance (as well as Oversight Board) to partially reinstate these loans owed to the City (to the Internal Service—Intragovernmental Service Fund) in the principal amount of \$12,047,692.

These loans with the City are summarized as follows:

	Balance 7/1/2013	Transfer of low/ mod receivable to City	Incurred (Matured)	Adjustments	Balance 6/30/2014	Amount Due Within One Year	Amount Due More Than One Year
Loans Payable to the City of Fairfield							
Regional Center - Loan from HOME Fund	\$ 317,490				\$ 317,490		\$ 317,490
Cordelia - Loan from IGS Fund	-			\$ 11,337,538	11,337,538		11,337,538
City Center - Loan from IGS Fund	-			710,154	710,154		710,154
Total Loans payable to the City	317,490	\$ -	\$ -	12,047,692	12,365,182	\$ -	12,365,182
City Center Loan	4,233,000				4,233,000		4,233,000
Regional Center Loan	-	123,209			123,209		123,209
Highway 12 Loan	-	2,425,775			2,425,775		2,425,775
City Center Loan	-	625,407			625,407		625,407
Loans payable to Housing Authority	4,233,000	3,174,391	-	-	7,407,391	-	7,407,391
Totals	\$ 4,550,490	\$ 3,174,391	\$ -	\$ 12,047,692	\$ 19,772,573	\$ -	\$ 19,772,573

Of the total amount owed to the Fairfield Housing Authority, in the current year, \$3,174,391 in affordable housing loan receivables were approved and transferred to the Housing Authority (the City). These loans had been presented (in prior fiscal years) as a receivable in the successor agency low and moderate income fund and a payable by the other successor agency funds (i.e. non low-mod funds); thus, resulting in the transaction being eliminated in past years (because both sides of the loan were recorded within the successor agency funds). But in the current year, these loans receivables were transferred to the Housing Authority and therefore are now shown by the successor agency as a loan payable to the City of Fairfield, Housing Authority. Amounts owed to the HOME Fund remain unchanged.

19) Debt With No City Commitment

Special assessment districts in various parts of the City have issued debt under the 1915 Act and Mello-Roos Special Tax Act of 1982 to finance infrastructure improvements and facilities within their boundaries. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof is pledged to the payment of any debt service for these districts. Payment of the debt is secured by valid assessment liens placed upon certain lands within each district. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the general long-term debt of the City. This type of debt is accounted for in the agency funds. The outstanding balance of each of these issues as of June 30, 2014 is as follows:

Description	Issue Date	Maturity Date	Balances June 30, 2014
1915 Act Assessment District - Green Valley/Mangels Boulevard, Series 1993	8/25/93	9/2/18	\$ 2,330,000
Communities Facilities District No. 1 - Lynch Canyon	5/7/98	7/1/14	100,000
Communities Facilities District No. 3 - Series 2008	4/3/08	9/1/37	15,200,000
Communities Facilities District No. 2007-1, Fairfield Commons, Series 2008	4/3/08	9/1/38	18,075,000
			<u>\$ 35,705,000</u>

20) Prior Period Adjustment

The General Fund had a restatement of fund balance at July 1, 2013 that resulted in an increase of \$4,499,400, and a restated fund balance of \$19,318,131. This adjustment was made to properly reflect and



City of Fairfield

Notes to Basic Financial Statements (continued) For the Year Ended June 30, 2014

include in beginning fund balance the sales tax revenue for June of 2013 and Measure P sales tax revenue for the months of May and June of 2013, as well as the sales tax true-up revenue for the second quarter of 2013.

The July 1, 2013 restatements of fund balances and net positions, at both the fund level and the government-wide level are presented as follows:

	Fund Financial Statements	
	Major Government Fund-General Fund	
Fund balance at July 1, 2013, as previously stated	\$	14,818,731
Prior period adjustment		4,499,400
Fund balance at July 1, 2013, as restated	\$	19,318,131
	Government-Wide Level	
	Governmental Activities	
Net position at July 1, 2013, as previously stated	\$	447,646,622
Prior period adjustment		4,499,400
Net position at July 1, 2013, as restated	\$	452,146,022

21) Subsequent Event

The purpose of this note is to discuss events that occurred subsequent to June 30, 2014 that have a bearing on the City's financial condition.

Pursuant to AB 1X 26 and AB 1484 (Health and Safety Code Section 34167.5), the State Controller is required to review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred from January 1, 2011 to January 31, 2012, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur and the government agency that received the asset is not contractually committed to a third party, then the State Controller shall order that the assets be returned to the successor agency. The State Controller commenced its review of the City of Fairfield in September 2013 and completed its review in October 2013. The City received a final report from the State Controller in October 2014. The controller report concluded that the Successor Agency had \$10,884,058 in unallowable transfers to the City and claimed that the City must reimburse the Successor Agency for these unallowable transfers. In consultation with the City Attorney, the City disputes these findings by the state controller and has responded to the controller with its position. This matter remains unresolved. Based on the uncertainty of this matter, the City has designated cash in the Internal Service—Intragovernmental Loan Fund for \$10,884,058 should the City need to repay these amounts to the Successor Agency at some point in the future. See note 4 E for additional discussion regarding the designation of this cash and investment amount.

As discussed in Note 18, the Successor Agency had its long range property management plan approved on February 27, 2014. Subsequent to year-end June 30, 2014, there have been several pieces of land that have been sold or have pending agreements for the sale of land. On October 7, 2014, the Successor Agency approved several agreements for the sale of land that it owns. Once received by the Successor Agency, these land sale proceeds would be remitted to Solano County for distribution to the various taxing entities entitled to receive a portion of these remittances.



City of Fairfield

People and Places in the City





Required Supplementary Information

Public Employees Retirement System Schedule Of Funding Progress

	Actuarial Valuation date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) * (b)	Unfunded AAL (b)-(a)	Funded Ratio of AVA (b)/(a)	Annual Covered Payroll	Unfunded AAL as a % of Payroll
Miscellaneous Plan	6/30/2011	\$ 227,177,572	\$ 194,719,817	\$ (32,457,755)	85.7%	\$ 25,959,911	125.0%
	6/30/2012	238,097,284	201,202,018	(36,895,266)	84.5%	24,548,373	150.3%
	6/30/2013	247,981,806	184,833,893 *	(63,147,913)	74.5%	23,656,035	266.9%
Safety Plan	6/30/2011	198,870,891	169,795,430	(29,075,461)	85.4%	20,048,750	145.0%
	6/30/2012	209,386,090	178,359,259	(31,026,831)	85.2%	19,704,044	157.5%
	6/30/2013	222,412,034	165,621,099 *	(56,790,935)	74.5%	20,070,432	283.0%
Total	6/30/2011	426,048,463	364,515,247	(61,533,216)	85.6%	46,008,661	133.7%
	6/30/2012	447,483,374	379,561,277	(67,922,097)	84.8%	44,252,417	153.5%
	6/30/2013	470,393,840	350,454,992 *	(119,938,848)	74.5%	43,726,467	274.3%

* Beginning with the 6/30/13 valuation, PERS made a change in policy whereby Actuarial Value of Assets equals the Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Retiree Health Plan Schedule Of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)(a)	Value of assets (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (b)/(a)	Annual Covered Payroll	UAAL as a % of covered Payroll
6/30/2009	\$ 29,776,000	\$ -	\$ (29,776,000)	0.0%	\$ 49,159,059	60.6%
6/30/2011	15,066,000	-	(15,066,000)	0.0%	46,008,661	32.7%
6/30/2013	4,004,863	-	(4,004,863)	0.0%	692,448	578.4%



City of Fairfield

People and Places in the City





Supplementary Information

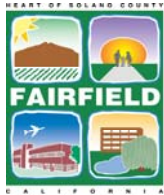




City of Fairfield

People and Places in the City





City of Fairfield

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual City Capital Projects – Major Fund For the Year Ended June 30, 2014

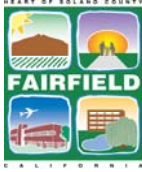
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Development fees	\$ 8,672,000	\$ 7,268,473	\$ (1,403,527)
Developer contributions	450,000	774,649	324,649
Intergovernmental	6,281,000	6,508,884	227,884
Investment income	259,000	170,930	(88,070)
Miscellaneous	1,000	131,200	130,200
Total Revenues	<u>15,663,000</u>	<u>14,854,136</u>	<u>(808,864)</u>
Expenditures:			
Current:			
Capital outlay	13,981,000	12,725,131	1,255,869
Total Expenditures	<u>13,981,000</u>	<u>12,725,131</u>	<u>1,255,869</u>
Excess Revenues Over (Under) Expenditures	<u>1,682,000</u>	<u>2,129,005</u>	<u>447,005</u>
Other Financing Uses:			
Transfers in	5,802,000	5,465,552	(336,448)
Transfers out	(61,000)	(305,870)	(244,870)
Total Other Financing Uses	<u>5,741,000</u>	<u>5,159,682</u>	<u>(581,318)</u>
Net change in fund balance	<u>7,423,000</u>	<u>7,288,687</u>	<u>(134,313)</u>
Fund Balance - Beginning of Year	<u>15,966,479</u>	<u>15,966,479</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 23,389,479</u>	<u>\$ 23,255,166</u>	<u>\$ (134,313)</u>



City of Fairfield

People and Places in the City





Non-Major Governmental Funds – Special Revenue Funds

State Gas Tax

To account for monies received and expended from State Gas Tax allocation to cities.

Public Safety

To account for monies received and expended from fines paid to the City under the State Motor Vehicle Code along with monies received and expended under Proposition 172, which is a half-cent increase on the State sales tax rate earmarked for public safety services.

Home Program

To account for monies received and expended under the Home Investment Partnerships Program (HOME). Funds are provided by the Federal Government and passed through the State of California.

Neighborhood Stabilization Program

To account for monies received and expended under the Neighborhood Stabilization Program (NSP) issued under the American Reinvestment and Recovery Act (ARRA) of 2008. Funds are provided by the Federal Government and passed through the State of California.

Development Tax

To account for monies received from taxes levied by the City on new residential construction based on the number of bedrooms in each unit, square footage of all new commercial construction and units of residential construction. City ordinance restricts these monies to funding construction, major maintenance and debt service for park, street, drainage and public safety facilities.

Special Programs

To account for monies received from Federal, State, and Regional grants as well as asset seizures.

Maintenance Districts

To account for maintenance districts monies received from taxes levied on property owners located within the districts.

Community Development Block Grant

To account for monies received and expended by the City as a participant in the Federal Community Development Block Grant program, including accounting for activity related to the revolving loan fund program.

Section 8 Housing Assistance

To account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 Housing and Urban Development (HUD) program.



Non-Major Governmental Funds - Other Funds

Debt Service Funds

General Obligation

To account for property tax monies and zone of benefit taxes levied for the payment of voter approved debt principal and interest and payment of contractual obligations.

Pension Obligation Bonds

To account for the proceeds of the bonds issued to refund the City's unfunded liability to the CalPERS retirement system; and to account for the ongoing accumulation of resources used in making payments on this debt.

Capital Project Fund

Assessment And Improvement Districts

To account for the construction of public improvements deemed to benefit the properties against which special assessments are levied. Activities financed through assessments include street lighting and paving, utility and other general infrastructure improvements. In addition, to account for the activities in the Community Facilities Districts and the Rancho Solano and North Texas Benefit Districts.

Permanent Fund

Outreach Independence

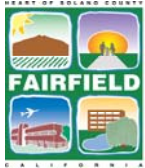
To account for monies donated to the City and the Friends of the Senior Center for disbursements relating to senior citizen outreach programs.



City of Fairfield

People and Places in the City





City of Fairfield

Combining Balance Sheet Non-Major Governmental Funds June 30, 2014

	Special Revenue				
	State Gas Tax	Public Safety	Home Program	Neighborhood Stabilization Program	Development Tax
Assets:					
Cash and investments	\$5,890,307	\$33,937	\$ 144,913		\$ 6,967,274
Receivables, net	343,354	49,774	16,282,115	\$ 1,958,415	
Restricted cash and investments					
Advances to other funds					7,690,386
Total assets	<u>\$6,233,661</u>	<u>\$83,711</u>	<u>\$16,427,028</u>	<u>\$ 1,958,415</u>	<u>\$14,657,660</u>
Liabilities:					
Accounts payable and other current liabilities				\$ 81,331	\$ 6,300
Due to other funds			\$ 135,635	180,977	
Unearned revenue					
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>135,635</u>	<u>262,308</u>	<u>6,300</u>
Deferred Inflows Of Resources:					
Unavailable revenue-loans interest receivable			2,000,884		3,886,854
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,000,884</u>	<u>-</u>	<u>3,886,854</u>
Fund balances:					
Nonspendable					
Restricted	6,233,661	83,711	14,290,509	1,696,107	
Committed					10,764,506
Assigned					
Total fund balances	<u>6,233,661</u>	<u>83,711</u>	<u>14,290,509</u>	<u>1,696,107</u>	<u>10,764,506</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$6,233,661</u>	<u>\$83,711</u>	<u>\$16,427,028</u>	<u>\$ 1,958,415</u>	<u>\$14,657,660</u>

Special Revenue				Debt Service	
Special Programs	Maintenance Districts	Community Development Block Grant	Section 8 Housing Assistance	General Obligation	Pension Obligation Bonds
\$1,249,930	\$17,928,533		\$ 999,618	\$633,530	\$3,044,240
421,055	45,524	\$3,864,538	54,451		7,154
		347,191	137,361		
<u>\$1,670,985</u>	<u>\$17,974,057</u>	<u>\$4,211,729</u>	<u>\$1,191,430</u>	<u>\$633,530</u>	<u>\$3,051,394</u>
\$ 99,210	\$ 191,394	\$ 59,656	\$ 178,261	\$ 89,995	
671,520		23,336			
<u>770,730</u>	<u>191,394</u>	<u>82,992</u>	<u>178,261</u>	<u>89,995</u>	<u>\$ -</u>
		247,727			
<u>-</u>	<u>-</u>	<u>247,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
900,255	17,782,663	3,881,010	1,013,169	543,535	
<u>900,255</u>	<u>17,782,663</u>	<u>3,881,010</u>	<u>1,013,169</u>	<u>543,535</u>	<u>3,051,394</u>
<u>\$1,670,985</u>	<u>\$17,974,057</u>	<u>\$4,211,729</u>	<u>\$1,191,430</u>	<u>\$633,530</u>	<u>\$3,051,394</u>



City of Fairfield

Combining Balance Sheet (continued) Non-Major Governmental Funds June 30, 2014

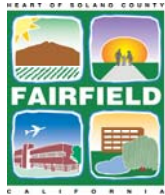
	Capital Projects	Permanent Fund	Total Non-Major Governmental Funds
	Assessment & Improvement Districts	Outreach Independence	
Assets:			
Cash and investments	\$ 9,322,419	\$ 345,982	\$ 46,560,683
Receivables, net	24,593	819	23,051,792
Restricted cash and investments			484,552
Advances to other funds			7,690,386
Total assets	<u>\$ 9,347,012</u>	<u>\$ 346,801</u>	<u>\$ 77,787,413</u>
Liabilities:			
Accounts payable and other current liabilities	\$ 9,381		\$ 715,528
Due to other funds			339,948
Unearned revenue			671,520
Total liabilities	<u>9,381</u>	<u>\$ -</u>	<u>\$ 1,726,996</u>
Deferred Inflows Of Resources:			
Unavailable revenue-loans interest receivable			6,135,465
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>6,135,465</u>
Fund balances:			
Nonspendable		335,375	335,375
Restricted	9,337,631	11,426	55,773,677
Committed			10,764,506
Assigned			3,051,394
Total fund balances	<u>9,337,631</u>	<u>346,801</u>	<u>69,924,952</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,347,012</u>	<u>\$ 346,801</u>	<u>\$ 77,787,413</u>



City of Fairfield

People and Places in the City



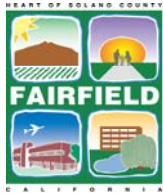


City of Fairfield

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the Year Ended June 30, 2014

	Special Revenue				
	State Gas Tax	Public Safety	Home Program	Neighborhood Stabilization Program	Development Tax
Revenues:					
Taxes		\$ 430,232			\$ 2,032,991
Property taxes					
Special assessments levied					
Developers' contribution					
Intergovernmental	\$ 3,391,241	251,477	\$ 561,305	\$ 616,641	
Investment income	62,454	641	3,559	150	
Miscellaneous			1,500		15,774
Total revenues	<u>3,453,695</u>	<u>682,350</u>	<u>566,364</u>	<u>616,791</u>	<u>2,048,765</u>
Expenditures:					
Current:					
Finance					
Police		465,648			
Fire					
Public works	81,684				55,968
Community resources			191,922	776,297	41,928
Community development					
Capital outlay					
Debt service:					
Principal retirement					
Interest					
Fiscal agent fees					
Total expenditures	<u>81,684</u>	<u>465,648</u>	<u>191,922</u>	<u>776,297</u>	<u>97,896</u>
Revenues over (under) expenditures	<u>3,372,011</u>	<u>216,702</u>	<u>374,442</u>	<u>(159,506)</u>	<u>1,950,869</u>
Other Financing Sources (Uses):					
Transfers in	1,500,000				245,000
Transfers out	(2,514,120)	(244,000)			(826,532)
Total other financing sources (uses)	<u>(1,014,120)</u>	<u>(244,000)</u>	<u>-</u>	<u>-</u>	<u>(581,532)</u>
Net change in fund balances	2,357,891	(27,298)	374,442	(159,506)	1,369,337
Fund Balances:					
Beginning of year	<u>3,875,770</u>	<u>111,009</u>	<u>13,916,067</u>	<u>1,855,613</u>	<u>9,395,169</u>
End of year	<u>\$ 6,233,661</u>	<u>\$ 83,711</u>	<u>\$ 14,290,509</u>	<u>\$ 1,696,107</u>	<u>\$ 10,764,506</u>

Special Revenue			
Special Programs	Maintenance Districts	Community Development Block Grant	Section 8 Housing Assistance
	\$ 3,004,167		
\$ 2,071,317	776,500	\$ 525,865	\$ 8,331,463
10,405	136,967	15,164	4,027
938,876	28,076	55,240	39,675
<u>3,020,598</u>	<u>3,945,710</u>	<u>596,269</u>	<u>8,375,165</u>
317,472			
1,282,920		73,829	
157,448			
200,500	3,761,275		
683,186		536,683	8,168,182
		65,168	
<u>2,641,526</u>	<u>3,761,275</u>	<u>675,680</u>	<u>8,168,182</u>
<u>379,072</u>	<u>184,435</u>	<u>(79,411)</u>	<u>206,983</u>
	153,000		
(556,395)	(29,985)	(5,804)	(21,744)
(556,395)	123,015	(5,804)	(21,744)
(177,323)	307,450	(85,215)	185,239
<u>1,077,578</u>	<u>17,475,213</u>	<u>3,966,225</u>	<u>827,930</u>
<u>\$ 900,255</u>	<u>\$ 17,782,663</u>	<u>\$ 3,881,010</u>	<u>\$ 1,013,169</u>



City of Fairfield

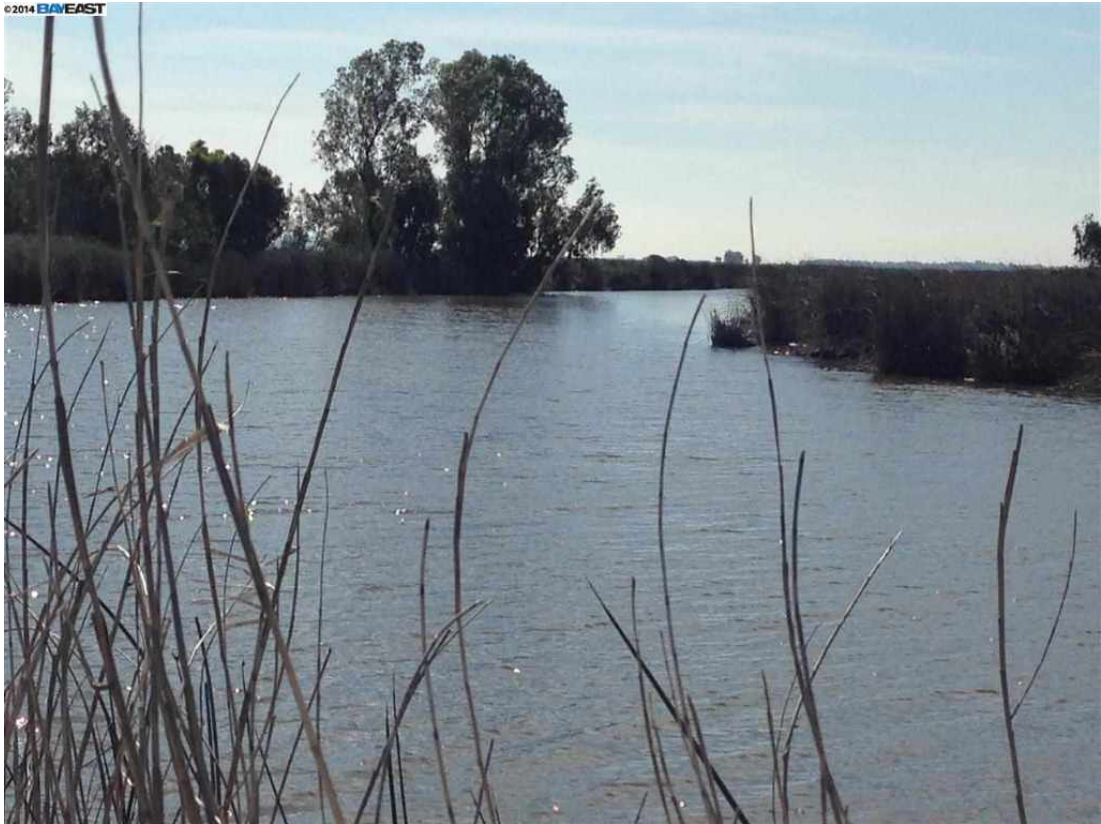
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued) Non-Major Governmental Funds For the Year Ended June 30, 2014

	Debt Service		Capital Projects	Permanent	Total Non-Major Governmental Funds
	General Obligation	Pension Obligation Bonds	Assessment & Improvement Districts	Outreach Independence	
Revenues:					
Taxes					\$ 2,463,223
Property taxes	\$ 475,299				475,299
Special assessments levied			\$ 1,575,162		4,579,329
Developers' contribution			217,220		217,220
Intergovernmental					16,525,809
Investment income		\$ 28,456	74,142	\$ 2,829	338,794
Miscellaneous			276,917		1,356,058
Total revenues	<u>475,299</u>	<u>28,456</u>	<u>2,143,441</u>	<u>2,829</u>	<u>25,955,732</u>
Expenditures:					
Current:					
Finance					317,472
Police					1,822,397
Fire					157,448
Public works					4,099,427
Community resources					10,398,198
Community development					65,168
Capital outlay			1,470,028		1,470,028
Debt service:					
Principal retirement	421,890	385,000			806,890
Interest		2,347,188			2,347,188
Fiscal agent fees	14,246	6,313			20,559
Total expenditures	<u>436,136</u>	<u>2,738,501</u>	<u>1,470,028</u>	<u>-</u>	<u>21,504,775</u>
Revenues over (under) expenditures	<u>39,163</u>	<u>(2,710,045)</u>	<u>673,413</u>	<u>2,829</u>	<u>4,450,957</u>
Other Financing Sources (Uses):					
Transfers in		2,615,859	-		4,513,859
Transfers out			(684,569)		(4,883,149)
Total other financing sources (uses)	<u>-</u>	<u>2,615,859</u>	<u>(684,569)</u>	<u>-</u>	<u>(369,290)</u>
Net change in fund balances	<u>39,163</u>	<u>(94,186)</u>	<u>(11,156)</u>	<u>2,829</u>	<u>4,081,667</u>
Fund Balances:					
Beginning of year	504,372	3,145,580	9,348,787	343,972	65,843,285
End of year	<u>\$ 543,535</u>	<u>\$ 3,051,394</u>	<u>\$ 9,337,631</u>	<u>\$ 346,801</u>	<u>\$ 69,924,952</u>



City of Fairfield

People and Places in the City





City of Fairfield

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Non-Major Governmental Funds For the Year Ended June 30, 2014

	Special Revenue Funds					
	State Gas Tax			Public Safety		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes				\$ 300,000	\$430,232	\$130,232
Property taxes						
Special assessments levied						
Developer contributions						
Intergovernmental	\$ 3,167,000	\$3,391,241	\$224,241	375,000	251,477	(123,523)
Investment income	69,000	62,454	(6,546)	2,000	641	(1,359)
Miscellaneous						
Total Revenues	3,236,000	3,453,695	217,695	677,000	682,350	5,350
Expenditures:						
Current:						
Police				412,000	465,648	(53,648)
Fire						
Public Works	81,000	81,684	(684)			
Finance						
Community resources						
Community development						
Capital Outlay						
Debt Service:						
Principal retirement						
Interest						
Fiscal fees						
Total Expenditures	81,000	81,684	(684)	412,000	465,648	(53,648)
Excess of Revenues Over (Under) Expenditures	3,155,000	3,372,011	217,011	265,000	216,702	(48,298)
Other Financing Sources (Uses):						
Transfers in	1,411,218	1,500,000	88,782			
Transfers out	(2,842,218)	(2,514,120)	328,098	(286,000)	(244,000)	42,000
Total other financing sources (uses)	(1,431,000)	(1,014,120)	416,880	(286,000)	(244,000)	42,000
Net change in fund balances	1,724,000	2,357,891	633,891	(21,000)	(27,298)	(6,298)
Beginning Fund Balances	3,875,770	3,875,770	-	111,009	111,009	-
Ending Fund Balances	\$ 5,599,770	\$6,233,661	\$633,891	\$ 90,009	\$ 83,711	\$ (6,298)

Special Revenue Funds

Home Program			Neighborhood Stabilization Program			Development Tax		
Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
						\$ 1,681,000	\$ 2,032,991	\$ 351,991
\$ 261,000	\$ 561,305	\$(300,305)	\$ 604,000	\$ 616,641	\$ 12,641			
6,000	3,559	2,441	1,000	150	(850)			
	1,500	(1,500)				14,000	15,774	1,774
267,000	566,364	-	605,000	616,791	11,791	1,695,000	2,048,765	353,765
						238,000	55,968	182,032
343,000	191,922	151,078	467,000	776,297	309,297	42,000	41,928	72
343,000	191,922	(151,078)	467,000	776,297	309,297	280,000	97,896	182,104
(76,000)	374,442	450,442	138,000	(159,506)	(297,506)	1,415,000	1,950,869	535,869
							245,000	245,000
						(1,126,000)	(826,532)	299,468
-	-	-	-	-	-	(1,126,000)	(581,532)	544,468
(76,000)	374,442	450,442	138,000	(159,506)	(297,506)	289,000	1,369,337	1,080,337
13,916,067	13,916,067	-	1,855,613	1,855,613	-	9,395,169	9,395,169	-
\$ 13,840,067	\$14,290,509	\$ 450,442	\$ 1,993,613	\$1,696,107	\$(297,506)	\$ 9,684,169	\$10,764,506	\$1,080,337



City of Fairfield

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued) Non-Major Governmental Funds For the Year Ended June 30, 2014

	Special Revenue Funds					
	Special Programs			Maintenance Districts		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes						
Property taxes						
Special assessments levied				\$ 2,912,000	\$ 3,004,167	\$ 92,167
Developer contributions						
Intergovernmental	\$ 1,831,000	\$ 2,071,317	\$ 240,317	793,000	776,500	(16,500)
Investment income	14,000	10,405	(3,595)	348,000	136,967	(211,033)
Miscellaneous	593,000	938,876	345,876	18,000	28,076	10,076
Total Revenues	2,438,000	3,020,598	582,598	4,071,000	3,945,710	(125,290)
Expenditures:						
Current:						
Police	1,186,700	1,282,920	(96,220)			
Fire	83,000	157,448	(74,448)			
Public Works	81,000	200,500	(119,500)	3,762,000	3,761,275	725
Finance	400,000	317,472	82,528			
Community resources	776,000	683,186	92,814			
Community development						
Capital Outlay						
Debt Service:						
Principle retirement						
Interest						
Fiscal fees						
Total Expenditures	2,526,700	2,641,526	(114,826)	3,762,000	3,761,275	725
Excess of Revenues Over (Under) Expenditures	(88,700)	379,072	467,772	309,000	184,435	(124,565)
Other Financing Sources (Uses):						
Transfers in				153,000	153,000	-
Transfers out	(155,000)	(556,395)	(401,395)		(29,985)	(29,985)
Total other financing sources (uses)	(155,000)	(556,395)	(401,395)	153,000	123,015	(29,985)
Net change in fund balances	(243,700)	(177,323)	66,377	462,000	307,450	(154,550)
Beginning Fund Balances	1,077,578	1,077,578	-	17,475,213	17,475,213	-
Ending Fund Balances	\$ 833,878	\$ 900,255	\$ 66,377	\$ 17,937,213	\$ 17,782,663	\$ (154,550)

Special Revenue Funds					
Community Development Block Grant			Section 8 Housing		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
\$ 664,000	\$ 525,865	\$ (138,135)	\$ 8,607,000	\$ 8,331,463	\$ (275,537)
10,000	15,164	5,164	34,000	4,027	(29,973)
	55,240	55,240	226,000	39,675	(186,325)
<u>674,000</u>	<u>596,269</u>	<u>(77,731)</u>	<u>8,867,000</u>	<u>8,375,165</u>	<u>(491,835)</u>
50,000	73,829	(23,829)			
534,000	536,683	(2,683)	8,065,000	8,168,182	(103,182)
	65,168	(65,168)			
<u>584,000</u>	<u>675,680</u>	<u>(91,680)</u>	<u>8,065,000</u>	<u>8,168,182</u>	<u>(103,182)</u>
90,000	(79,411)	(169,411)	802,000	206,983	(595,017)
(6,000)	(5,804)	196	(20,000)	(21,744)	(1,744)
(6,000)	(5,804)	196	(20,000)	(21,744)	(1,744)
84,000	(85,215)	(169,215)	782,000	185,239	(596,761)
3,966,225	3,966,225	-	827,930	827,930	-
<u>\$ 4,050,225</u>	<u>\$ 3,881,010</u>	<u>\$ (169,215)</u>	<u>\$ 1,609,930</u>	<u>\$ 1,013,169</u>	<u>\$ (596,761)</u>



City of Fairfield

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued) Non-Major Governmental Funds For the Year Ended June 30, 2014

	Debt Service Funds					
	General Obligation Bonds			Pension Obligation Bonds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes						
Property taxes	\$ 276,000	\$ 475,299	\$ 199,299			
Special assessments levied						
Developer contributions						
Intergovernmental						
Investment income				\$ 63,000	\$ 28,456	\$ (34,544)
Miscellaneous						
Total Revenues	<u>276,000</u>	<u>475,299</u>	<u>199,299</u>	<u>63,000</u>	<u>28,456</u>	<u>(34,544)</u>
Expenditures:						
Current:						
Police						
Fire						
Public Works						
Finance						
Community resources						
Community development						
Capital Outlay						
Debt Service:						
Principal retirement	421,890	421,890		385,000	385,000	
Interest				2,347,188	2,347,188	
Fiscal fees	7,110	14,246	(7,136)	7,812	6,313	1,499
Total Expenditures	<u>429,000</u>	<u>436,136</u>	<u>(7,136)</u>	<u>2,740,000</u>	<u>2,738,501</u>	<u>1,499</u>
Excess of Revenues Over (Under) Expenditures	<u>(153,000)</u>	<u>39,163</u>	<u>192,163</u>	<u>(2,677,000)</u>	<u>(2,710,045)</u>	<u>(33,045)</u>
Other Financing Sources (Uses):						
Transfers in				2,649,000	2,615,859	(33,141)
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,649,000</u>	<u>2,615,859</u>	<u>(33,141)</u>
Net change in fund balances	<u>(153,000)</u>	<u>39,163</u>	<u>192,163</u>	<u>(28,000)</u>	<u>(94,186)</u>	<u>(66,186)</u>
Beginning Fund Balances	<u>504,372</u>	<u>504,372</u>	<u>-</u>	<u>3,145,580</u>	<u>3,145,580</u>	<u>-</u>
Ending Fund Balances	<u>\$ 351,372</u>	<u>\$ 543,535</u>	<u>\$ 192,163</u>	<u>\$ 3,117,580</u>	<u>\$ 3,051,394</u>	<u>\$ (66,186)</u>

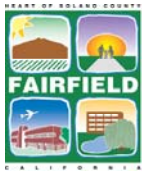
Capital Project Fund		
Assessment & Improvement		
Districts		
Final Budget	Actual	Variance
\$ 1,609,000	\$ 1,575,162	\$ (33,838)
188,000	217,220	29,220
210,000	74,142	(135,858)
46,000	276,917	230,917
<u>2,053,000</u>	<u>2,143,441</u>	<u>90,441</u>
1,575,000	1,470,028	104,972
<u>1,575,000</u>	<u>1,470,028</u>	<u>104,972</u>
<u>478,000</u>	<u>673,413</u>	<u>195,413</u>
<u>(790,000)</u>	<u>(684,569)</u>	<u>105,431</u>
<u>(790,000)</u>	<u>(684,569)</u>	<u>105,431</u>
<u>(312,000)</u>	<u>(11,156)</u>	<u>300,844</u>
<u>9,348,787</u>	<u>9,348,787</u>	<u>-</u>
<u>\$ 9,036,787</u>	<u>\$ 9,337,631</u>	<u>\$ 300,844</u>



City of Fairfield

People and Places in the City





Internal Service Funds

Central Stores

To account for the printing, copying, and mail services provided to the various City departments; as well as accounting for public work maintenance supplies for the various City departments.

Automotive Services

To account for automotive services performed for the various City departments as well as accounting for the City's Vehicle Replacement Fund.

Communication Services

To account for the charges to the various departments for the use and maintenance of the main power supplies for various communication devices such as hand radios, phones, and computers.

Intragovernmental Loan

To account for loans made to City funds or affiliated agencies.

Insurance

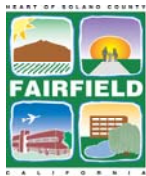
To account for all insurance activities of the City.

Public Buildings

To account for the operation of the cogeneration facilities, and major maintenance of the Civic Center complex.

Compensated Absences

To account for the accumulation of funds for future payoffs of accrued leave balances.

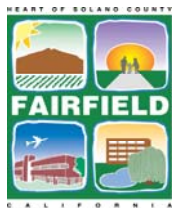


City of Fairfield

Combining Statement of Net Position Internal Service Funds June 30, 2014

	Stores	Automotive Services	Communication Services
Assets:			
Current Assets			
Cash and investments	\$ 216,434	\$ 4,998,749	\$ 2,746,147
Receivables, net	513	11,859	34,343
Due from other funds			
Inventory	38,960	533,743	
Prepaid items			87,966
Total current assets	255,907	5,544,351	2,868,456
Noncurrent Assets			
Advances to other funds			
Loans receivable			
Capital Assets:			
Depreciable buildings, property, equipment and infrastructure, net		5,230,437	1,368,175
Total Capital Assets	-	5,230,437	1,368,175
Total noncurrent assets	-	5,230,437	1,368,175
Total assets	255,907	10,774,788	4,236,631
Liabilities:			
Current Liabilities			
Accounts payable and other current liabilities	5,146	280,996	253,596
Accrued interest payable			
Claims and judgments payable - due within one year			
Compensated absences			
Long-term debt - due within one year			
Total current liabilities	5,146	280,996	253,596
Noncurrent Liabilities			
Net OPEB obligation			
Claims and judgments payable - due in more than one year			
Compensated absences			
Long-term debt - due in more than one year			
Total noncurrent liabilities	-	-	-
Total liabilities	5,146	280,996	253,596
Net Position:			
Net investment in capital assets		5,230,437	1,368,175
Unrestricted	250,761	5,263,355	2,614,860
Total net position	\$ 250,761	\$ 10,493,792	\$ 3,983,035

<u>Intra-Governmental Loan</u>	<u>Insurance</u>	<u>Public Buildings</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
\$ 16,714,216	\$ 16,202,242	\$ 1,818,199	\$ 156,468	\$ 42,852,455
40,785	123,435	4,330	411	215,676
339,948				339,948
				572,703
				87,966
<u>17,094,949</u>	<u>16,325,677</u>	<u>1,822,529</u>	<u>156,879</u>	<u>44,068,748</u>
17,450,889				17,450,889
12,047,692				12,047,692
		<u>1,838,935</u>		<u>8,437,547</u>
<u>-</u>	<u>-</u>	<u>1,838,935</u>	<u>-</u>	<u>8,437,547</u>
<u>29,498,581</u>	<u>-</u>	<u>1,838,935</u>	<u>-</u>	<u>37,936,128</u>
<u>46,593,530</u>	<u>16,325,677</u>	<u>3,661,464</u>	<u>156,879</u>	<u>82,004,876</u>
39,407	21,322	47,649		648,116
		626		626
	1,040,516			1,040,516
			1,964,777	1,964,777
		<u>255,263</u>		<u>255,263</u>
<u>39,407</u>	<u>1,061,838</u>	<u>303,538</u>	<u>1,964,777</u>	<u>3,909,298</u>
	708,310			708,310
	9,166,484			9,166,484
			12,043,164	12,043,164
		<u>1,978,747</u>		<u>1,978,747</u>
<u>-</u>	<u>9,874,794</u>	<u>1,978,747</u>	<u>12,043,164</u>	<u>23,896,705</u>
<u>39,407</u>	<u>10,936,632</u>	<u>2,282,285</u>	<u>14,007,941</u>	<u>27,806,003</u>
		1,838,935		8,437,547
<u>46,554,123</u>	<u>5,389,045</u>	<u>(459,756)</u>	<u>(13,851,062)</u>	<u>45,761,326</u>
<u>\$ 46,554,123</u>	<u>\$ 5,389,045</u>	<u>\$ 1,379,179</u>	<u>\$ (13,851,062)</u>	<u>\$ 54,198,873</u>

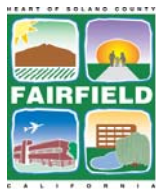


City of Fairfield

Combining Statement of Revenues, Expenses and Changes in Net Position Internal Service Funds For the Year Ended June 30, 2014

	<u>Stores</u>	<u>Automotive Services</u>	<u>Communication Services</u>
Operating Revenues:			
Charges for services	\$ 412,206	\$ 5,698,833	\$ 2,896,280
Miscellaneous			
Total operating revenues	<u>412,206</u>	<u>5,698,833</u>	<u>2,896,280</u>
Operating Expenses:			
Material and supplies	121,041	2,599,297	661,303
Operating and maintenance	89,459	1,615,722	1,250,314
General and administrative	115,057	252,913	656,215
Premiums/provision for insurance claims			
Depreciation		576,456	452,929
Total operating expenses	<u>325,557</u>	<u>5,044,388</u>	<u>3,020,761</u>
Operating Income (loss)	<u>86,649</u>	<u>654,445</u>	<u>(124,481)</u>
Nonoperating Revenues (Expenses):			
Investment income	1,919	37,648	23,331
Interest expense			
Other revenue (expense)		92,126	49,484
Total nonoperating revenues (expenses)	<u>1,919</u>	<u>129,774</u>	<u>72,815</u>
Income (loss) before contributions and transfers	88,568	784,219	(51,666)
Transfers:			
Transfers in			
Transfers out	(4,094)	(59,135)	(24,337)
Total transfers	<u>(4,094)</u>	<u>(59,135)</u>	<u>(24,337)</u>
Change in net position before extraordinary items	84,474	725,084	(76,003)
Extraordinary items:			
Extraordinary gain - dissolution of Fairfield Redevelopment Agency (see note 18)			
Change in net position	84,474	725,084	(76,003)
Net Position (Deficit):			
Beginning of year	<u>166,287</u>	<u>9,768,708</u>	<u>4,059,038</u>
End of year	<u>\$ 250,761</u>	<u>\$ 10,493,792</u>	<u>\$ 3,983,035</u>

<u>Intra-Governmental Loan</u>	<u>Insurance</u>	<u>Public Buildings</u>	<u>Compensated Absences</u>	<u>Total Internal Service Funds</u>
\$ 827,745	\$ 2,481,219	\$ 1,142,733	\$ 2,140,583	\$ 15,599,599
		26,875		26,875
<u>827,745</u>	<u>2,481,219</u>	<u>1,169,608</u>	<u>2,140,583</u>	<u>15,626,474</u>
		154,234		3,535,875
		417,566	16,624,757	19,997,818
104,804	621,988	15,977		1,766,954
	1,941,171			1,941,171
		164,494		1,193,879
<u>104,804</u>	<u>2,563,159</u>	<u>752,271</u>	<u>16,624,757</u>	<u>28,435,697</u>
<u>722,941</u>	<u>(81,940)</u>	<u>417,337</u>	<u>(14,484,174)</u>	<u>(12,809,223)</u>
		15,238	1,056	359,096
146,952	132,952	(26,055)		(26,055)
<u>1,608,234</u>				<u>1,749,844</u>
<u>1,755,186</u>	<u>132,952</u>	<u>(10,817)</u>	<u>1,056</u>	<u>2,082,885</u>
2,478,127	51,012	406,520	(14,483,118)	(10,726,338)
	2,359,000	5,800	632,056	2,996,856
	(23,821)	(3,835)		(115,222)
<u>-</u>	<u>2,335,179</u>	<u>1,965</u>	<u>632,056</u>	<u>2,881,634</u>
2,478,127	2,386,191	408,485	(13,851,062)	(7,844,704)
<u>12,047,692</u>				<u>12,047,692</u>
14,525,819	2,386,191	408,485	(13,851,062)	4,202,988
<u>32,028,304</u>	<u>3,002,854</u>	<u>970,694</u>	<u>-</u>	<u>49,995,885</u>
<u>\$ 46,554,123</u>	<u>\$ 5,389,045</u>	<u>\$ 1,379,179</u>	<u>\$ (13,851,062)</u>	<u>\$ 54,198,873</u>



City of Fairfield

Combining Statement of Cash Flows Internal Service Funds For the Year Ended June 30, 2014

	Stores	Automotive Services	Communication Services
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 412,206	\$ 5,698,833	\$ 2,896,280
Payments to suppliers	(221,083)	(2,887,978)	(1,968,407)
Payments to employees	(91,297)	(1,381,521)	(596,118)
Payments for Interfund Services Used	(23,759)	(234,110)	(68,770)
Net cash provided by (used for) operating activities	<u>76,067</u>	<u>1,195,224</u>	<u>262,985</u>
Cash Flows from Noncapital Financing Activities:			
Receipt of other revenue			
Transfers in			
Transfers out	(4,094)	(59,135)	(24,337)
Net cash provided by (used for) noncapital financing activities	<u>(4,094)</u>	<u>(59,135)</u>	<u>(24,337)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal payments-notes payable			
Interest paid		92,126	
Proceeds from sales of capital assets		(1,324,564)	(205,698)
Purchases of capital assets			
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(1,232,438)</u>	<u>(205,698)</u>
Cash Flows from Investing Activities:			
Investment income received	1,840	41,406	25,004
Net cash provided by investing activities	<u>1,840</u>	<u>41,406</u>	<u>25,004</u>
Net increase (decrease) in cash and cash equivalents	73,813	(54,943)	57,954
Cash and Cash Equivalents:			
Beginning of year	142,621	5,053,692	2,688,193
End of year	<u>\$ 216,434</u>	<u>\$ 4,998,749</u>	<u>\$ 2,746,147</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 86,649	\$ 654,445	\$ (124,481)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense		576,456	452,929
(Increase) decrease in inventory	(6,781)	(76,952)	
(Increase) decrease in prepaid items			(59,075)
(Increase) decrease in advances to other funds			
(Increase) decrease in receivables			(12,886)
Increase (decrease) in accounts payable	(3,801)	41,275	6,498
Increase (decrease) in claims and judgments payable			
Increase (decrease) in compensated absences			
Increase (decrease) in net OPEB obligation			
(Increase) in due from other funds			
Total adjustment	<u>(10,582)</u>	<u>540,779</u>	<u>387,466</u>
Net cash provided by (used for) operating activities	<u>\$ 76,067</u>	<u>\$ 1,195,224</u>	<u>\$ 262,985</u>

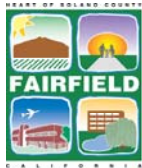
Intra-Governmental Loan	Insurance	Public Buildings	Compensated Absences	Total Internal Service Funds
\$ 191,772 (557,012)	\$ 2,395,735 (2,380,751) (570,578) (26,402)	\$ 1,169,608 (492,158) (89,925) (13,044)	\$ 2,140,583 (2,616,816)	\$ 14,905,017 (8,507,389) (5,346,255) (391,021)
<u>(390,176)</u>	<u>(581,996)</u>	<u>574,481</u>	<u>(476,233)</u>	<u>660,352</u>
1,608,234	2,359,000 (23,821)	5,800 (3,835)	632,056	1,608,234 2,996,856 (115,222)
<u>1,608,234</u>	<u>2,335,179</u>	<u>1,965</u>	<u>632,056</u>	<u>4,489,868</u>
		(252,056) (26,055)		(252,056) (26,055) 92,126 (1,530,262)
<u>-</u>	<u>-</u>	<u>(278,111)</u>	<u>-</u>	<u>(1,716,247)</u>
153,470	137,775	15,896	645	376,036
<u>153,470</u>	<u>137,775</u>	<u>15,896</u>	<u>645</u>	<u>376,036</u>
1,371,528	1,890,958	314,231	156,468	3,810,009
<u>15,342,688</u>	<u>14,311,284</u>	<u>1,503,968</u>		<u>39,042,446</u>
<u>\$ 16,714,216</u>	<u>\$ 16,202,242</u>	<u>\$ 1,818,199</u>	<u>\$ 156,468</u>	<u>\$ 42,852,455</u>
<u>\$ 722,941</u>	<u>\$ (81,940)</u>	<u>\$ 417,337</u>	<u>\$ (14,484,174)</u>	<u>\$ (12,809,223)</u>
(1,002,745)	(85,486) 7,740 (441,000)	164,494 (7,350)	14,007,941	1,193,879 (83,733) (59,075) (1,002,745) (98,372) 82,166 (441,000)
37,804	18,690			14,007,941 18,690 (148,176)
<u>(148,176)</u>	<u>(500,056)</u>	<u>157,144</u>	<u>14,007,941</u>	<u>13,469,575</u>
<u>\$ (390,176)</u>	<u>\$ (581,996)</u>	<u>\$ 574,481</u>	<u>\$ (476,233)</u>	<u>\$ 660,352</u>



City of Fairfield

People and Places in the City





Agency Funds

Other Deposits

To account for deposits received from outside parties that are held in a custodial capacity. Some of the large items include deposits for: encroachment permit bonds and deposits, restitution for crimes committed, and asset seizures.

Payroll Trust

To account for cash transferred from the various funds (expense/expenditures) from which actual cash is remitted to the employees and various agencies.

Solid Waste

To account for the activities of the residential garbage service franchise fees in the City.

Fairfield-Suisun Sewer District

To account for the activities of the Fairfield-Suisun Sewer District.

Downtown Improvement District

To account for collections and disbursements of the downtown district established to promote downtown business.

North Texas Business Improvement District

To account for collections and disbursements for the North Texas District established to promote the North Texas Business.

Solano Animal Control Authority

To account for monies for the operation of the Solano Animal Control Authority.

Green Valley Open Space Maintenance District

To account for maintenance district monies received from taxes levied on properties located in Solano County for acquisition of open space and maintenance in Green Valley.

Tri-City and County Regional Parks And Open Space Group

To account for monies contributed from Solano County and the cities of Benicia, Fairfield and Vallejo for the study and development of a coordinated system of recreation and open space between the three cities.

Tourism Business Improvement District

To account for the activities of local hotel assessments that is used to promote tourism.

Assessment And Improvement Districts - To account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied. Effective fiscal year 2012/2013, this debt type has been determined to be debt with no City commitment (non-commitment debt). The accumulation of resources to pay this debt has now been moved to an agency fund.



City of Fairfield

Combining Balance Sheet Agency Funds June 30, 2014

	<u>Other Deposits</u>	<u>Payroll Trust</u>	<u>Solid Waste</u>	<u>Fairfield- Suisun Sewer District</u>	<u>Downtown Improvement District</u>
Assets					
Cash and cash equivalents	\$ 5,413,993	\$ 4,437,140		\$ 1,920,565	\$ 2,158
Receivables, net	16,870			694,753	5
Restricted cash and investments					
Total assets	<u>\$ 5,430,863</u>	<u>\$ 4,437,140</u>	<u>\$ -</u>	<u>\$ 2,615,318</u>	<u>\$ 2,163</u>
Liabilities					
Accounts payable	\$ 1,330,025	\$ 64,347			
Deposits payable	4,100,838	4,372,793		\$ 2,615,318	\$ 2,163
Total liabilities	<u>\$ 5,430,863</u>	<u>\$ 4,437,140</u>	<u>\$ -</u>	<u>\$ 2,615,318</u>	<u>\$ 2,163</u>

<u>North Texas Business Improvement District</u>	<u>Solano Animal Control</u>	<u>Green Valley Open Space Maintenance District</u>	<u>Tri-City/County Regional Parks & Open Space Group</u>	<u>Tourism Business Improvement District</u>	<u>Assessment & Improvement Districts</u>	<u>Total Agency Funds</u>
\$ 2,237 5	\$ 20,836 50	\$ 412,079 974	\$ 67,699 5,160	\$ 30,209 72	\$ 2,172,439 7,904 4,310,291	\$14,479,355 725,793 4,310,291
<u>\$ 2,242</u>	<u>\$ 20,886</u>	<u>\$ 413,053</u>	<u>\$ 72,859</u>	<u>\$ 30,281</u>	<u>\$ 6,490,634</u>	<u>\$19,515,439</u>
						\$ 1,394,372
<u>\$ 2,242</u>	<u>\$ 20,886</u>	<u>\$ 413,053</u>	<u>\$ 72,859</u>	<u>\$ 30,281</u>	<u>\$ 6,490,634</u>	<u>18,121,067</u>
<u>\$ 2,242</u>	<u>\$ 20,886</u>	<u>\$ 413,053</u>	<u>\$ 72,859</u>	<u>\$ 30,281</u>	<u>\$ 6,490,634</u>	<u>\$19,515,439</u>



City of Fairfield

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2014

Other Deposits

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 3,662,920	\$ 7,513,990	\$ 5,762,917	\$ 5,413,993
Receivables, net	20,453	76,899	80,482	16,870
Total assets	<u>\$ 3,683,373</u>	<u>\$ 7,590,889</u>	<u>\$ 5,843,399</u>	<u>\$ 5,430,863</u>
Liabilities				
Accounts payable	\$ 1,320,654	\$ 5,937,051	\$ 5,927,680	\$ 1,330,025
Deposits payable	2,362,719	7,553,371	5,815,252	4,100,838
Total liabilities	<u>\$ 3,683,373</u>	<u>\$ 13,490,422</u>	<u>\$ 11,742,932</u>	<u>\$ 5,430,863</u>

Payroll Trust

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 4,015,194	\$ 106,872,699	\$ 106,450,753	\$ 4,437,140
Receivables, net				
Total assets	<u>\$ 4,015,194</u>	<u>\$ 106,872,699</u>	<u>\$ 106,450,753</u>	<u>\$ 4,437,140</u>
Liabilities				
Accounts payable	\$ 528,148	\$ 22,351,310	\$ 22,815,111	\$ 64,347
Deposits payable	3,487,046	84,521,389	83,635,642	4,372,793
Total liabilities	<u>\$ 4,015,194</u>	<u>\$ 106,872,699</u>	<u>\$ 106,450,753</u>	<u>\$ 4,437,140</u>

Solid Waste

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 176,287		\$ 176,287	\$ -
Receivables, net	1,457	\$ 146	1,603	-
Total assets	<u>\$ 177,744</u>	<u>\$ 146</u>	<u>\$ 177,890</u>	<u>\$ -</u>
Liabilities				
Accounts payable		\$ 176,287	\$ 176,287	\$ -
Deposits payable	\$ 177,744	176,287	354,031	-
Total liabilities	<u>\$ 177,744</u>	<u>\$ 176,287</u>	<u>\$ 354,031</u>	<u>\$ -</u>

Fairfield-Suisun Sewer District

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 1,562,218	\$ 17,284,369	\$ 16,926,022	\$ 1,920,565
Receivables, net	816,163	15,044,810	15,166,220	694,753
Total assets	<u>\$ 2,378,381</u>	<u>\$ 32,329,179</u>	<u>\$ 32,092,242</u>	<u>\$ 2,615,318</u>
Liabilities				
Accounts payable				
Deposits payable	\$ 2,378,381	\$ 32,329,179	\$ 32,092,242	\$ 2,615,318
Total liabilities	<u>\$ 2,378,381</u>	<u>\$ 32,329,179</u>	<u>\$ 32,092,242</u>	<u>\$ 2,615,318</u>



City of Fairfield

Combining Statement of Changes in Assets and Liabilities (continued) Agency Funds For the Year Ended June 30, 2014

Downtown Improvement District

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 28,542	\$ 31,230	\$ 57,614	\$ 2,158
Receivables, net	87	5	87	5
Total assets	<u>\$ 28,629</u>	<u>\$ 31,235</u>	<u>\$ 57,701</u>	<u>\$ 2,163</u>
Liabilities				
Accounts payable	\$ 28,329	\$ 27,403	\$ 55,732	\$ -
Deposits payable	300	1,863		2,163
Total liabilities	<u>\$ 28,629</u>	<u>\$ 29,266</u>	<u>\$ 55,732</u>	<u>\$ 2,163</u>

North Texas Business Improvement District

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 49,245	\$ 54,546	\$ 101,554	\$ 2,237
Receivables, net	150	5	150	5
Total assets	<u>\$ 49,395</u>	<u>\$ 54,551</u>	<u>\$ 101,704</u>	<u>\$ 2,242</u>
Liabilities				
Accounts payable	\$ 49,104	\$ 52,330	\$ 101,434	\$ -
Deposits payable	291	54,281	52,330	2,242
Total liabilities	<u>\$ 49,395</u>	<u>\$ 106,611</u>	<u>\$ 153,764</u>	<u>\$ 2,242</u>

Solano Animal Control

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 78,656	\$ 695,534	\$ 753,354	\$ 20,836
Receivables, net	240	49	239	50
Total assets	<u>\$ 78,896</u>	<u>\$ 695,583</u>	<u>\$ 753,593</u>	<u>\$ 20,886</u>
Liabilities				
Accounts payable				
Deposits payable	\$ 78,896	\$ 695,583	\$ 753,593	\$ 20,886
Total liabilities	<u>\$ 78,896</u>	<u>\$ 695,583</u>	<u>\$ 753,593</u>	<u>\$ 20,886</u>

Green Valley Open Space Maintenance District

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 880,349	\$ 102,934	\$ 571,204	\$ 412,079
Receivables, net	2,680	975	2,681	974
Total assets	<u>\$ 883,029</u>	<u>\$ 103,909</u>	<u>\$ 573,885</u>	<u>\$ 413,053</u>
Liabilities				
Accounts payable		\$ 565,596	\$ 565,596	\$ -
Deposits payable	\$ 883,029	104,885	574,861	413,053
Total liabilities	<u>\$ 883,029</u>	<u>\$ 670,481</u>	<u>\$ 1,140,457</u>	<u>\$ 413,053</u>



City of Fairfield

Combining Statement of Changes in Assets and Liabilities (continued) Agency Funds For the Year Ended June 30, 2014

Tri-City & County Regional Parks and Open Space Group

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 61,005	\$ 15,715	\$ 9,021	\$ 67,699
Receivables, net	186	15,160	10,186	5,160
Total assets	<u>\$ 61,191</u>	<u>\$ 30,875</u>	<u>\$ 19,207</u>	<u>\$ 72,859</u>
Liabilities				
Accounts payable		\$ 7,784	\$ 7,784	\$ -
Deposits payable	\$ 61,191	20,875	9,207	72,859
Total liabilities	<u>\$ 61,191</u>	<u>\$ 28,659</u>	<u>\$ 16,991</u>	<u>\$ 72,859</u>

Tourism Business Improvement District

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 75	\$ 573,311	\$ 543,177	\$ 30,209
Receivables, net		72		72
Total assets	<u>\$ 75</u>	<u>\$ 573,383</u>	<u>\$ 543,177</u>	<u>\$ 30,281</u>
Liabilities				
Accounts payable		\$ 543,118	\$ 543,118	\$ -
Deposits payable	\$ 75	573,383	543,177	30,281
Total liabilities	<u>\$ 75</u>	<u>\$ 1,116,501</u>	<u>\$ 1,086,295</u>	<u>\$ 30,281</u>

Assessment & Improvement Districts

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 2,315,720	\$ 2,584,166	\$ 2,727,447	\$ 2,172,439
Receivables, net	14,318	7,904	14,318	7,904
Restricted cash and investments	4,312,151	155,056	156,916	4,310,291
Total assets	<u>\$ 6,642,189</u>	<u>\$ 2,747,126</u>	<u>\$ 2,898,681</u>	<u>\$ 6,490,634</u>
Liabilities				
Accounts payable	\$ 11,760	\$ 23,863	\$ 35,623	\$ -
Deposits payable	6,630,429	3,279,751	3,419,546	6,490,634
Total liabilities	<u>\$ 6,642,189</u>	<u>\$ 3,303,614</u>	<u>\$ 3,455,169</u>	<u>\$ 6,490,634</u>

Total - Agency Funds

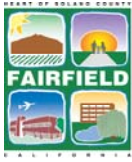
	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets				
Cash and cash equivalents	\$ 12,830,211	\$ 135,728,494	\$ 134,079,350	\$ 14,479,355
Receivables, net	855,734	15,146,025	15,275,966	725,793
Restricted cash and investments	4,312,151	155,056	156,916	4,310,291
Total assets	<u>\$ 17,998,096</u>	<u>\$ 151,029,575</u>	<u>\$ 149,512,232</u>	<u>\$ 19,515,439</u>
Liabilities				
Accounts payable	\$ 1,937,995	\$ 29,684,742	\$ 30,228,365	\$ 1,394,372
Deposits payable	16,060,101	129,310,847	127,249,881	18,121,067
Total liabilities	<u>\$ 17,998,096</u>	<u>\$ 158,995,589</u>	<u>\$ 157,478,246</u>	<u>\$ 19,515,439</u>



City of Fairfield

People and Places in the City

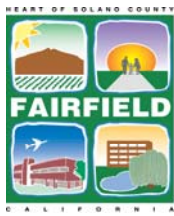




Statistical Section

This part of the City of Fairfield's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health. In contrast to the Financial Section, the Statistical Section is not subject to independent audit.

Contents	Pages
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. They include:	130 - 140
Table 1 - Net Position by Component	
Table 2 - Changes in Net Position	
Table 3 - Governmental Activities Tax Resources by Source	
Table 4 - Fund Balance of Governmental Funds	
Table 5 - Changes in Fund Balances of Governmental Funds	
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue sources, property and sales taxes. They include:	142 - 145
Table 6 - Assessed Value of Taxable Property	
Table 7 - Property Tax Rates	
Table 8 - Principal Property Taxpayers	
Table 9 - Property Tax Levies/Collections	
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. They include:	146 - 153
Table 10 - Ratio of Outstanding Debt by Type	
Table 11 - Ratio of General Bonded Debt	
Table 12 - Direct and Overlapping Debt	
Table 13 - Legal Bond Debt Margin	
Table 14 - Debt Pledged Revenue Coverage	
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities. They include:	154 - 155
Table 15 - Demographic and Economic Statistics	
Table 16 - Principal Employers	
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. They include:	156 - 158
Table 17 - Full-Time City Employees by Function	
Table 18 - Operating Indicators by Function	
Table 19 - Capital Statistics by Function	



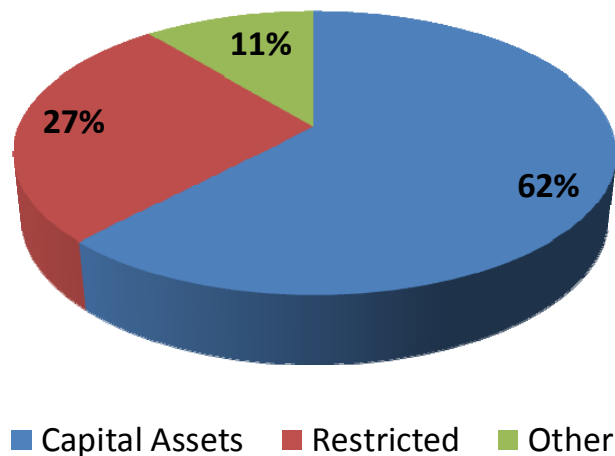
City of Fairfield

Net Position by Component (accrual basis of accounting) By Fiscal Year - Last Ten Fiscal Years

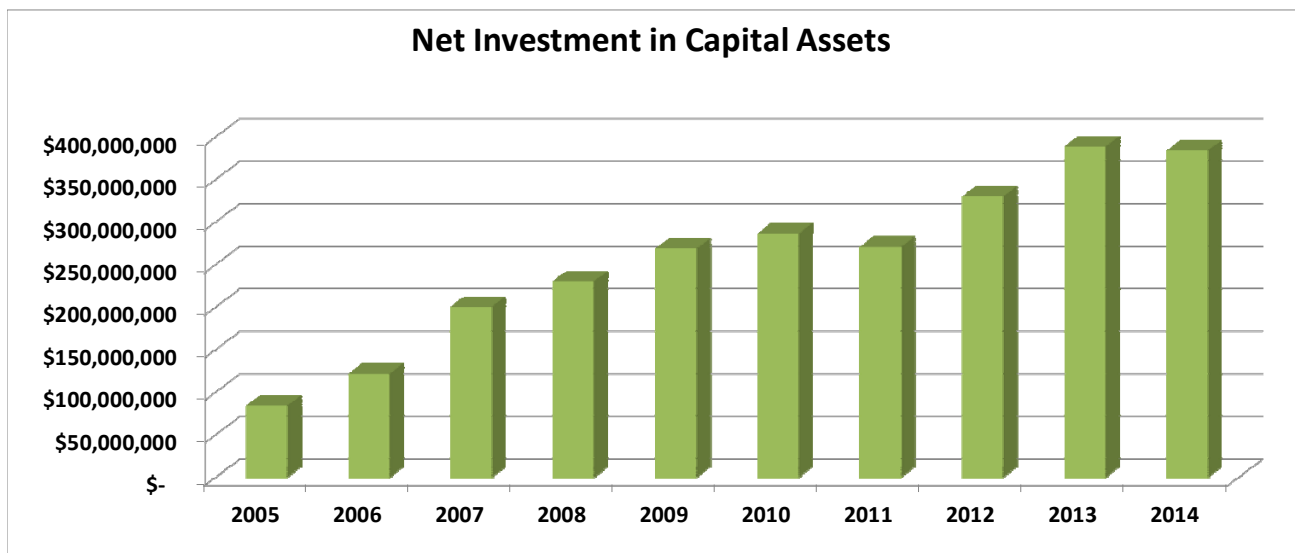
Table 1

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 74,780,657	\$ 97,102,642	\$ 130,259,605	\$ 144,466,640
Restricted	170,378,611	197,438,267	194,826,606	233,279,120
Unrestricted	91,840,974	84,136,262	78,468,755	34,779,405
Total governmental activities net position	<u>\$ 337,000,242</u>	<u>\$ 378,677,171</u>	<u>\$ 403,554,966</u>	<u>\$ 412,525,165</u>
Business-type activities				
Net investment in capital assets	\$ 9,180,355	\$ 24,435,740	\$ 70,196,110	\$ 85,867,972
Restricted	-	-	-	-
Unrestricted	69,268,020	58,667,801	24,982,281	37,508,060
Total business-type activities net position	<u>\$ 78,448,375</u>	<u>\$ 83,103,541</u>	<u>\$ 95,178,391</u>	<u>\$ 123,376,032</u>
Primary Government				
Net investment in capital assets	\$ 83,961,012	\$ 121,538,382	\$ 200,455,715	\$ 230,334,612
Restricted	170,378,611	197,438,267	194,826,606	233,279,120
Unrestricted	161,108,994	142,804,063	103,451,036	72,287,465
Total primary government net position	<u>\$ 415,448,617</u>	<u>\$ 461,780,712</u>	<u>\$ 498,733,357</u>	<u>\$ 535,901,197</u>

Allocation of Net Position for Fiscal Year 2014



2009	2010	2011	2012	2013	2014
\$ 170,850,830	\$ 188,491,671	\$ 187,758,676	\$ 249,537,290	\$ 285,517,949	\$ 280,220,525
203,988,858	190,206,975	177,323,636	100,159,236	132,048,222	146,869,909
44,051,709	26,808,964	45,905,550	108,435,368	30,080,451	61,781,934
<u>\$ 418,891,397</u>	<u>\$ 405,507,610</u>	<u>\$ 410,987,862</u>	<u>\$ 458,131,894</u>	<u>\$ 447,646,622</u>	<u>\$ 488,872,368</u>
\$ 97,732,208	\$ 98,026,360	\$ 83,003,253	\$ 80,402,256	\$ 103,049,867	\$ 103,591,615
-	-	3,879,675	7,912,487	15,258,808	17,665,866
33,103,995	29,605,766	42,404,153	26,849,147	15,742,945	7,985,138
<u>\$ 130,836,203</u>	<u>\$ 127,632,126</u>	<u>\$ 129,287,081</u>	<u>\$ 115,163,890</u>	<u>\$ 134,051,620</u>	<u>\$ 129,242,619</u>
\$ 268,583,038	\$ 286,518,031	\$ 270,761,929	\$ 329,939,546	\$ 388,567,816	\$ 383,812,140
203,988,858	190,206,975	181,203,311	108,071,723	147,307,030	164,535,775
77,155,704	56,414,730	88,309,703	135,284,515	45,823,396	69,767,072
<u>\$ 549,727,600</u>	<u>\$ 533,139,736</u>	<u>\$ 540,274,943</u>	<u>\$ 573,295,784</u>	<u>\$ 581,698,242</u>	<u>\$ 618,114,987</u>





City of Fairfield

Changes in Net Position (accrual basis of accounting) By Fiscal Year - Last Ten Fiscal Years

Table 2

	2005	2006	2007	2008	2009
Expenses					
Governmental activities					
Administration / Finance	\$ 5,416,596	\$ 4,491,359	\$ 6,256,445	\$ 6,737,421	\$ 5,406,468
Police	23,816,001	25,865,919	29,097,140	34,098,909	35,672,815
Fire	11,413,827	12,950,385	14,188,653	16,015,598	16,215,551
Public Works	31,165,349	30,745,284	32,719,994	30,105,784	28,763,276
Community Development	9,440,781	8,297,262	9,452,161	9,118,440	1,170,906
Community Resources	7,922,767	7,983,924	8,227,424	10,428,660	18,795,810
Redevelopment Agency	13,536,217	13,579,272	15,922,327	15,173,773	15,514,753
Non-departmental	3,025,808	3,584,354	-	-	-
Interest on long-term debt	4,675,890	5,920,276	5,710,735	5,080,479	6,773,508
Total governmental activities expenses	110,413,236	113,418,035	121,574,878	126,759,064	128,313,086
Business-type activities					
Water	25,398,255	24,246,741	23,526,513	25,511,488	25,697,129
North Bay Treatment Plant	5,714,575	6,476,534	6,877,858	7,449,396	8,942,817
Transportation	8,069,345	8,246,921	8,889,780	10,000,808	10,571,259
Golf Courses	7,144,245	6,925,820	7,165,848	6,945,535	6,601,492
Housing Program	918,551	956,957	703,006	711,292	524,989
Police Training Center		-	-	222,786	702,398
Total business-type activities expenses	47,244,971	46,852,973	47,163,005	50,841,305	53,040,084
Total primary government expenses	\$157,658,207	\$ 160,271,008	\$ 168,737,883	\$ 177,600,369	\$ 181,353,170
Program Revenues					
Governmental activities:					
Charges for services:					
Public works	\$ 4,474,459	\$ 3,956,977	\$ 313,881	\$ 3,901,358	\$ 286,442
Community resources	1,918,026	2,091,940	5,552,264	2,208,774	1,891,876
Other activities	1,718,408	1,676,503	2,252,110	2,544,820	101,984
Operating grants and contributions	21,294,117	17,316,936	18,946,450	17,098,716	17,552,422
Capital grants and contributions	34,125,873	24,928,691	13,627,419	17,211,846	14,449,935
Total governmental activities program revenues	63,530,883	49,971,047	40,692,124	42,965,514	34,282,659
Business-type activities:					
Charges for services:					
Water	29,611,949	29,627,575	30,712,881	29,538,590	26,024,108
North Bay Treatment Plant	5,092,300	6,077,388	5,858,763	6,284,495	8,711,788
Transportation	1,509,671	1,507,264	1,900,707	2,206,626	2,432,250
Golf Courses	5,150,699	4,623,537	5,046,888	4,897,622	4,418,362
Housing Program	725,709	702,826	737,276	793,492	503,215
Police Training Center		-	-	17,216	156,442
Operating grants and contributions	7,224,641	5,400,328	9,427,582	12,319,388	3,823,561
Capital grants and contributions	429,849	2,282,197	2,319,174	4,365,545	10,096,592
Total business-type activities program revenues	49,744,818	50,221,115	56,003,271	60,422,974	56,166,318
Total primary government program revenues	\$113,275,701	\$ 100,192,162	\$ 96,695,395	\$ 103,388,488	\$ 90,448,977

Source: City of Fairfield

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	4,313,201	\$ 4,356,065	\$ 4,514,702	\$ 4,164,505	\$ 4,547,124
	36,788,346	33,403,092	33,463,097	31,468,951	33,325,087
	14,850,154	14,435,829	14,507,384	13,859,734	14,682,630
	33,676,650	31,392,626	24,503,034	32,999,762	30,816,138
	2,236,526	1,554,289	2,149,583	2,561,302	2,170,508
	16,899,683	18,982,308	20,878,561	16,067,853	15,941,172
	26,416,225	17,165,094	6,597,168	-	-
	-	-	-	-	-
	6,108,653	7,197,918	5,974,448	1,489,123	2,345,601
	<u>141,289,437</u>	<u>128,487,221</u>	<u>112,587,977</u>	<u>102,611,230</u>	<u>103,828,260</u>
	26,044,185	26,498,732	29,403,078	38,597,177	32,968,445
	7,762,261	6,962,855	8,512,133	7,254,180	7,387,888
	11,427,066	12,487,110	12,914,244	12,417,380	12,260,948
	6,695,988	6,192,194	6,182,070	6,200,252	6,651,196
	227,307	188,948	551,442	-	-
	764,809	758,006	676,720	708,255	777,911
	<u>52,921,616</u>	<u>53,087,845</u>	<u>58,239,687</u>	<u>65,177,244</u>	<u>60,046,388</u>
\$	<u>194,211,053</u>	<u>181,575,066</u>	<u>170,827,664</u>	<u>167,788,474</u>	<u>163,874,648</u>
\$	88,250	\$ 169,985	\$ 175,741	\$ 394,776	\$ 791,108
	1,779,915	2,513,157	2,359,851	2,048,988	1,997,949
	1,279,672	1,232,919	1,320,579	999,339	627,218
	20,185,851	18,579,088	17,794,690	19,386,786	21,229,135
	16,758,532	20,713,603	19,296,301	21,115,995	19,057,926
	<u>40,092,220</u>	<u>43,208,752</u>	<u>40,947,162</u>	<u>43,945,884</u>	<u>43,703,336</u>
	26,070,551	27,515,217	28,017,926	32,767,325	32,183,364
	7,094,690	6,659,273	7,789,802	11,359,519	7,613,251
	2,277,389	2,259,201	2,423,877	2,252,078	2,540,617
	4,475,919	3,960,203	4,387,378	4,322,380	4,527,945
	6,000	1,800	-	-	-
	204,943	170,576	109,078	119,379	122,357
	4,788,913	7,933,153	8,334,846	7,075,949	7,829,261
	2,195,184	4,782,790	276,787	5,177,512	273,674
	<u>47,113,589</u>	<u>53,282,213</u>	<u>51,339,694</u>	<u>63,074,142</u>	<u>55,090,469</u>
\$	<u>87,205,809</u>	<u>96,490,965</u>	<u>92,286,856</u>	<u>107,020,026</u>	<u>98,793,805</u>



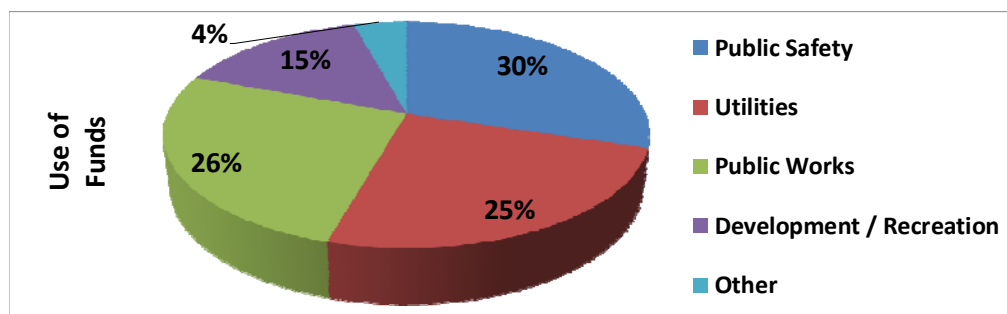
City of Fairfield

Changes in Net Position (continued) (accrual basis of accounting) By Fiscal Year - Last Ten Fiscal Years

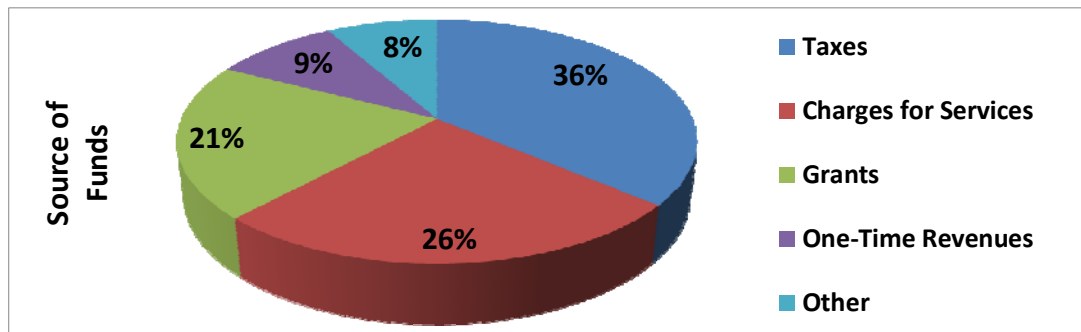
Table 2

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (expense)/revenue					
Governmental activities	\$ (46,882,353)	\$ (63,446,988)	\$ (80,882,754)	\$ (83,793,550)	\$ (93,030,427)
Business-type activities	2,499,847	3,368,142	8,840,266	9,581,669	3,126,234
Total primary government net expense	<u>\$ (44,382,506)</u>	<u>\$ (60,078,846)</u>	<u>\$ (72,042,488)</u>	<u>\$ (74,211,881)</u>	<u>\$ (89,904,193)</u>
General Revenues and Other					
Changes In Net Position					
Governmental activities					
Taxes					
Property taxes	\$ 39,772,883	\$ 44,950,233	\$ 49,110,181	\$ 51,191,170	\$ 47,903,943
Sales taxes	16,666,827	18,734,988	18,777,868	17,480,626	15,029,807
Other Taxes	10,737,706	10,887,280	11,846,398	10,831,669	10,591,911
Intergovernmental	6,787,089	16,204,963	8,566,798	8,811,864	8,489,085
Investment earnings	5,581,203	6,685,891	11,917,294	14,547,234	12,923,215
Miscellaneous	10,681,201	7,284,399	5,789,720	3,311,935	4,638,516
Gain on sale of property	1,831,707	46,326	-	-	-
Extraordinary loss-dissolution RDA					
Transfers	(428,442)	329,837	(247,710)	(13,410,749)	(179,818)
Total governmental activities	<u>91,630,174</u>	<u>105,123,917</u>	<u>105,760,549</u>	<u>92,763,749</u>	<u>99,396,659</u>
Business-type activities					
Investment earnings	1,418,019	1,616,861	2,986,874	5,205,223	4,154,119
Miscellaneous					
Transfers	428,442	(329,837)	247,710	13,410,749	179,818
Total business-type activities	<u>1,846,461</u>	<u>1,287,024</u>	<u>3,234,584</u>	<u>18,615,972</u>	<u>4,333,937</u>
Total primary government	<u>\$ 93,476,635</u>	<u>\$106,410,941</u>	<u>\$ 108,995,133</u>	<u>\$ 111,379,721</u>	<u>\$ 103,730,596</u>
Change in Net Position					
Governmental activities	\$ 44,747,821	\$ 41,676,929	\$ 24,877,795	\$ 8,970,199	\$ 6,366,232
Business-type activities	4,346,308	4,655,166	12,074,850	28,197,641	7,460,171
Total primary government	<u>\$ 49,094,129</u>	<u>\$ 46,332,095</u>	<u>\$ 36,952,645</u>	<u>\$ 37,167,840</u>	<u>\$ 13,826,403</u>

Source: City of Fairfield



2010	2011	2012	2013	2014
\$ (101,197,217)	\$ (85,278,471)	\$ (71,640,815)	\$ (58,665,346)	\$ (60,124,924)
(5,808,027)	194,368	(6,899,993)	(2,103,102)	(4,955,919)
<u>\$ (107,005,244)</u>	<u>\$ (85,084,103)</u>	<u>\$ (78,540,808)</u>	<u>\$ (60,768,448)</u>	<u>\$ (65,080,843)</u>
\$ 45,787,093	\$ 46,489,076	\$ 30,958,521	\$ 27,299,372	\$ 23,062,490
13,483,633	13,892,315	15,958,180	19,001,983	35,407,196
10,136,717	11,000,494	11,347,495	11,671,813	12,409,833
7,574,388	7,487,153	7,428,234	193,149	231,977
6,937,230	3,430,512	2,389,979	1,496,472	2,295,425
4,047,224	3,837,170	5,245,338	3,925,092	4,707,347
-	4,820,220		4,482,870	1,749,844
		37,083,677	(45,913,578)	16,336,659
(152,855)	(208,217)	8,373,423	(242,995)	650,499
<u>87,813,430</u>	<u>90,748,723</u>	<u>118,784,847</u>	<u>21,914,178</u>	<u>96,851,270</u>
2,451,095	1,252,370	1,150,225	226,298	694,248
			59,643	103,169
152,855	208,217	(8,373,423)	242,995	(650,499)
<u>2,603,950</u>	<u>1,460,587</u>	<u>(7,223,198)</u>	<u>528,936</u>	<u>146,918</u>
<u>\$ 90,417,380</u>	<u>\$ 92,209,310</u>	<u>\$ 111,561,649</u>	<u>\$ 22,443,114</u>	<u>\$ 96,998,188</u>
\$ (13,383,787)	\$ 5,480,252	\$ 47,144,032	\$ (36,751,168)	\$ 36,726,346
(3,204,077)	1,654,955	(14,123,191)	(1,574,166)	(4,809,001)
<u>\$ (16,587,864)</u>	<u>\$ 7,135,207</u>	<u>\$ 33,020,841</u>	<u>\$ (38,325,334)</u>	<u>\$ 31,917,345</u>

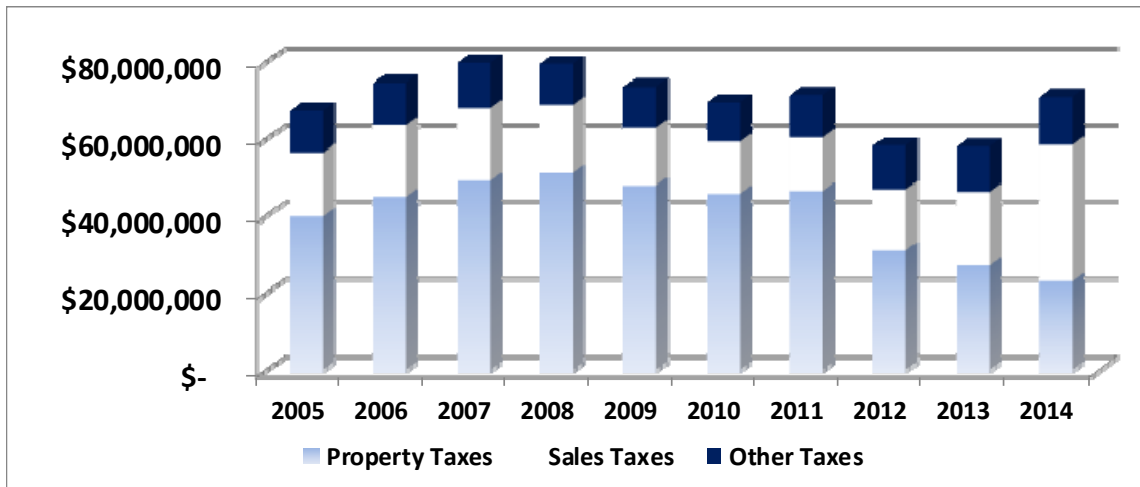




City of Fairfield

Government Activities Tax Revenues by Source (accrual basis of accounting) By Fiscal Year - Last Ten Fiscal Years

Table 3



Fiscal Year	Property Taxes*	Sales Taxes	Other Taxes**	Total
2005	\$ 39,772,883	\$ 16,666,827	\$ 10,737,706	\$ 67,177,416
2006	44,950,233	18,734,988	10,887,280	74,572,501
2007	49,110,181	18,777,868	11,846,398	79,734,447
2008	51,191,170	17,480,626	10,831,669	79,503,465
2009	47,903,943	15,029,807	10,591,911	73,525,661
2010	45,787,093	13,483,633	10,136,717	69,407,443
2011	46,489,079	13,892,315	11,000,494	71,381,888
2012*	30,958,521	15,958,180	11,347,495	58,264,196
2013	27,299,372	19,001,983 ^x	11,671,813	57,973,168
2014	23,062,490	35,407,196 ^x	12,409,833	70,879,519

Source: City of Fairfield

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. In 2012, property taxes includes Redevelopment Agency property taxes received for the seven month period of July 1, 2011, to January 31, 2012.

** Other taxes consist of franchise tax, utility user tax, transient occupancy tax, business tax, and other taxes.

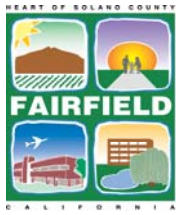
^x In April, 2013, Measure P, a 1% transaction and use tax was enacted. The Tax is scheduled to last five years.



City of Fairfield

People and Places in the City





City of Fairfield

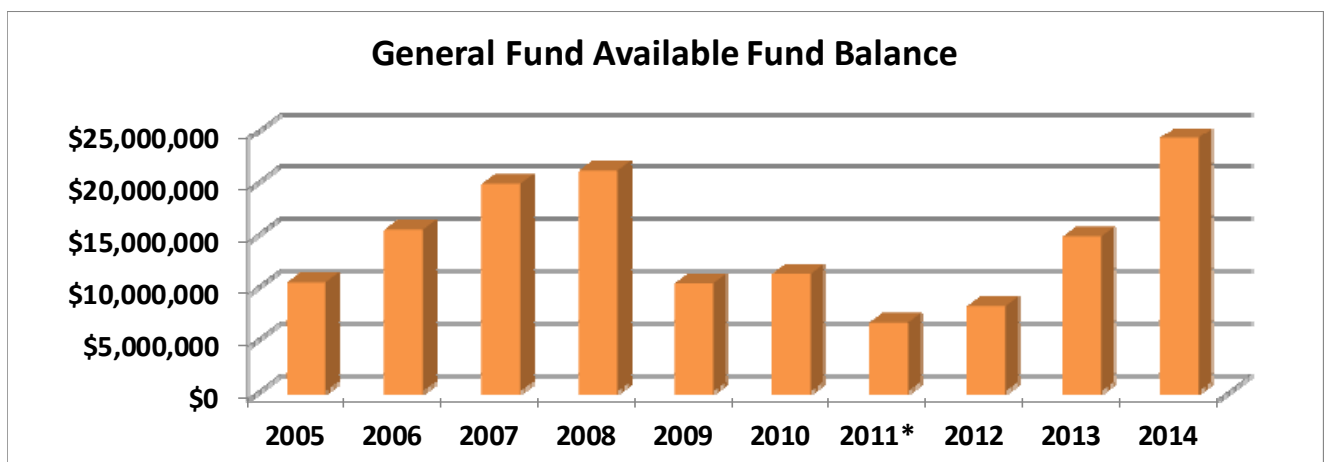
Fund Balances of Governmental Funds (modified accrual basis of accounting) By Fiscal Year - Last Ten Fiscal Years

Table 4

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ 2,941,779	\$ 1,467,233	\$ 258,376	\$ 1,525,856	\$ 1,228,124
Unreserved	10,447,315	15,469,384	19,824,871	21,104,524	10,358,075
Nonspendable					
Committed					
Assigned					
Unassigned					
Total general fund	<u>\$ 13,389,094</u>	<u>\$ 16,936,617</u>	<u>\$ 20,083,247</u>	<u>\$ 22,630,380</u>	<u>\$ 11,586,199</u>
All other governmental funds					
Reserved	\$168,794,602	\$186,690,278	\$184,003,509	\$222,221,298	\$196,176,871
Unreserved, reported in:					
Debt Service Funds	(75,574,284)	(79,577,232)	(77,280,879)	(85,277,676)	(72,342,212)
Capital Project Funds				(462,363)	(5,445,130)
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total all other governmental funds	<u>\$ 93,220,318</u>	<u>\$107,113,046</u>	<u>\$106,722,630</u>	<u>\$136,481,259</u>	<u>\$118,389,529</u>

Source: City of Fairfield

* In, 2011, the City implemented GASB 54, which has revised classifications of fund balances (prospectively).



<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 962,501				
11,256,288				\$ 6,110
	\$ 2,407,013	\$ 2,322,738		6,229,328
	<u>6,619,529</u>	<u>8,180,511</u>	<u>\$ 14,818,731</u>	<u>24,255,237</u>
<u>\$ 12,218,789</u>	<u>\$ 9,026,542</u>	<u>\$10,503,249</u>	<u>\$ 14,818,731</u>	<u>\$ 30,490,675</u>
\$186,435,126				
(79,534,506)				
(5,295,347)				
	\$ 92,626,064	\$16,838,333	\$ 335,375	\$ 335,375
	89,982,289	70,774,294	113,234,546	125,960,121
	5,249,824	5,682,220	9,395,169	10,764,506
	3,235,229	3,228,470	3,145,580	3,051,394
	<u>(83,739,406)</u>			
<u>\$101,605,273</u>	<u>\$107,354,000</u>	<u>\$96,523,317</u>	<u>\$126,110,670</u>	<u>\$140,111,396</u>



City of Fairfield

Changes in Fund Balances of Governmental Funds (modified accrual basis of accounting) By Fiscal Year - Last Ten Fiscal Years

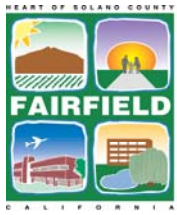
Table 5

	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 70,648,605	\$ 74,826,555	\$ 78,448,932	\$ 78,917,007	\$ 74,349,279
Development fees	10,829,438	8,726,452	4,784,023	2,061,537	3,181,810
Special assessments levied	7,560,505	7,178,654	6,542,903	6,697,890	6,857,485
Licenses, permits and fines	5,304,648	4,337,521	4,736,691	2,115,660	3,214,849
Developers' contribution	356,907	596,246	149,287	46,747	516,703
Intergovernmental	25,416,790	28,963,506	28,712,150	27,489,629	28,107,942
Charges for services	7,807,156	3,614,617	3,621,960	3,620,961	3,412,405
Investment income	4,702,971	5,126,605	9,168,006	12,054,059	9,281,240
Miscellaneous	6,026,104	7,095,168	6,531,524	5,288,499	3,219,132
Total revenues	<u>138,653,124</u>	<u>140,465,324</u>	<u>142,695,476</u>	<u>138,291,989</u>	<u>132,140,845</u>
Expenditures					
Administration / Finance	5,263,650	4,221,599	3,956,306	4,118,334	2,849,621
Police	23,231,610	24,300,194	27,644,076	32,071,347	31,980,803
Fire	10,840,358	12,027,026	13,574,118	14,743,482	14,855,210
Public works	16,018,006	13,231,659	14,096,477	13,554,249	13,005,467
Community resources	7,003,225	7,362,916	7,501,782	8,576,822	16,058,738
Community development	9,337,005	8,197,756	9,258,036	8,872,795	1,030,093
Redevelopment agency *	4,626,641	4,808,222	6,241,665	5,211,785	5,470,105
Non-departmental	1,731,542	939,284	1,533,710	1,515,801	1,569,078
Intergovernmental	7,835,551	8,171,254	6,650,439	7,525,381	7,380,834
Capital outlay	14,308,444	22,512,036	31,921,255	26,170,841	53,378,837
Debt service:					
Principal	13,724,689	7,891,213	8,044,227	10,394,656	5,272,656
Interest	11,501,578	12,630,065	12,940,688	12,003,039	12,945,077
Fiscal agent fees	640,623	770,119	680,110	996,766	1,082,740
Special assessment payments	511,734	373,911	376,252	380,451	372,783
Issuance costs	768,367			686,566	
Total expenditures	<u>127,343,023</u>	<u>127,437,254</u>	<u>144,419,141</u>	<u>146,822,315</u>	<u>167,252,042</u>
Excess of revenues over (under) expenditures	<u>11,310,101</u>	<u>13,028,070</u>	<u>(1,723,665)</u>	<u>(8,530,326)</u>	<u>(35,111,197)</u>
Other financing sources (uses)					
Issuance of debt	30,000	30,000	30,000	33,635,000	30,000
Proceeds from refunding or PERS bonds	41,745,000				
Payment to refunded bond escrow or PERS	(40,695,000)				
Bond premium		46,326		156,881	
Bond discount	(219,772)			(264,210)	
Gain on sale of property	1,515,571				
Transfers in	24,616,695	21,661,833	28,720,620	35,769,992	33,919,029
Transfers out	2,474	(17,325,978)	(24,270,741)	(28,461,575)	(27,973,743)
Total other financing sources (uses)	<u>26,994,968</u>	<u>4,412,181</u>	<u>4,479,879</u>	<u>40,836,088</u>	<u>5,975,286</u>
EXTRAORDINARY ITEMS:					
Extraordinary gain (loss)--dissolution of Fairfield Redevelopment Agency (Note 18)					
Net change in fund balances	<u>\$ (15,684,867)</u>	<u>\$ 8,615,889</u>	<u>\$ 2,756,214</u>	<u>\$ 32,305,762</u>	<u>\$ (29,135,911)</u>
Debt service as a percentage of noncapital expenditures	<u>22.32%</u>	<u>19.56%</u>	<u>18.65%</u>	<u>18.56%</u>	<u>16.00%</u>

Source: City of Fairfield

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. The 2012 column represents results for the seven month period of July 1, 2011, to January 31, 2012.

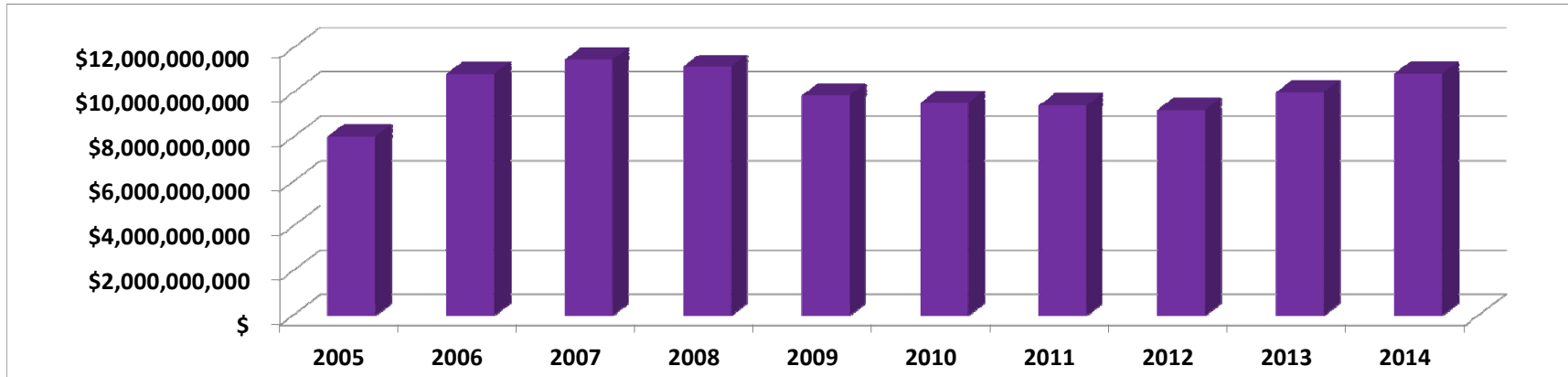
2010	2011	2012	2013	2014
\$ 70,424,738	\$ 72,657,870	\$ 60,070,582	\$ 60,030,327	\$ 73,342,642
2,446,755	3,980,509	4,430,016	6,281,986	7,268,473
7,708,305	7,991,277	7,443,799	4,523,640	4,579,329
2,299,115	2,127,151	2,281,329	2,604,002	3,409,222
965,438	2,341,863	541,265	813,575	991,869
32,094,097	29,851,354	29,669,194	23,628,437	23,406,950
3,392,460	3,688,706	3,639,155	3,304,095	3,396,573
4,328,822	1,734,741	1,572,942	449,522	1,001,547
3,033,593	2,400,519	3,413,643	3,418,553	2,906,263
<u>126,693,323</u>	<u>126,773,990</u>	<u>113,061,925</u>	<u>105,054,137</u>	<u>120,302,868</u>
1,812,830	1,751,460	2,530,601	2,520,854	2,890,734
31,372,194	30,870,949	31,229,092	31,522,803	31,949,831
13,313,851	13,524,974	13,770,790	13,923,984	14,009,112
10,549,578	9,785,268	9,946,804	9,737,258	10,955,173
15,623,934	16,532,253	14,789,159	15,189,021	15,260,442
1,992,139	1,442,175	1,241,541	1,881,824	2,141,664
6,499,164	6,201,936	2,353,078		
1,331,393	1,731,419	1,350,893	1,124,126	1,496,102
19,009,191	8,827,433	3,240,737		
39,102,552	33,959,864	24,616,003	19,397,730	14,195,159
6,305,474	5,091,890	5,076,890	736,890	806,890
12,430,707	12,228,737	7,416,814	2,360,629	2,347,188
1,186,511	927,432	543,097	29,488	20,559
361,066	251,018	114,756		
	361,279			
<u>160,890,584</u>	<u>143,488,087</u>	<u>118,220,255</u>	<u>98,424,607</u>	<u>96,072,854</u>
<u>(34,197,261)</u>	<u>(16,714,097)</u>	<u>(5,158,330)</u>	<u>6,629,530</u>	<u>24,230,014</u>
	6,725,000			
	15,870,000			
	(15,368,036)			
	(544,492)			
	4,061,956			
35,952,841	33,690,817	31,162,572	10,905,644	10,319,105
(17,907,246)	(25,164,668)	(17,524,330)	(13,169,951)	(12,550,240)
<u>18,045,595</u>	<u>19,270,577</u>	<u>13,638,242</u>	<u>(2,264,307)</u>	<u>(2,231,135)</u>
		(17,833,886)	36,245,366	3,174,391
<u>\$ (16,151,666)</u>	<u>\$ 2,556,480</u>	<u>\$ (9,353,974)</u>	<u>\$ 40,610,589</u>	<u>\$ 25,173,270</u>
<u>15.38%</u>	<u>15.81%</u>	<u>13.35%</u>	<u>3.92%</u>	<u>3.85%</u>



City of Fairfield

Assessed Value and Estimated Actual Value of Taxable Property (accrual basis of accounting) By Fiscal Year - Last Ten Fiscal Years

Table 6



Fiscal Year	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Direct Tax Rate
	Residential Property	Commercial Property	Unsecured Property			
2005	\$ 5,997,540,611	\$ 1,691,614,019	\$ 460,085,025	\$ 100,023,658	\$ 8,049,215,997	0.00750
2006	8,170,187,302	2,254,086,090	873,579,376	445,841,298	10,852,011,470	0.00670
2007	8,944,300,988	2,587,193,830	441,933,965	486,465,618	11,486,963,165	0.00580
2008	8,439,577,899	2,768,639,825	469,363,269	495,292,495	11,182,288,498	0.00510
2009	6,965,369,706	2,899,503,883	526,809,331	512,134,929	9,879,547,991	0.00480
2010	6,582,829,213	2,878,940,163	533,443,426	448,313,809	9,546,898,993	0.00600
2011	6,566,969,995	2,924,101,889	502,637,776	566,605,606	9,427,104,054	0.00700
2012	6,375,544,564	2,922,809,408	512,895,198	578,323,247	9,232,925,923	0.00710
2013	7,058,918,343	3,022,247,547	520,592,272	582,950,764	10,018,807,398	0.00650
2014	7,901,820,577	3,044,828,732	528,590,473	609,860,999	10,865,378,783	0.00470

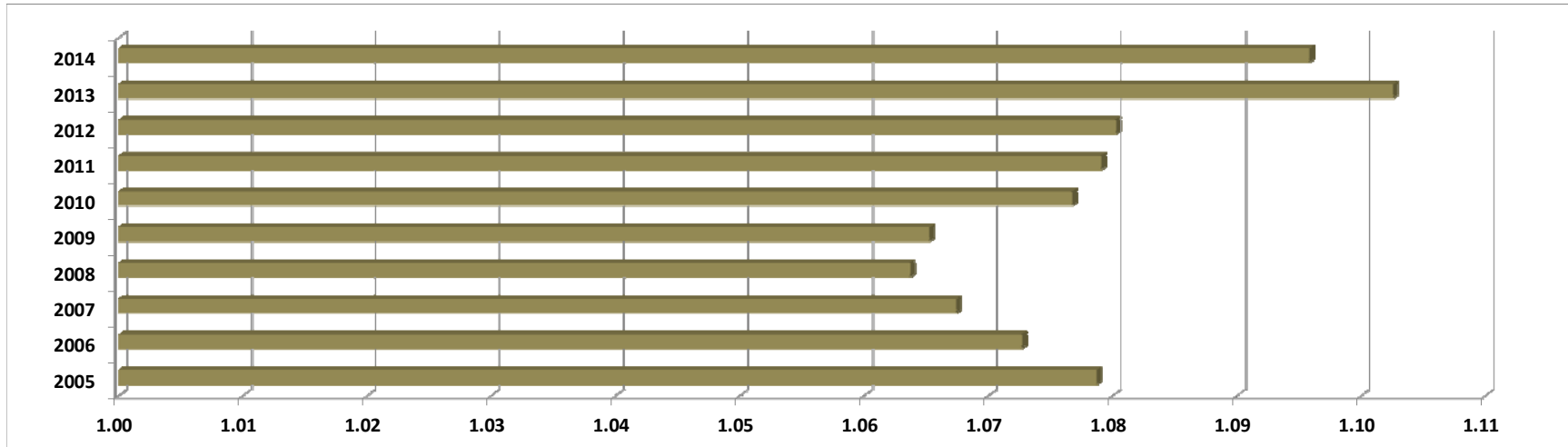
Source: Solano County Assessor Office and the City of Fairfield



City of Fairfield

Property Tax Rates - Direct And Overlapping Governments By Fiscal Year - Last Ten Fiscal Years

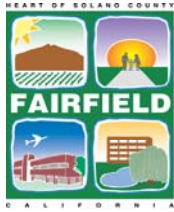
Table 7



143

Fiscal Year	Total City Rate	Overlapping Rates			Total Direct & Overlapping Rates
		County Rate	School Rate	Special District Rate	
2005	0.007500	1.000000	0.051200	0.020000	1.078700
2006	0.006700	1.000000	0.045967	0.020000	1.072667
2007	0.005800	1.000000	0.041621	0.020000	1.067421
2008	0.005100	1.000000	0.038570	0.020000	1.063670
2009	0.004800	1.000000	0.040461	0.020000	1.065261
2010	0.006000	1.000000	0.050714	0.020000	1.076714
2011	0.007000	1.000000	0.052064	0.020000	1.079064
2012	0.007100	1.000000	0.053133	0.020000	1.080233
2013	0.006500	1.000000	0.076072	0.020000	1.102572
2014	0.004700	1.000000	0.071118	0.020000	1.095818

Source: Solano County Auditor-Controller's Office



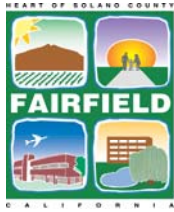
City of Fairfield

Principal Property Taxpayers Current Year and Ten Years Ago

Table 8

<u>Taxpayer</u>	2014			2005		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% Total Taxable Assessed Value</u>
Anheuser-Busch Inc	\$ 315,662,547	1	2.91%	\$ 207,561,096	1	2.58%
Star-West Solano LLC	172,790,546	2	1.59%	90,727,136	2	1.13%
Meyer Cookware Industries Inc	79,922,040	3	0.74%			
N A Rolling Oaks-88 LP	53,154,223	4	0.49%			
Amcor Pet Packaging USA Inc.	51,615,837	5	0.48%	41,560,213	4	0.52%
Ball Metal Beverage Cont Corporation	49,061,859	6	0.45%			
SBC Services	48,196,474	7	0.44%	41,879,035	3	0.52%
US Real Estate Limited Partnership	44,344,380	8	0.41%			
Household Products Manufacturing	40,087,090	9	0.37%			
Usir III Distribution Fermi Dr	34,853,400	10	0.32%			
Gilroy Energy Center LLC			0.00%	30,714,737	5	0.38%
Fairfield Cordelia Limited Partnership			0.00%	26,772,655	6	0.33%
Guittard Chocolate Company			0.00%	25,819,671	7	0.32%
Pinole Row Limited Partnership			0.00%	24,270,522	8	0.30%
Fairfield Property Group LLC			0.00%	22,200,282	9	0.28%
Copart Inc.			0.00%	21,532,872	10	0.27%
Total Principal Taxpayers Assessed Value	<u>889,688,396</u>		<u>8.20%</u>	<u>533,038,219</u>		<u>6.63%</u>
Total City Assessed Value	<u>\$ 10,865,378,783</u>		<u>100.00%</u>	<u>\$ 8,049,215,997</u>		<u>100.00%</u>

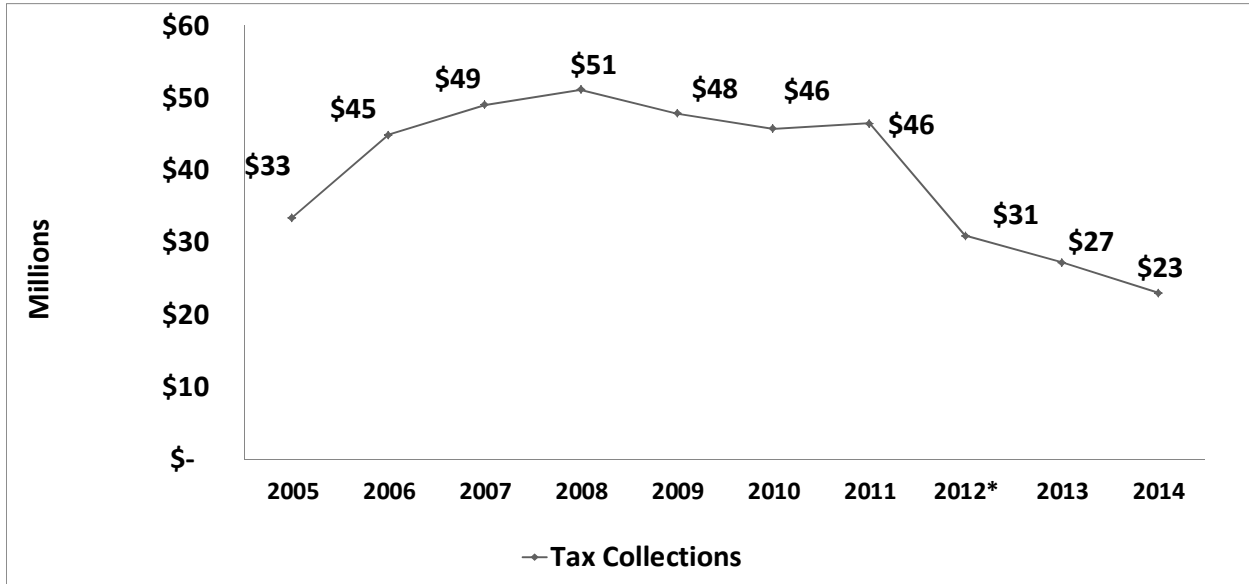
Source: Solano County Assessor Office (HDL Report)



City of Fairfield

Property Tax Levies and Collections By Fiscal Year - Last Ten Fiscal Years

Table 9

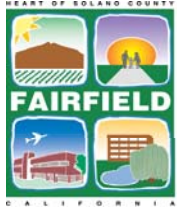


Ended December 31	Levy for Fiscal Year	Fiscal Year of the Levy		Collections	
		Amount	% of Levy	Subsequent Years	Total Collections to Date Amount % of Levy
2005	\$ 33,490,367	\$ 33,490,367	100%	-	\$ 33,490,367 100%
2006	44,950,233	44,950,233	100%	-	44,950,233 100%
2007	49,110,181	49,110,181	100%	-	49,110,181 100%
2008	51,191,170	51,191,170	100%	-	51,191,170 100%
2009	47,903,943	47,903,943	100%	-	47,903,943 100%
2010	45,787,093	45,787,093	100%	-	45,787,093 100%
2011	46,489,079	46,489,079	100%	-	46,489,079 100%
2012*	30,958,521	30,958,521	100%	-	30,958,521 100%
2013	27,299,372	27,299,372	100%	-	27,299,372 100%
2014	23,062,490	23,062,490	100%	-	23,062,490 100%

Source: Solano County Auditor Controller's Office

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, city, school and special district operating expenses. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965-66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. In 2012, property taxes includes Redevelopment Agency property taxes received for the seven month period of July 1, 2011, to January 31, 2012.



City of Fairfield

Ratios of Outstanding Debt by Type By Fiscal Year - Last Ten Fiscal Years

Table 10

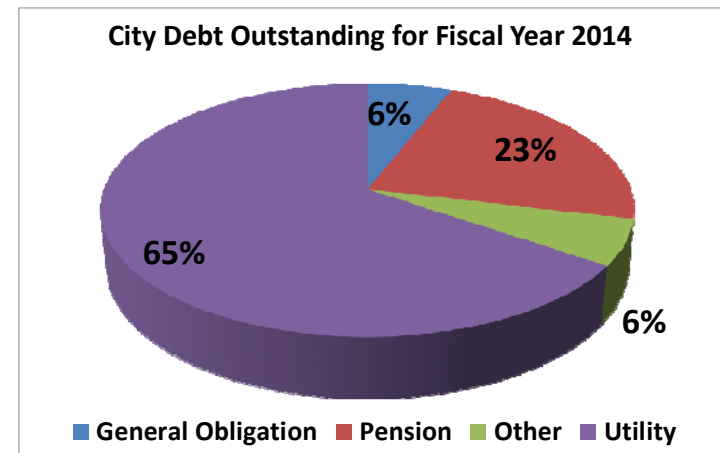
Fiscal Year	Governmental Activities		Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Pension Obligation Bonds	Redevelopment Revenue Bonds*	Long Term Notes Payable	Utility-Water Bonds	Recreational Revenue Bonds			
2005	\$ 13,237,588	\$ 41,745,000	\$ 80,900,000	\$ 9,987,764	\$ 55,700,000	\$ 13,640,000	\$ 215,210,352	6.14%	2,049
2006	12,815,698	41,745,000	77,460,000	8,292,029	52,205,000	13,050,000	205,567,727	5.86%	1,957
2007	12,393,808	40,945,000	73,940,000	6,484,249	48,560,000	12,435,000	194,758,057	5.26%	1,856
2008	11,971,918	36,345,000	70,275,000	5,968,335	129,276,697	11,795,000	265,631,950	6.51%	2,503
2009	11,550,028	36,345,000	66,475,000	5,566,781	125,361,697	11,125,000	256,423,506	6.11%	2,409
2010	11,128,138	36,345,000	62,520,000	3,881,913	121,331,697	10,425,000	245,631,748	5.84%	2,318
2011	10,706,248	36,755,000	58,945,000	3,030,200	117,171,697	9,690,000	236,298,145	5.79%	2,254
2012	10,284,358	36,450,000	-	2,195,313	112,856,697	8,775,000	170,561,368	4.23%	1,603
2013	9,862,468	36,135,000	-	2,486,066	107,611,697	7,795,000	163,890,231	3.98%	1,516
2014	9,440,578	35,750,000	-	2,234,010	102,956,697	6,950,000	157,331,285	3.40%	1,439

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Note: Details regarding the City's debt are in the notes of the financial statements.

Source: City of Fairfield

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. The Agency debt was transferred to the Successor Agency. See note 18.





City of Fairfield

Ratios of General Bonded Debt Outstanding (amounts expressed in thousands, except per capita amount) By Fiscal Year - Last Ten Fiscal Years

Table 11

Fiscal Year	General Bonded Debt Outstanding				Less: Amounts Available in Debt Service Fund	Total Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Pension Obligation Bonds	Total					
2005	\$ 13,237,588	\$ 41,745,000	\$ 54,982,588	\$ 613,421	\$ 54,369,167	0.68%	\$ 518	
2006	12,815,698	41,745,000	54,560,698	1,425,974	53,134,724	0.49%	506	
2007	12,393,808	40,945,000	53,338,808	5,220,267	48,118,541	0.42%	458	
2008	11,971,918	36,345,000	48,316,918	1,197,341	47,119,577	0.42%	444	
2009	11,550,028	36,345,000	47,895,028	1,994,844	45,900,184	0.46%	431	
2010	11,128,138	36,345,000	47,473,138	2,973,531	44,499,607	0.47%	420	
2011	10,706,248	36,755,000	47,461,248	3,455,517	44,005,731	0.47%	420	
2012	10,284,358	36,450,000	46,734,358	3,546,495	43,187,863	0.47%	406	
2013	9,862,468	36,135,000	45,997,468	3,649,952	42,347,516	0.42%	392	
2014	9,440,578	35,750,000	45,190,578	3,594,929	41,595,649	0.38%	380	

Source: City of Fairfield



City of Fairfield

Direct and Overlapping Governmental Activities Debt June 30, 2014

Table 12

2013/14 Total Assessed Valuation: \$ 10,865,378,783

	%	Outstanding	Share of
	Applicable ⁽¹⁾	Debt 6/30/14	Overlapping Debt
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Solano County Community College District	25.94%	\$ 222,151,989	\$ 57,626,226
Fairfield-Suisun Unified School District	77.80%	78,365,000	60,967,970
Fairfield-Suisun Unified School District Community Facilities District #2	100%	817,283	817,283
Fairfield-Suisun Unified School District Community Facilities District #5	89.53%	29,229,615	26,169,274
Fairfield-Suisun Unified School District Community Facilities District #6	100%	2,071,269	2,071,269
Fairfield Municipal Park Facilities District, I.D. No. 1	100%	6,950,000	6,950,000
City of Fairfield Zone of Benefit Obligations	100%	9,440,578	9,440,578
City of Fairfield Community Facilities District No. 3	100%	15,200,000	15,200,000
City of Fairfield Community Facilities District No. 2007-1	100%	18,075,000	18,075,000
City of Fairfield 1915 Act Bonds	100%	2,330,000	2,330,000
California Statewide Communities Development Authority 1915 Act Bonds	100%	1,844,452	1,844,452
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		\$ 386,475,186	\$ 201,492,052
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Solano County Certificates of Participation	24.711%	\$106,050,000	\$ 26,206,016
Solano County Pension Obligation Bonds	24.711%	68,945,000	17,036,999
Solano County Board of Education Certificates of Participation	24.711%	1,665,000	411,438
Travis Unified School District Certificates of Participation	37.030%	33,745,000	12,495,774
Fairfield-Suisun Unified School District Certificates of Participation	77.804%	1,480,810	1,152,129
City Of Fairfield Pension Obligations	100%	35,750,000	35,750,000
City of Fairfield - Long Term Notes Payable	100%	2,234,010	2,234,010
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:		249,869,820	95,286,366
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	45.370%	\$78,676,384	35,695,475
TOTAL DIRECT DEBT			47,424,588
TOTAL OVERLAPPING DEBT:			285,049,305
COMBINED TOTAL DEBT		\$ 715,021,390	\$ 332,473,892

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City

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

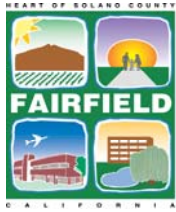
Source: California Municipal Statistics, Inc.



City of Fairfield

People and Places in the City





City of Fairfield

Legal Debt Margin Information By Fiscal Year - Last Ten Fiscal Years

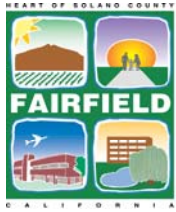
Table 13

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net Assessed Value	\$ 8,049,215,997	\$ 10,852,011,470	\$ 11,486,963,165	\$ 11,182,288,498	\$ 9,879,547,991
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	<u>1,207,382,400</u>	<u>1,627,801,721</u>	<u>1,723,044,475</u>	<u>1,677,343,275</u>	<u>1,481,932,199</u>
Net Amount of Bonded Debt Applicable to Debt Limit					
General Obligation Bonds	<u>12,921,639</u>	<u>12,458,181</u>	<u>12,017,400</u>	<u>12,017,400</u>	<u>11,271,558</u>
Legal Debt Margin	<u>\$ 1,194,460,761</u>	<u>\$ 1,615,343,540</u>	<u>\$ 1,711,027,075</u>	<u>\$ 1,665,325,875</u>	<u>\$ 1,470,660,641</u>

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Solano County Auditor Controller's Office and the City of Fairfield

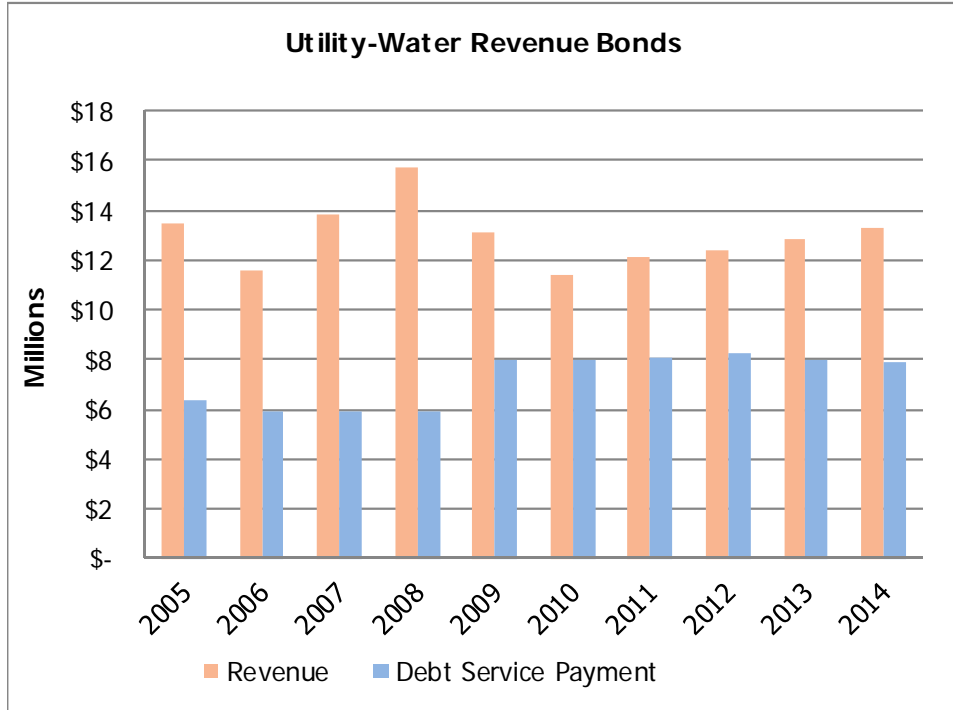
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 9,546,898,993	\$ 9,427,104,054	\$ 9,232,925,923	\$ 10,018,807,398	\$ 10,865,378,783
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
<u>1,432,034,849</u>	<u>1,414,065,608</u>	<u>1,384,938,888</u>	<u>1,502,821,110</u>	<u>1,629,806,817</u>
<u>10,908,782</u>	<u>10,485,960</u>	<u>9,966,333</u>	<u>42,347,516</u>	<u>41,595,649</u>
<u>\$ 1,421,126,067</u>	<u>\$ 1,403,579,648</u>	<u>\$ 1,374,972,555</u>	<u>\$ 1,460,473,594</u>	<u>\$ 1,588,211,168</u>



City of Fairfield

Utility and Golf Debt Pledged Revenue Coverage By Fiscal Year - Last Ten Fiscal Years

Table 14

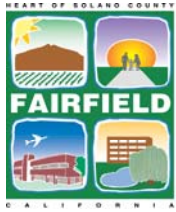


Utility-Water Revenue Bonds

Fiscal Year	Net Available Revenues		Debt Service		Coverage
	Revenues	Principal	Interest		
2005	\$ 13,445,063	\$ 3,415,000	\$ 2,954,502	2.11	
2006	11,540,342	3,495,000	2,378,897	1.96	
2007	13,830,588	3,645,000	2,226,697	2.36	
2008	15,742,859	3,750,000	2,120,897	2.68	
2009	13,144,067	3,915,000	4,075,459	1.64	
2010	11,389,246	4,030,000	3,950,634	1.43	
2011	12,106,263	4,160,000	3,948,902	1.49	
2012	12,429,388	4,315,000	3,922,524	1.51	
2013	12,887,045	4,520,000	3,493,898	1.61	
2014	13,283,865	4,655,000	3,264,085	1.68	

Note: Net Available Revenues for Water Utility includes Operating Revenues, Nonoperating Revenues less Operating Expenses and Nonoperating expense (excluding depreciation and interest expense).

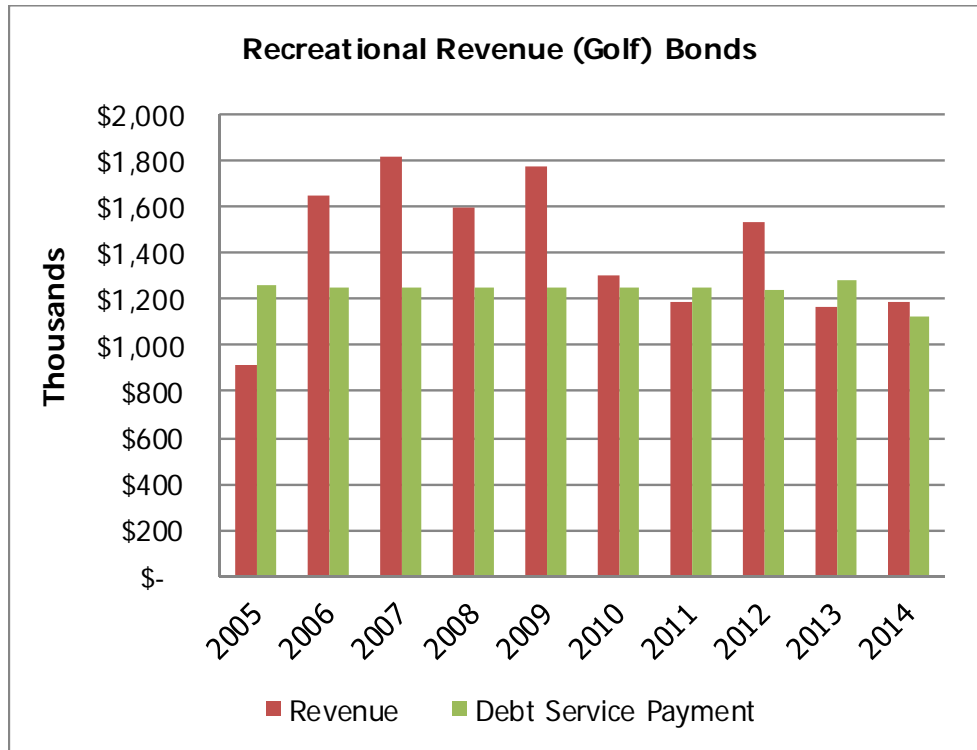
Source: City of Fairfield



City of Fairfield

Utility and Golf Debt Pledged Revenue Coverage By Fiscal Year - Last Ten Fiscal Years

Table 14



Fiscal Year	Recreational Revenue (Golf) Bonds			
	Net Available	Debt Service		Coverage
	Revenues	Principal	Interest	
2005	\$ 911,168	\$ 570,000	\$ 686,725	0.73
2006	1,651,647	590,000	661,785	1.32
2007	1,816,927	615,000	635,570	1.45
2008	1,596,019	640,000	607,640	1.28
2009	1,770,817	670,000	578,165	1.42
2010	1,303,172	700,000	546,990	1.05
2011	1,185,157	735,000	513,617	0.95
2012	1,530,367	765,000	477,985	1.23
2013	1,163,779	980,000	304,385	0.91
2014	1,183,637	845,000	280,175	1.05

Note: Net Available Revenues for Golf includes all Operating Revenues, Nonoperating Revenues, Transfers In, Advances less Operating Expenses and Nonoperating expense (excluding depreciation and interest expense).

Source: City of Fairfield



City of Fairfield

Demographic and Economic Statistics By Fiscal Year - Last Ten Fiscal Years

Table 15

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	105,026	\$ 3,507,868,400	\$ 33,400	31.0	28,384	5.6%
2006	105,026	3,507,868,400	33,400	31.0	28,384	5.6%
2007	104,955	3,701,657,895	35,269	32.5	28,218	8.3%
2008	106,142	4,080,098,480	38,440	33.1	28,269	8.0%
2009	106,440	4,198,206,480	39,442	31.8	27,797	11.5%
2010	105,955	4,202,811,030	39,666	33.5	27,151	14.2%
2011	104,815	4,083,697,215	38,961	33.7	26,596	12.7%
2012	106,379	4,035,487,365	37,935	33.8	25,572	11.9%
2013	108,107	4,116,498,346	38,078	31.7	27,271	9.7%
2014	109,320	4,630,139,280	42,354	33.7	27,040	6.8%

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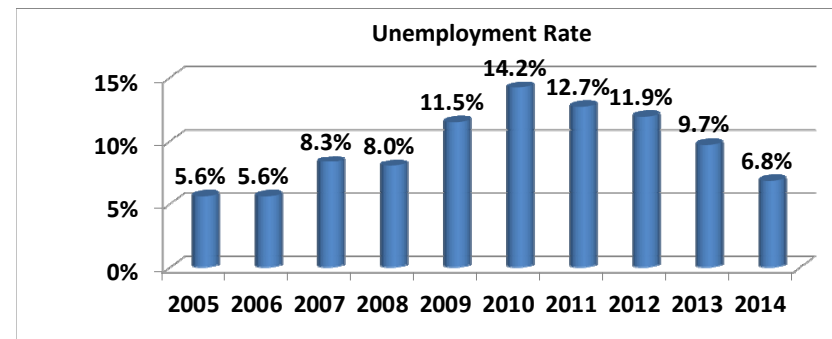
Sources

City of Fairfield

Fairfield-Suisun and Travis Unified School Districts

California Department of Finance

U.S. Department of Commerce Bureau of Economic Analysis





City of Fairfield

Principal Employers Current Year and Nine Years Ago

Table 16

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Travis Air Force Base	14,353	1	29%	14,904	1	31%
Fairfield-Suisun Unified School District	2,707	2	5%	3,500	2	7%
County of Solano	2,628	3	5%	3,000	3	6%
Northbay Medical Center	1,982	4	4%	1,301	4	3%
Solano Community College	867	5	2%	630	6	1%
City of Fairfield	504	6	1%	780	5	2%
Sutter Regional Medical Foundation	475	7	1%			
Jelly Belly Candy Co.	461	8	1%	400	9	1%
Westamerica Bancorporation	418	9	1%	542	7	1%
Partnership HealthPlan	403	10	1%			
Anheuser-Busch				465	8	1%
Macy's				337	10	1%

Source: City of Fairfield

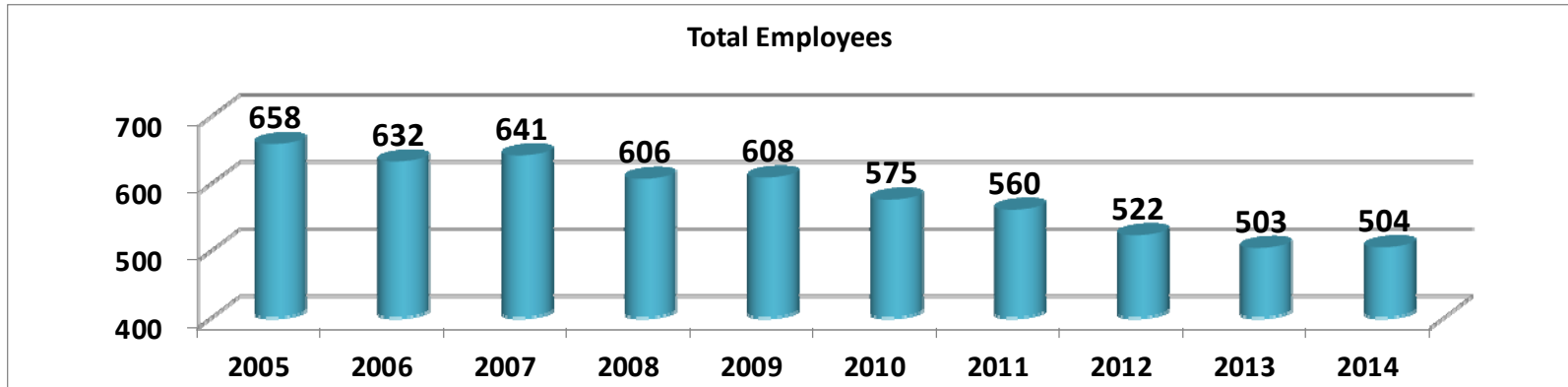




City of Fairfield

Full-time Equivalent City Government Employees by Function By Fiscal Year - Last Ten Fiscal Years As of June 30

Table 17



Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration / Finance	69	68	68	66	75	71	70	62	49	49
Community development	34	32	32	29	23	20	20	16	19	19
Community resources	65	51	52	40	49	45	42	35	21	21
Fire	70	70	70	68	64	63	63	60	62	62
Golf courses	1	1	1	1	1	1	1	-	-	-
Housing program	10	10	10	7	6	6	6	10	10	10
Police	218	213	218	215	215	203	190	183	183	184
Public works	119	115	116	106	101	92	94	81	84	84
Transportation	14	14	14	14	11	11	11	7	7	7
Water utility	58	58	60	60	63	63	63	68	68	68
Total	658	632	641	606	608	575	560	522	503	504

Source: City of Fairfield



City of Fairfield

Operating Indicators by Function By Fiscal Year – Last Ten Fiscal Years As of June 30

Table 18

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
Police										
Physical arrests	4,317	3,993	4,621	4,351	4,107	3,712	4,016	4,881	4,756	4,419
Parking citations	2,684	2,763	3,086	2,574	2,986	3,652	4,371	1,757	1,238	1,733
Fire										
Number of emergency calls	9,099	8,117	8,059	8,126	8,548	9,137	9,235	9,112	10,585	10,975
Inspections	851	1,189	842	1,362	1,851	1,253	172	370	222	400
Public Works:										
Street resurfacing (miles)	9	12	18	24	2	7	11	2	4	1
Community Resources										
Number of recreation classes	78	78	74	82	84	109	112	116	98	70
Number of facility rentals	8	8	19	19	19	13	13	12	8	10
Community Development										
Number of business	1,255	1,255	1,640	1,837	2,141	2,050	4,913	3,463	3,614	3,688
New commercial square footage	338,482	381,384	420,533	234,679	454,055	314,463	187,800	18,483	355,047	679,896
Water										
New connections	474	710	2,065	223	104	175	141	240	375	231
Average daily consumption (millions of gallons)	20.6	20.7	20.9	21.5	20.4	19.3	16.2	17.6	17.4	11
Transportation										
Total miles covered by bus system	1,286,715	1,286,715	1,802,636	1,844,101	1,938,092	1,720,553	1,621,661	1,725,304	1,728,032	1,760,423
Total passengers	809,837	809,837	868,238	999,208	1,008,952	899,223	929,638	976,219	1,049,232	1,077,492
Golf Courses										
Golf rounds played	122,278	113,199	119,025	118,102	111,655	105,599	99,625	104,166	106,393	108,000

Sources: Various City Departments



City of Fairfield

Capital Assets Statistics by Function By Fiscal Year – Last Ten Fiscal Years As of June 30

Table 19

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	95	95	116	121	120	118	101	88	94	106
Fire										
Fire stations	5	5	5	5	5	5	5	5	5	5
Public Works										
Streets (miles)	266	271	277	282	285	286	286	287	287	287
Streetlights	9,100	9,100	9,100	9,100	9,100	9,100	9,100	9,100	9,100	9,100
Traffic signals	71	80	84	84	84	87	87	100	101	101
Community Resources										
Parks acreage	233	233	233	233	233	240	240	268	268	270
Parks	21	21	21	21	21	22	23	20	20	23
Golf Courses	2	2	2	2	2	2	2	2	2	2
Tennis courts	8	8	8	8	8	8	8	8	8	8
Community centers	3	3	3	3	3	3	3	3	4	4
Water										
Water mains (miles)	316	318	320	329	330	332	332	378	386	362
Fire hydrants	2,465	2,465	2,489	2,759	2,770	2,775	2,775	2,785	3,157	3,114
Maximum daily capacity (millions of gallons)	39	39	39	39	39	54	57	57	57	57
Transportation										
Number of buses	56	56	62	64	58	56	56	49	47	48

Sources: Various City Departments.

Note: No capital asset indicators are available for the general government function (Administrative, Community Development, Finance, Human Resources)



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
Fairfield, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, California (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2014. Our report includes an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2013. Our report also includes an emphasis of matter related to the Golf Course Enterprise Fund's negative net position and the interfund advances payable of the enterprise fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 9, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and
Members of the City Council
Fairfield, California

Report on Compliance for Each Major Federal Program

We have audited the City of Fairfield, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-003, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
December 9, 2014



City of Fairfield
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Section 8 Housing Choice Vouchers (1)	14.871	N/A	\$ 8,196,790
Family Self-Sufficiency Program	14.896	N/A	134,673
Community Development Block Grant (1)	14.218	N/A	525,865
Community Development Block Grant (1)	14.218	Program Income	150,789
Passed through the California Department of Housing and Community Development:			
HOME Investment Partnership Program	14.239	10-HOME-6866	61,305
HOME Investment Partnership Program	14.239	Program Income	24,358
Neighborhood Stabilization Program	14.228	B-11-UN-06-0011	616,641
Neighborhood Stabilization Program	14.228	Program Income	1,895
			9,712,316
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Federal Transit Formula Grant	20.507	CA-90-4130	2,422,394
Federal Transit Formula Grant	20.507	CA-90-0977	144,757
Federal Transit Formula Grant - ARRA	20.507	CA-66-0016 (ARRA)	52,561
Passed through the California Department of Transportation:			
Highway Planning and Construction	20.205	STPL-5132 (039)	188,845
Formula Grants for Rural Areas	20.509	6414116	100,000
Job Access and Reverse Commute Program	20.516	640768	45,000
Passed through the California Office of Traffic Safety:			
State and Community Highway Safety	20.600	PT1320	22,288
State and Community Highway Safety	20.600	PT1451	46,170
State and Community Highway Safety	20.600	DD1319	3,026
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC13137	18,017
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC14137	13,581
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1320	4,728
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1451	28,126
			3,089,493
<u>U. S Department of Education</u>			
Passed through the California Department of Education:			
Adult Day Care Food Program	10.558	48-5033-1 N	7,085
<u>U.S. Department of Justice</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1004	14,245
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0412	108,021
Public Safety Partnership and Community Policing Grants	16.710	2011-UM-WX-0032	603,158
			725,424
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
Assistance to Firefighters Grant	97.044	EMW-2010-FH-00946	149,447
Assistance to Firefighters Grant	97.044	EMW-2012-FP-01175	8,000
			157,447
Total Federal Expenditures			\$ 13,691,765

See notes to the schedule of expenditures of federal awards. Note (1) denotes a major program



City of Fairfield

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

1) Reporting Entity

The financial reporting entity consists of (a) the primary government, City of Fairfield, California (the "City"), (b) organizations for which the primary government is financially accountable, which include the Fairfield Public Financing Authority, Fairfield Municipal Park Improvement District No. 1, Fairfield Storm Drain Facilities Improvement District No. 1, Fairfield Water Facilities Improvement District No. 1, Fairfield Community Facilities Districts and the Housing Authority of the City of Fairfield, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

2) Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within governmental and proprietary fund types of the City. The City utilizes the modified accrual method of accounting for the governmental fund type and the accrual basis of accounting for the proprietary fund types. The accompanying Schedule of Expenditures of Federal Awards ("Schedule") has been prepared on the accrual basis of accounting.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was presented only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3) Amount Provided to Subrecipients

Of the federal expenditures presented in the accompanying Schedule of Federal Awards, the City provided Federal awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Passed Through to Subrecipients</u>
Community Development Block Grant	14.218	<u>\$ 525,865</u>	<u>\$ 135,816</u>

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major federal programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 410,753
Auditee qualified as low-risk auditee?	Yes

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

II. FINANCIAL STATEMENT FINDINGS

The following findings represent the significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

FINDING 2014-001

CASH RECEIPTS SEGREGATION OF DUTIES

Criteria:

Internal controls should be implemented over the cash receipts process to prevent the same person from being able to commit, detect, and correct (or conceal) misstatements due to errors or fraud for which they are responsible.

Condition Found:

Significant Deficiency – During the course of our audit, it was observed that Cayenta (general ledger) system does not have a system control to prevent the initiator of a cash receipts transaction to also be the authorizer of the transaction. Furthermore, the City did not have sufficient physical evidence outside of the system to document the supervisory review of the cash receipts batch reconciliation due to the system dependent nature of the transaction cycle.

Upon inspection of a general ledger report of revenue and cash receipt transactions we noted several instances (approximately 34% of the sample) where the initiator of the transactions is the same as the authorizer. It was noted that this is an improvement from approximately 50% of the sample for the year ended June 30, 2013 due to policies and procedures being put into place to encourage employees to not initiate and authorize their own transactions. However, the underlying condition still exists that the system controls do not prevent a user from having access to initiate and authorize transactions.

Context:

The condition noted above was identified during our consideration of the design and implementation of internal controls over the cash receipts cycle.

Cause:

The system allows the user with access to the cash receipts module to both initiate and authorize transactions. The City adopted formal policies and procedures requiring the segregation of duties in the cash receipt batch handling and recording function however these were implemented during the middle of the fiscal year.

Effect:

The lack of verifiable internal controls in the recording, authorization, and custody functions of the cash receipts process results in a higher risk that material misstatements due to error or fraud are not prevented.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Recommendation:

This is a repeat condition noted in the fiscal year 2013 audit.

We recommend that the City continue to train users that have access to the cash receipts module of the importance of segregation of duties and their responsibilities related to custody, recording, and authorization in the cash receipts batch reconciliation process. We recommend the City review the system periodically for cash receipts entries that do not have a separate initiator and authorizer and perform and retain documentation of a subsequent review.

View of Responsible Officials and Planned Corrective Action:

The City's general ledger system vendor has committed to creating a patch for all subsystems to not allow the same employee from creating or initializing a batch and also authorizing the same batch. Implementation of this security within the system is expected to be complete by the end of fiscal year 14/15 (by June 30, 2015), when the City plans to migrate to an updated version of the accounting system. In the interim the City will adhere to a detective control where the Financial Services Manager or Designee will perform a documented review of all the cash receipt batch reconciliation. While this option is not a preventative control, it serves as a compensating control until segregation of duties is possible within the City's current General Ledger system. In addition the City has realigned staff functions so that segregation of duty exists during the cash handling and reconciliation process and documented this as part of a new cash handling policy that was included in the City's Administrative Policy Manual during the current fiscal year.

FINDING 2014-002

SEGREGATION OF DUTIES OVER JOURNAL ENTRIES

Criteria:

In an accounting system, manual journal entries are often the easiest way for management to override existing internal controls established over the major accounting cycles such as cash receipts, cash disbursements, and payroll. As such, it is essential that internal controls be suitably designed and implemented over the journal entry process including segregation of duties, to prevent, detect and correct misstatements arising due to error or fraud.

Condition Found:

Significant Deficiency – During the course of our audit, it was observed that the Cayenta (general ledger) software currently allows a preparer to initiate and authorize their own journal entry. Documentation is not retained outside the system to evidence supervisory review due to the system dependent nature of the transaction cycle. Upon inspection of a general ledger report of journal entry transactions, we noted several instances (approximately 9% of the population) where the initiator of the journal entry was the same as the authorizer. This was down from the close to 50% that was found in the testing for the previous fiscal year 2013.

Context:

The condition noted above was identified during our consideration of the design and implementation of internal controls over the City's journal entry process.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Cause:

The general ledger system is not currently set up to prevent the preparer/recorder of a journal entry from also authorizing the same journal entry and posting it to the system. In addition, compensating controls are not consistently applied to fully mitigate risks resulting from the aforementioned deficiency.

Effect:

Individuals having the capability to record and authorize their own journal entries results in a heightened risk that unauthorized accounting adjustments will be made in the general ledger system and will not be detected.

Recommendation:

This is a repeat condition noted in the fiscal year 2013 audit.

We recommend the City segregate the duties of recording and authorization of journal entries in a manner that is evidenced and verifiable. We also recommend the City continue to train users that have access to journal entries of the importance of segregation of duties related to preparation and authorization in the journal entry process. We recommend the City implement a process to monitor all journal entries prepared and recorded into the City's general ledger and ensure evidence exists of proper review and authorization.

View of Responsible Officials and Planned Corrective Action:

The City's general ledger system vendor has committed to creating a patch for all subsystems to not allow the same employee from creating or initializing a batch and also authorizing the same batch. Implementation of this security is expected to be complete by the end of fiscal year 14/15 (by June 30, 2015), when the City plans to migrate to an updated version of the accounting system. In the interim, City staff will adhere to the journal voucher form process with a two party preparer and approval process.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following finding represents a significant deficiency and/or instance of noncompliance including questioned costs that are required to be reported by OMB Circular A-133, section .510(a).

FINDING 2014-003

Program: Family Self-Sufficiency Program

CFDA No.: 14.896

Federal Agency: U.S. Department of Housing and Urban Development

Award Year: 2013-2014

Compliance Requirement: Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Criteria:

The *March 2014 OMB A-133 Compliance Supplement*, requires that the City comply with OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments” (2 CFR part 225).

The City is further required to follow the basic guidelines affecting allowability of costs as identified in A-87, Attachment A, paragraph C including but not limited to:

- Be necessary and reasonable for the performance and administration of Federal awards.
- Be allocable to Federal awards under the provision of A-87.
- Be authorized or not prohibited under State or local laws or regulations
- Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to the types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

Condition Found:

Significant Deficiency, Instance of Non-Compliance – Based on inquiries and discussion with Housing Authority management and employees, it was noted that the Housing Authority received a grant for two (2) coordinator positions as part of the Family Self-Sufficiency (FSS) Program. As part of the program, the City was required to have these two positions working full-time on the FSS Program however it was brought to our attention that these two individuals were assigned additional cases related to the City’s Housing Choice Voucher (HCV) program. The City however still charged the FSS Program grant funding for 100% of the available grant revenues.

Questioned Costs:

We identified the FSS Program Grant amount of \$134,673 expended in FY2013-14 to be questioned.

Context:

As a result of our inquires with the Housing Authority, it was noted that the FSS Program did not have the two positions working 100% on FSS cases and there are not separate time reports to determine the split of time between the FSS program compared to the HCV program.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

Effect:

The City may have overcharged the FSS program and does not appear to have sufficient documentation to support the charging of the full amount of the grant award for FY2013-14.

Cause:

The two individuals were set up in the budget module to be billed 100% to the FSS program however management of the Housing Authority allowed the individuals to work on the HCV program. During the billing process, budgeted time was utilized and therefore the entire amount of the grant was billed by the City.

Recommendation:

We recommend that the City strengthen its established policies and procedures with regard to tracking of time for individuals who work the FSS and HCV program. We recommend the City ensure this is allowed by the FSS grant and that a functional timecard is used to appropriately bill the FSS and HCV programs. We also recommend close coordination between the Housing Authority and central accounting on preparation of financial reports and billing for the grant.

Views of Responsible Officials and Planned Corrective Actions:

The City recognizes the need to segregate duties assigned to the FSS coordinators and not have them assigned to the Housing Choice Voucher program. The City has designated a full time employee directly to the grant as of August 2014 and will hire an additional employee to work exclusively with the FSS program in the near future.

**CITY OF FAIRFIELD, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

Finding No.	Program / Finding	CFDA No.	Condition/Compliance Requirement	Status
2013-01	Cash Receipts Segregation of Duties	N/A	N/A	Partially Implemented. Refer to Finding 2014-001.
2013-02	Review and Authorization of General Ledger to Bank Statement Reconciliations	N/A	N/A	Implemented.
2013-03	Segregation of Duties over Journal Entries	N/A	N/A	Partially Implemented. Refer to Finding 2014-002.
2013-04	Home Investment Partnership Program	14.239	Subrecipient Monitoring	Implemented.
2013-05	Community Development Block Grant	14.218	Subrecipient Monitoring	Implemented.
2013-06	Community Development Block Grant	14.218	Reporting	Implemented.
2013-07	Community Development Block Grant	14.218	Activities Allowed or Unallowed	Implemented.

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APPENDIX D
PROPOSED FORM OF FINAL OPINION

_____, 2015

City Council
City of Fairfield
1000 Webster Street
Fairfield, California 94533

OPINION: \$_____ City of Fairfield Refunding Bonds (Federally Taxable), Series 2015

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Fairfield (the "City") of \$_____ aggregate principal amount of bonds of the City designated the "City of Fairfield Refunding Bonds (Federally Taxable), Series 2015" (the "Bonds"), issued pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Bond Law"), an Indenture of Trust dated as of September 1, 2015 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, and a resolution of the City Council of the City adopted on July 21, 2015. We have examined the Bond Law, an executed copy of the Indenture, and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The City is a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California, with the power to enter into the Indenture, to perform the agreements on its part contained therein, and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the City, and are legal, valid and binding obligations of the City, payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the City, and constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms.

4. The interest on the Bonds is included in gross income for federal income tax purposes.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY OF FAIRFIELD Refunding Bonds (Federally Taxable), Series 2015

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the City of Fairfield (the “**City**”), in connection with the execution and delivery of the above-captioned bonds (the “**Bonds**”) pursuant to an Indenture of Trust, dated as of _____, 2015 (the “**Indenture**”) by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “**Trustee**”).

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“*Dissemination Agent*” means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016, with the report for the 2014-15 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the

preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Tables 3 and 4, containing information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year, and showing tax revenue collections by source;

(ii) Table 7, containing information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) Tables 8 and 11, containing information on the City's unfunded liability with respect to its PERS retirement plans, and the current year's contribution rate;

(iii) Tables A-8 and A-9, containing information concerning the assessed valuation of properties within the City from the most recently available County Assessor's Roll, showing the valuation for secured and unsecured property; and

(iv) Table A-10, containing information showing the total secured property tax levy and amounts delinquent for the most recent completed Fiscal Year for which data is available.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the City determines that knowledge of the occurrence of that Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB and the Participating Underwriter, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation

under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2015

CITY OF FAIRFIELD

By: _____

Name: _____

Title: _____

AGREED AND ACCEPTED:
WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Fairfield

Name of Issue: Refunding Bonds (Federally Taxable), Series 2015

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of September 1, 2015, by and between the City and The Bank of New York Mellon Trust Company, as trustee. The City anticipates that the Annual Report will be filed by

_____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

APPENDIX F

BOOK ENTRY PROVISIONS

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one bond will be issued with respect to each \$500 million of principal amount and an additional bond will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned

by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bonds are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272