

**INDEPENDENT AUDITOR'S REPORT  
ON BASIC FINANCIAL STATEMENTS**

To the Honorable City Council of  
the City of Suisun City, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Suisun City, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the City of Suisun City, California, as of June 30, 2008 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008 on our consideration of the City of Suisun 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Maze & Associates*

December 5, 2008

**City of Suisun City**  
**Management's Discussion and Analysis**

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This is management's discussion and analysis of the City of Suisun City's financial activities and performance for the fiscal year ended June 30, 2008. Please read this in conjunction with the transmittal letter that can be found in the introductory section at the front of this report, as well as with the City's financial statements that follow this discussion and analysis.

**FINANCIAL HIGHLIGHTS**

**Government-Wide Financial Statements**

- The Government-Wide Statement of Net Assets, appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, shows the City's assets to be \$224 million, liabilities of \$83 million, and net assets of \$141 million.
- Net assets, as measured in the government-wide financial statements, increased \$4.9 million. The increase is summarized by total revenues of \$38.9 million, less total expenditures of \$34 million net to approximately \$4.9 million.
- The City's long-term debt decreased by \$2,082,324. The decrease was primarily due to principal payments of about \$2.7 million and the recording of accreted interest of \$0.6 million in the 1998 Capital Appreciation Bonds. Please refer to Note 8 for details.

**Governmental Funds Financial Statements**

- As of the close of fiscal year 2008, the City's governmental funds reported a combined ending fund balance of \$44.6 million, an increase of \$3.1 million for the year ending June 30, 2008.
- The core operations of the City are accounted for in the General Fund, and the General Fund balance is a key measure of the financial health of the City. As of June 30, 2008, the General Fund, fund balance was \$4,663,022, a net decrease of \$1,439,758 over the balance at June 30, 2007. As of June 30, 2008, the unreserved fund balance for the General Fund was \$4,598,741 and \$64,281 reserved for prepaid.
- The \$7.4 million fund balance in the Redevelopment Agency Debt Service Fund includes \$5.9 million in reserves with the trustee for the Tax Allocation Bonds.

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**Management's Discussion and Analysis**

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- The \$0.7 million fund balance in the 1998/2003 Tax Allocation Bonds is designated for redevelopment projects.
- The \$12 million fund balance in the Redevelopment Housing Set-Aside Special Revenue is being held for low- and moderate-income Redevelopment Agency housing projects. \$1.9 million was reserved for long-term receivable and \$8.2 million is designated for projects such as First-Time Buyer-Foreclosure, First-Time Buyer-Waterfront Housing and the Continental Apartment Rehabilitation.

**FY 2007-2008 Project Highlights**

- **FIRST-TIME HOMEBUYER PROGRAM** - Created a First-Time Homebuyer Program that provides low and moderate income households with up to 35% of the purchase price in down payment assistance in the form of 2<sup>nd</sup> mortgages to purchase foreclosed homes. The Agency budgeted \$4.4 million in Housing Set-Aside monies to fund this program. In addition to creating affordable home ownership opportunities, this program was designed to help deal with the significant balance of foreclosures currently on the market and to eliminate blight in neighborhoods.
- **CONTINENTAL APARTMENT** - Executed the Owner Participation Agreement with Dawson Holding Inc. for the acquisition/rehabilitation of 76 apartment units that will be made available to low and moderate income households. The Agency is participating in this project through a \$3.8 million loan from the Housing Set Aside Fund.
- **NEIGHBORHOOD REINVESTMENT PROGRAM** - Continued administration of a Neighborhood Reinvestment Program for residential properties in need of exterior improvements. The intent of this program is to provide funding to low and moderate income persons and households to improve the curb appeal in residential neighborhoods throughout the Agency's Project Area to eliminate blight and maintain property values within existing neighborhoods. The Agency utilized \$86,123 of Housing Set-Aside as matching funds in the 2007-2008 fiscal year for this program, which leveraged a total investment of \$159,824 for 56 projects within the existing neighborhoods of Suisun City located within the Agency's Project Area.
- **MAIN STREET WEST PROJECT** – Continued administration of the Main Street West Disposition and Development Agreement. The first phase of the project began construction, with a former vacant Agency-owned parcel being developed with a 40,000 square foot retail/office building known as Harbor Square. A public courtyard area is also being developed adjacent to the aforementioned building on an Agency-owned property. The anticipated completion date of this project is Spring 2009.
- **HAMPTON INN & SUITES** – A 102 room Hampton Inn & Suites is also under construction in close proximity to the Harbor Square project. This project is being developed on private property without Agency participation. However, the strategy of the Main Street West Disposition and Development Agreement was a direct catalyst for the development of the Hampton Inn and Suites.

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- **MARINE SALES AND SERVICE** - Purchased the leased fee interest in a Marine Sales and Service facility and recruited California Marine Sports to the facility to provide marine sales and service operations to the at the Suisun City marina. California Marine Sports opened in April 2008. The property was formerly occupied by Adams Marine, which went out of business in May 2007. The property was initially owned by the Agency, and subsequently ground leased and developed by the owners of Adams Marine. The Agency now holds fee title to this property.
- **COTTONWOOD CREEK APARTMENTS** - BRIDGE Housing completed construction on a 94-unit affordable housing apartment complex known as Cottonwood Creek Apartments, located in the vicinity of Railroad and Sunset Avenues. The project was completed in May 2008. The Agency directly participated in this project through a loan of Housing Set-Aside funds in the amount of \$7,950,000.
- **NEW LIBRARY** - In cooperation between Solano County, Fairfield-Suisun Unified School District, City of Suisun City, and the Agency, a new Library facility was opened in June 2008. The Agency provided gap financing in the amount of \$1,023,891 that will be repaid through County Development Impact fees.
- **SUNSET AVENUE AND RAILROAD AVENUE IMPROVEMENTS** - This project will complete a portion of the City's Transportation Element by installing a traffic signal at the intersection of Sunset Avenue and Railroad Avenue for safety and public convenience. Improvements will also include undergrounding existing overhead utility lines; reconstructing the pavement and medians on Sunset Avenue; and installing new sidewalks on both sides of Sunset Avenue to close the gap sidewalk segments. The design phase, as well as coordination with Caltrans, the Union Pacific Railroad and the City of Fairfield, was completed in January 2008. Construction contracts were awarded in February 2008, and construction began shortly thereafter. The project is scheduled for completion in February 2009.
- **CENTRAL COUNTY BIKEWAY GAP CLOSURE** - More than \$1.1 million dollars in grant funding has been secured for this project. Among the grant programs contributing to funding this project are the following: Transportation Development Act (TDA) Article 3 through the Metropolitan Transportation Commission (MTC); Transportation for Clean Air (TFCA) through the Bay Area Air Quality Management District (BAAQMD), Bicycle Transportation Account (BTA) through Caltrans District 4, and Recreational Trails Program (RTP) through the State Parks and Recreation Department. This project will provide a segregated, 10-foot wide paved multi-use recreational bike and pedestrian trail along the north side of State Route 12 from Marina Boulevard to the Amtrak Train Station/City modal terminal. This trail segment is an extension of the existing Central County Bikeway, and will complete the final gap in the Central County Bikeway. The design phase is scheduled for completion in July 2008, and construction will begin shortly thereafter.
- **McCOY CREEK TRAIL – PHASE ONE** - This project will provide a 10-foot wide paved multi-use recreational bike and pedestrian trail along the west side of the McCoy Creek from the existing Central County Bikeway to Pintail Drive. The BTA and TFCA grant programs will fund this first phase of the overall McCoy Creek Trail. The design phase was completed in May 2008, construction contracts awarded in June 2008 and construction to begin in July 2008.

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- **DRIFTWOOD PEDESTRIAN PLAZA (SHELDON PLAZA)** - The construction of this waterfront plaza provides walkways and a park area linking previously completed pedestrian walkways from the residential neighborhoods to the downtown businesses, the waterfront, and the Suisun/Fairfield Amtrak Train Depot. This project provides a focal point and activity center within the downtown waterfront area. Improvements to the site include construction of a concrete pedestrian pathway and plaza area, improvements to handicap access sites to meet ADA requirements, and amenities such as seating, lighting and landscaping. Construction costs totaled approximately \$1 million, funded mainly by Transportation for Livable Communities (TLC) Grants.
- **2007 STREET OVERLAY – CHIPMAN LANE** - This project entails base failure repairs; replacement of curb ramps with ADA-compliant curb ramps, elimination of tripping hazards on sidewalks; roadway striping and overlay of roadway along Chipman Lane. The total cost of the construction was approximately \$220,000, funded mainly through Proposition 42 funding allocations.
- **2007 STREET SLURRY SEAL PROJECT** - As part of the City's Pavement Management Program (PMP), a total of 70 City streets, covering a total area of approximately 300,000 square yards, were slurry sealed. This project required coordination with the residents, business owners, School District, local transit operators, emergency service providers, the Solano Garbage Company and those that are expected to be impacted by the slurry seal activities. The total cost of the project totaled over \$540,000, funded mainly through a General fund allocation.
- **2007 STREET NAME SIGN PROGRAM** - This project entailed the removal and replacement of all city street name signs for reflective, branded street name signs. This project is to ensure accuracy and safety for emergency vehicles and general City beautification. This project was funded through the 2007 Workforce Housing Grant and completed in June 2008.
- **HARBOR CENTER STREET EXTENSION PROJECT** - Harbor Center Drive is currently a private drive serving One Harbor Center, an adjacent three-story office building. This project will restore the public road connection between Lotz Way and Driftwood Drive by extending the existing drive through to Driftwood Drive for public use and improved applicable street standards. Improvements will include the construction of new wider sidewalks, decorative pedestrian lighting, new street trees and tree planters, traffic-calming measures, drainage modifications, pavement striping, crosswalks, ADA ramps, and greater pedestrian access to the Marina and Sheldon Plaza. A design contract was awarded in November 2007 for this project with the intent that this project would be split into two phases. Phase 1 would be the underground utility work and Phase 2 would be the above ground street and landscape improvements. Phase 1 was completed awarded in February 2008 and scheduled to be completed in August 2008. Phase 2 is scheduled to begin shortly thereafter and scheduled for completion in Spring 2009.
- **PIERCE ISLAND IMPROVEMENTS/DREDGING PROJECT** - This project will include an engineering analysis of the island levees, and preparation of a scope of work to repair dikes, opinion of construction costs, and necessary permits. After the stabilization of Pierce Island, the Suisun channels will be dredged to allow the proper flow for traffic and water. Staff applied for all the necessary permits during FY 2007/08. This project is estimated to be complete by December 2008.

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- **2007 STORM CHANNEL MAINTENANCE** - The Storm Channel Maintenance project will be the first major step in winter storm preparations. This project included the removal of excess vegetation in the downstream reaches of Laurel and McCoy Creeks. If this excess vegetation had not been removed, flooding may have occurred in the upstream areas. Staff worked closely with the Fairfield-Suisun Sewer District to develop the means to complete the work prior to the onset of the wet season. This project was funded through the Fairfield-Suisun Sewer District and other City Storm Drain Funds.
  
- **SAFE ROUTE TO SCHOOL PROGRAM – CRYSTAL TO CRESCENT CONNECTION**  
On March 21, 2008, the City was notified that our application for the State Safe Routes to School (SR2S) Program was approved for \$900,000. This project will construct a 0.8 mile, 8 foot wide, concrete, Class I Bicycle/Pedestrian path along the south side of Highway 12 between Marina Boulevard and Grizzly Island Road to help bring students safely to Crystal Middle School and Crescent Elementary School. In order to construct the project, staff will need to secure additional funding, as well as bring all stakeholders together for a collaborative design of the project. Design is scheduled to begin early 2009.
  
- **2008 STREET IMPROVEMENT PROJECT** - In order to address some of the worse streets in the City, staff developed the 2008 Street Improvement project using a surface treatment new to the City called Asphalt Rubber Chip Seal (ARCS). By using this road treatment and packaging several funding sources, staff was able to develop a bid package that included up to 22 street segments to be funded with City funds and 16 street segments to be funded through the SSWA resurfacing and water service replacement partnership. In addition to the 16 street segments resurfaced, 210 water services were replaced by SID prior the streets' being resurfaced. This project was awarded on July 1, 2008 and scheduled for completion in early Fall
  
- **Goepf Park Improvements** - In May 2007, the City awarded a contract for the redesign of Goepf Park. Goepf Park is approximately 5.0 acres and is located on the northwest corner of Pintail Drive and Harrier Drive. In general, the project will rejuvenate the existing park facilities. The Conceptual Plans were presented to and approved by the Parks and Recreation Commission on August 1, 2007, and presented to and approved by the Planning Commission on August 14, 2007. Improvements include installing angled street parking on Harrier Drive, removing trees which have caused the existing asphalt walkway to lift, removing existing asphalt walkways within the project site and replacing them with concrete walkways, removing, re-grading and replanting the existing turf area in the open field, and moving and upgrading storm drain facilities, where needed. A construction contract was awarded in June 2008 with completion scheduled for early 2009.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements consist of three components: 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 themselves.

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**Government-wide Financial Statements**

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

**Fund Financial Statements**

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

**Governmental funds**

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 financial statements, governmental fund financial statements focus on (1) short-term inflows and outflows of spendable resources and (2) the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The City maintains a total of 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds. Some funds were combined for external financial reporting purposes only.

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**Governmental Funds**  
**Revenues, Expenditures and Other Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2008**

	General Fund	Other Major Funds	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 9,448,248	\$ 18,885,590	\$ 10,148,033	\$ 38,481,871
Current expenditures	9,774,711	7,363,108	9,881,640	27,019,459
Capital outlay	897,836	251,062	1,639,507	2,788,405
Debt service	19,296	4,832,071	926,660	5,778,027
	<u>10,691,843</u>	<u>12,446,241</u>	<u>12,447,807</u>	<u>35,585,891</u>
Net transfers including sale of capital assets	(196,163)	(2,337,091)	2,816,254	283,000
Net change in fund balances	(1,439,758)	4,102,258	516,480	3,178,980
Fund balances, beginning of year	6,102,780	16,074,412	19,203,755	41,380,947
<b>Fund balances, end of year</b>	<u>\$ 4,663,022</u>	<u>\$ 20,176,670</u>	<u>\$ 19,720,235</u>	<u>\$ 44,559,927</u>

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Proprietary funds**

Proprietary funds have as their focus the determination of operating income or cost recovery. There are two types of proprietary funds: enterprise funds and internal service funds.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has no enterprise funds.
- Internal service funds are used to accumulate and allocate costs internally among the City's various funds and departments.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the City's own programs. Accordingly, only assets and liabilities are reported for these funds. The major fiduciary fund maintained by the City is the Suisun-Solano Water Agency Fund. Please refer to page 36 for details.

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**Notes to the Financial Statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as this discussion and analysis and the City's budgetary comparison schedules for major funds.

**Other supplementary Information**

This includes a budgetary comparison schedule of all non-major funds.

**Statistical Section**

Presentations of financial information and non-financial information, and statistical tables for the last ten years are included in this section, as an aid to understanding and evaluating the overall operation and status of the City. Per GASB Statement 44, a new set of financial trends information is provided under this section applicable for the last four years.

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**Management's Discussion and Analysis**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Analysis of Net Assets

Net assets are a measure of a government's financial position and, over time, a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. The City of Suisun's net assets, exceeded liabilities by \$141,041,406. A schedule of net assets is presented in the following table.

**Net Assets**  
**June 30, 2008 and 2007**

	Governmental Activities		Total Percentage Change
	2008	2007	
Current and other assets	\$ 62,052,489	\$ 57,104,806	9%
Capital Assets	162,483,295	163,905,321	-1%
<b>Total Assets</b>	<b>224,535,784</b>	<b>221,010,127</b>	<b>2%</b>
Current liabilities	8,072,907	7,301,117	11%
Noncurrent liabilities	75,421,471	77,603,479	-3%
<b>Total Liabilities</b>	<b>83,494,378</b>	<b>84,904,596</b>	<b>-2%</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	89,322,941	88,026,488	1%
Restricted	13,051,878	13,167,071	-1%
Unrestricted	38,666,587	34,911,972	11%
<b>Total net assets</b>	<b>\$ 141,041,406</b>	<b>\$ 136,105,531</b>	<b>4%</b>

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$89,322,941 represent the net book value of these assets less any outstanding debt used to acquire those assets. The infrastructure valuation study was completed in October 2007. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$13 million represent resources that are subject to external restrictions on how they may be used. The \$38.6 million unrestricted net assets consist mainly of \$4.6 million in general fund, \$10.1 million for redevelopment housing set-aside and \$23.9 for all other funds to be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

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**Analysis of Changes in Net Assets**

The City's net assets increased by \$4.9 million during the current fiscal year. This growth in the City's net assets is principally from the governmental activities. Information about changes in net assets is presented in the summary table below:

**Activities and Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2008 and 2007**

	Governmental Activities		Total Percentage Change
	2008	2007	
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 8,547,766	\$ 8,076,244	5.84%
Operating grants & contributions	4,059,537	4,568,940	-11.15%
Capital grants & contributions	1,834,313	2,537,781	-27.72%
<b>General revenues:</b>			
Property Taxes	21,238,878	19,875,251	6.86%
Sales Tax	982,667	1,042,944	-5.78%
Gain on sale of capital assets	-	2,580,539	0.00%
Investment earnings	1,797,494	1,945,746	-7.62%
Miscellaneous	502,082	2,211,492	-77.30%
<b>Total revenues</b>	<b>38,962,737</b>	<b>42,838,937</b>	<b>-9.05%</b>
<b>Program expenses:</b>			
General government	6,785,352	5,244,020	29.39%
Public safety	6,324,288	5,861,374	7.90%
Public works	3,342,076	2,966,551	12.66%
Highways and streets	3,296,699	3,014,295	9.37%
Building Services	1,010,367	651,340	55.12%
Culture & recreation	2,355,217	1,870,837	25.89%
Community development	7,167,225	5,645,108	26.96%
Interest on long-term debt	3,745,638	3,598,258	4.10%
<b>Total program expenses</b>	<b>34,026,862</b>	<b>28,851,783</b>	<b>17.94%</b>
<b>Change in net assets</b>	<b>4,935,875</b>	<b>13,987,154</b>	<b>-64.71%</b>
Net assets-Beginning	136,105,531	122,118,377	11.45%
<b>Net assets - end of the year</b>	<b>\$ 141,041,406</b>	<b>\$ 136,105,531</b>	<b>3.63%</b>

Note: For the purpose of comparison, some revenues and expenditures in 2007 were reclassified to conform to the 2008 table using the classification of typical California city revenues, i.e. tax increment pass-through is now classified under general government.

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Change in net assets increased by \$4,935,875 was due to the following factors:

- Although property taxes increased by about \$1,363,627 million, the total revenue still have a decrease of \$3,876,200, mainly due to zero gain on sale of capital assets for this year recorded in government-wide financial statement, a significant decrease in building permits, investment earnings, and in capital & operating grants.
- The expenditures have increased by \$5,175,079 from all programs as illustrated above. The increase was due to various factors such as the capital construction in highways and streets, the improvement construction of Goepf Park, the extension of One Harbor Street, a higher pass through payments to various government agencies as a result of tax increment increase, and higher liability and worker's compensation claims.

**ANALYSIS OF MAJOR GOVERNMENTAL FUNDS**

**General Fund**

General Fund revenues of about \$9.4 million were generated. An overall decrease of about \$1 million from the previous fiscal year is due to a non-recurring revenue which is the reimbursement made by Redevelopment Agency to General Fund in relation to the sale of property at Sunset Avenue amounting to \$1.2 million recorded last year. With the exclusion of the non-recurring revenue, there is actually a very slight increase of about \$15,000 in revenues.

General Fund expenditures of \$10.7 million were made, including an increase of \$1.9 million from previous fiscal year. The increase was attributed mainly to the \$905,000 Harbor Street Extension Project, and the implementation of recording the Suisun-Solano Water Authority customer service cost of about \$437,000 to general fund offset by corresponding revenue from the Water Authority. The remaining \$558,000 is partly COLA and increase in various cost of community services.

The General Fund balance at fiscal year-end was \$4.6 million, consisting of restricted \$64,281, and \$4,598,741 that were undesignated.

**RDA-Housing Set-Aside – Special Revenue Fund**

This fund is used to account for the 20% tax increment revenue set-aside monies required by law to be used only for low and moderate-income housing. Expenditures of \$1.5 million included \$792,463 representing the predevelopment loan granted to Cottonwood Creek Housing, \$354,536 for administration costs and \$306,411 of operation costs at Almond Garden apartment complex. The fund transfers out of \$492,218 were mainly for debt service.

**1998/2003 Tax Allocation Bonds – Capital Projects Fund**

This fund is used to account for the bond proceeds used for capital projects. Expenditures of \$289,683 were mainly for Main Street West Project. Fund balance as of June 30, 2008 available for redevelopment projects was \$733,874.

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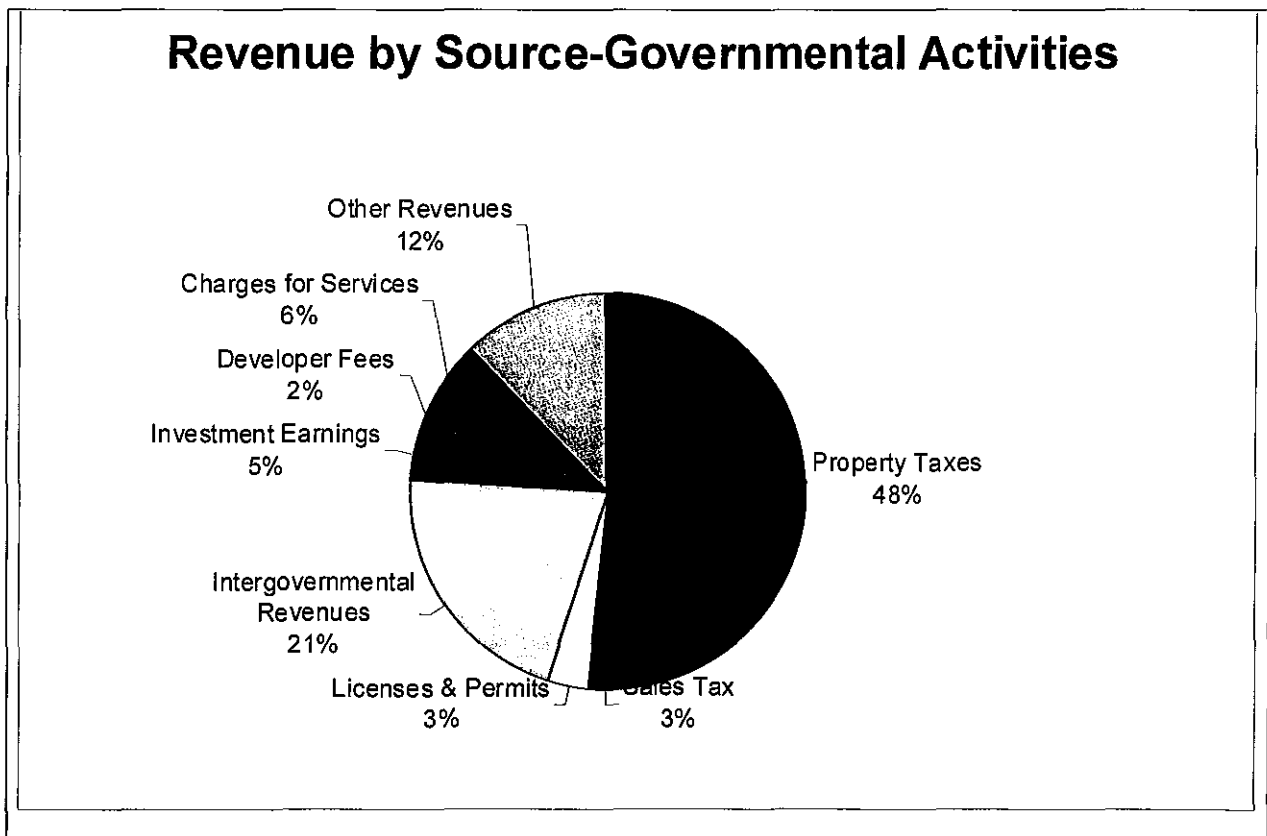
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**RDA Bonds Debt Service Fund**

This is the principal debt service fund of the redevelopment agency that is used to account primarily for all tax increment revenues and payment of debt service on long-term debt obligations. The bonds are secured by a pledge of all incremental tax revenues to be received by the Agency and funds held by the trustee. As of June 30, 2008, the fund balance was \$7,408,258, net of the \$4.5 million due to the Municipal Facilities Capital Projects Fund, which is the difference in the fund balance as compared to the Redevelopment Agency Basic Financial Report as of June 30, 2008, per GASB 34.

**Analysis of All Governmental Funds**

The following schedule presents a summary of general, special revenue, debt service and capital projects fund revenues for the fiscal year ended June 30, 2008 and the amount and percentage of increases and decreases in relation to prior year revenues.



While about 48 percent of total revenues are derived from property taxes, 92 percent of these property tax revenues go to the Redevelopment Agency.

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About 21 percent of the City's general governmental revenues are realized from other governmental agencies. In 2007-2008 these included:

State of California Gas Tax	505,504
Federal HUD Section 8 Housing Assistance Program	2,974,177
Federal & State Public Safety Grants	613,180
Local Transportation –Capital Projects Grants	1,151,458
Property Tax (VLF)	2,380,733
All Other Intergovernmental Allocations	576,704
<b>Total</b>	<b><u>\$ 8,201,756</u></b>

Revenues	2008	2007	% of Increase (Decrease)
Property Taxes	\$ 18,758,360	\$ 17,846,612	5.1%
Sales Tax	982,667	1,042,944	-5.8%
License & Permits	1,282,790	1,526,909	-16.0%
Fines & Forfeitures	225,420	263,533	-14.5%
Investment Earnings	1,797,494	1,945,746	-7.6%
Intergovernmental	8,201,756	8,676,774	-5.5%
Developer Fees	615,649	1,140,627	-46.0%
Charges for Services	2,161,569	1,873,012	15.4%
Special Assessments	1,669,407	1,579,243	5.7%
Reimbursements	1,964,620	2,953,283	-33.5%
Miscellaneous	822,139	1,453,612	-43.4%
<b>Total</b>	<b><u>\$ 38,481,871</u></b>	<b><u>\$ 40,302,295</u></b>	<b><u>-4.5%</u></b>

Developer fees (impact fees) and License & Permits decrease from prior year is a result of the current economic crisis.

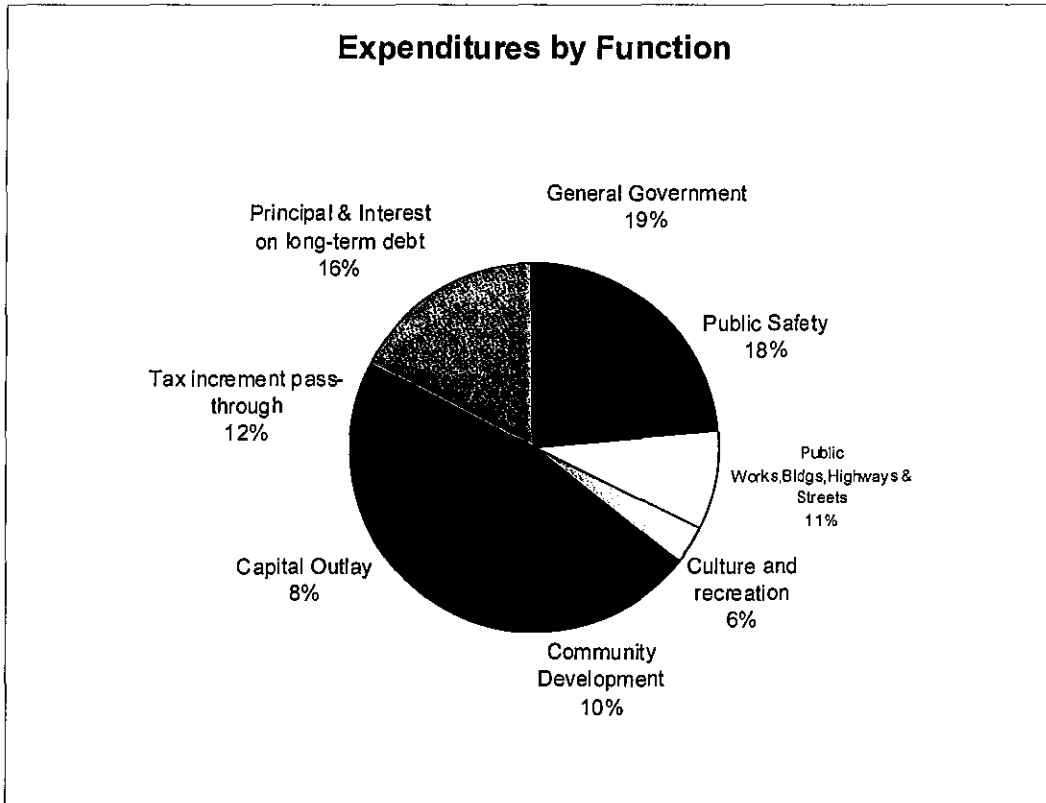
Special assessments slight increases were partially due to newly formed districts.

Reimbursement revenues were significantly low due to a one-time entry last year where Redevelopment Agency reimbursed the City for sale proceeds of property at Sunset Avenue amounting to \$1.2 million.

Miscellaneous revenues were significantly low, due to decreases in Developer's contributions for capital projects.

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The following schedule presents a summary of expenditures for the fiscal year ended June 30, 2008 and the percentage increases and decreases in relation to prior year expenditures.



Expenditures	2008	2007	% of Increase Decrease
General Government	\$ 6,748,235	\$ 5,844,650	15%
Public Safety	6,220,072	5,795,287	7%
Public Works	2,215,153	2,141,410	3%
Highways & Streets	1,331,444	1,185,064	12%
Building Services	471,634	408,029	16%
Culture & Recreation	2,154,353	1,439,984	50%
Community Development	3,614,524	8,554,251	-58%
Capital Outlay	2,788,405	6,081,255	-54%
Tax Increment Pass-through	4,264,044	3,978,311	7%
Principal on Long Term Debt	2,802,499	3,861,196	-27%
Interest on Long Term Debt	2,975,528	3,113,824	-4%
<b>Total Expenditures</b>	<b>\$ 35,585,891</b>	<b>\$ 42,403,261</b>	<b>-16.1%</b>

Governmental spending decreased by about \$6.8 million or about 16 % compared to prior year. The decrease is mainly caused by last year's \$5.3 million redevelopment loan granted to Cottonwood Creek Housing. The table above shows the comparison. Some of the expenditure increases were also offset by revenue increases. There was no bond refunding for this fiscal year.

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**General Fund Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget</u>
<b>Beginning fund balances, July 1, 2007</b>	\$ -	\$ -	\$ 6,102,780	\$ 6,102,780
<b>Resources:</b>				
Revenues	10,020,400	10,116,500	9,448,248	(668,252)
Transfer in & sale of capital assets	625,000	598,200	514,920	(83,280)
<b>Total Resources</b>	<u>10,645,400</u>	<u>10,714,700</u>	<u>9,963,168</u>	<u>(751,532)</u>
<b>Appropriations:</b>				
Expenditures	10,352,500	11,411,200	10,691,843	719,357
Transfer out	869,100	693,900	711,083	(17,183)
<b>Total Appropriations</b>	<u>11,221,600</u>	<u>12,105,100</u>	<u>11,402,926</u>	<u>702,174</u>
Resources over (under) appropriations	<u>(576,200)</u>	<u>(1,390,400)</u>	<u>(1,439,758)</u>	<u>(49,358)</u>
<b>Ending fund balances, June 30, 2008</b>			<u>\$ 4,663,022</u>	

**Budget Modifications**

For fiscal year 2007-08, appropriations were adopted by fund. The total actual expenditures in General Fund per above table did not exceed total original budget. Some individual departments have exceeded their budgets, and budget amendments were approved by the City Council.

**Transfers**

Transfers to the General Fund are generally made to match restricted revenue with related cost that has been recorded in the General Fund and vice versa.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's net capital assets for its governmental funds as of June 30, 2008 amount to \$162.5 million, net of accumulated depreciation of \$79.6 million. This investment in capital assets includes land and improvements, buildings and improvements, machinery and equipment, construction in progress, and all infrastructures.

Additional information on the City's capital assets can be found in Note 7 on the accompanying basic financial statements.

**City of Suisun City**  
**Management's Discussion and Analysis**

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**Debt Administration**

At the end of the current fiscal year, the City had \$78.3 million in long-term debt, net, outstanding compared to \$80.4 million last year, a 2.6% decrease. The decrease is primarily due to principal payments.

At June 30, 2008, the City had total long-term debts and obligations as summarized below.

Tax Allocation Bonds	\$ 60,218,950	77%
Redevelopment Loans	9,675,774	12%
General Obligation Bonds	2,685,000	3%
Certificates of Participation	1,755,000	2%
Capital Leases	1,859,280	2%
North Bay Aqueduct Agreement	<u>2,129,650</u>	3%
Sub-total	<u>\$ 78,323,654</u>	100%

The City has met all required debt service payments and is maintaining required reserve funds with bond trustees. The \$60.2 million in tax allocation bonds and \$9.7 million in redevelopment loans are repayable from tax increment revenues received by the City's Redevelopment Agency. The \$2.7 million in general obligation Highway 12 bonds and the \$2.1 million for North Bay Aqueduct are repayable from a voter-approved property tax. The remaining \$3.6 million City of Suisun City obligations are repayable from special assessments, lease revenues and general fund revenues.

Additional information on the City's long-term debt obligations can be found in Note 8 of the accompanying basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Council's conservative fiscal policies have positioned the City well to weather the current economic downturn. Unlike neighboring communities, the City is not in a position at this time of having to cut positions and service levels, institute hiring freezes or, in the extreme, file for bankruptcy.

The City, while financially stable, has a number of issues to address in the future. These are dependent, in large part, upon how the economy fares over the next few years. Among the issues are:

- Economic Development – new Business attraction/long term fiscal health.
- Neighborhood Reinvestment – streets, residential rehabilitation, related infrastructure.
- Public Safety – equipment replacement, technology enhancement.
- Recreation & Leisure Services – youth and building a sense of community.

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- Strong Dedicated Workforce - striving to be competitive.

The FY 2008-2009 Annual Budget highlights:

- Anticipates an ongoing General Fund operating surplus of just under \$50,000 after addressing many organizational needs and demands.
- Projects conservative revenue forecasts given the uncertain nature of the economy.
- Incorporates an aggressive Capital Improvement program designed to address a wide variety of needs.
- Anticipates a continued strong and viable Redevelopment Agency in spite of an expected decrease of revenue due to decline of assessed values of properties within Project Area.

The FY 2008-2009 General Fund operating budget is about \$12 million, an increase of about \$588,384 or about five percent over FY 2007-08. This budget includes amount for merit increases, PERS retirement, health insurance premiums, COLA, and roughly \$1.5 million of one time major capital expenditures including the One Harbor Street Extension Project.

The Redevelopment Agency's tax increment revenue is budgeted at \$17 million for FY 2008-09. Of that amount, 20% is transferred to the Housing Set-Aside Fund and another 31% is passed through to other agencies.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

**City of Suisun City**  
**Finance Department**  
**701 Civic Center Blvd.**  
**Suisun City, Ca. 94585**  
**Ph: 707-421-3215**

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