

City of Davis

Comprehensive

Annual Financial Report

For the Fiscal Year Ended June 30, 2007



CITY OF DAVIS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

PREPARED BY
FINANCE DEPARTMENT

CITY OF DAVIS, CALIFORNIA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

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FINANCE DEPARTMENT

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October 26, 2007

Honorable Mayor and City Council
City of Davis
Davis, California

I hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Davis for the Fiscal Year ended June 30, 2007. This report was prepared by the Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of its presentation, including all disclosures, rests with the city. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the city's financial affairs have been included.

The city is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The City's Single Audit for Fiscal Year 2006-2007 will be completed shortly and a separate Single Audit Report will be prepared.

This report includes information for all funds of the City of Davis. The City provides services to its citizens in the areas of public safety; community development; water, waste water and sanitation utilities; transportation, recreation, cultural and social assistance, as well as general government activities. In addition, the City Council of the city of Davis has financial responsibility and accountability for the following legally separate entities: Redevelopment Agency of the City of Davis, City of Davis Public Facilities Financing Authority and Community Facilities District 1991-2 (Mace Ranch). Financial information on these entities has, therefore, been included in this report.

Included as a part of this letter are a series of attachments which provide important information regarding the operations, economic environment and financial position of the City. The attachments are:

Attachment A	Governmental Structure, Local Economic Condition and Outlook
Attachment B	Highlights and Accomplishments
Attachment C	Financial Information
Attachment D	Other Information

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Finance Department staff. Each member of the Department has our appreciation for the contributions made in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Paul Navazio', with a stylized, flowing script.

Paul Navazio
Finance Director

ATTACHMENT A

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Davis is a general law city and employs the Council/Manager form of government. The City Council is comprised of five council members. One of these serves as the Mayor and another as the Mayor Pro Tem. Council members are elected for an overlapping four-year term on a citywide basis (called “at large”). The member elected with the greatest number of votes serves as Mayor Pro Tem for the first two years of their term and Mayor for the last two years of their term. The City Council acts as the legislative and policy-making body. Council appoints the City Manager and awards the contract for City Attorney services. The City Manager is the chief administrator, is responsible for hiring department directors, oversees the work of City staff in implementing the policies and priorities of the City Council, and the provision of services to the community.

The City of Davis is a university and residential community internationally known for its commitment to implementing progressive and innovative programs. Located just 13 miles west of the State Capital in Sacramento, the center of State government operations, and home to the University of California, Davis, the City’s local economy has traditionally mirrored employment trends in these two institutions.

UC Davis represents, by far, the largest employer in the Davis area with approximately 18,000 employees on the campus. The university has approximately 29,200 students enrolled; however, University officials expect an increase in student demand in the next several years and preliminary projections foresee 31,000 students enrolled by the year 2010. A number of significant infrastructure projects are being undertaken on the campus to prepare for this growth. Joint efforts between university and city officials in land use and infrastructure planning have received greater emphasis to ensure that the campus and the community can accommodate the growing student population, in terms of both housing needs and provision of services.

UC Davis has been estimated to contribute \$2.7 billion, annually, to the regional economy. Besides its impact as an academic institution, the university is an acknowledged international leader in agricultural, biological, biotechnological and environmental science and has increased its efforts at strengthening ties with private industry. Mutually beneficial university-private relationships are encouraged and UC Davis is becoming an increasingly valuable “drawing card” for economic development efforts in the community and the region.

The entire Sacramento region enjoyed the economic boom of the late 1990s. Despite the slowing trend in the national, state, and regional economies over the past few years, the Sacramento region is expected to remain one of the fastest growing areas in California. Sacramento has seen higher percentage gains in population, employment, income, and retail sales than any other region in the State over the last several years. The region has emerged as a center for high-tech manufacturing and research & development firms. Back-office operations for large San Francisco Bay Area firms have also been moving into the Sacramento region with

its lower land cost, access to labor pool, and relative earthquake safety, often cited as advantages of the region. While the duration and depth of the current economic slowdown remains unknown, the Sacramento region will likely fare better than other major metropolitan areas of the State.

Over the past few years, cities have successfully worked to greatly insulate their General Fund revenues from adverse impacts from State budget problems. After several years of annual property tax shifts and loss of vehicle license fee revenues, cities worked with the State to secure passage of Proposition 1A (November 2004) which now protects cities share of property and sales tax revenues. In addition, vehicle license fee revenues have been largely replaced by in-lieu property tax payments, which in turn, now fall under the constitutional protection of Proposition 1A.

More recently, in November 2006 voters in the State passed another Proposition 1A, which provides cities with additional protection against loss of (Prop 42) Transportation funding (from state sales tax on gasoline). While these recent statewide initiatives significantly protect local revenues from actions by the State, there remain a few areas where local revenues are still vulnerable to State actions. These include reimbursement for State Mandated Costs and local tax-increment revenues generated by local redevelopment agencies. These recent hard-fought initiatives to protect local revenues are likely to be put to the test as the State looks to address an estimated operating deficit of over \$10 billion for FY 2008/09.

Overall development activity in the City has declined significantly since 2001-2002. In 2006/07, City issued permits for about 37,736 square feet of new commercial and industrial construction during 2006-2007, down 117,576 square feet from the prior year. This development activity included a new office building in West Davis and a mixed-use building downtown.

Residential development continues to lag recent historical trends. While 400 new single family units were built in each of the three years ending in fiscal year 1999-2000, that figure has dropped off steadily over the past five years: 2000-2001 – 264 units; 2001-02 – 119 units; 2002-03 – 66 units; 2003-04 – 72 units; 2004-05 – 59 units; 2005-06 – 42 units and 2006-07 – 42units. As of November 2007, approximately 55 single-family lots remain in currently approved subdivisions. The City's is currently in the process of updating the Housing Element of the General Plan to cover the 2012/13 planning horizon. Development capacity for limited additional multi-family development remains within the current plan, while the University has developed a project to help accommodate projected growth in student population on campus (outside the City boundary).

ATTACHMENT B

HIGHLIGHTS AND ACCOMPLISHMENTS

- The City awarded a contract for reconstruction of Manor Pool;
- The City approved (and voter ratified) a major commercial development project on 2nd Street and Mace to secure community retail needs and encourage regional retail opportunities.
- The City continues to advance two significant utility infrastructure projects. The first is the master planning for an upgraded wastewater treatment plant to address more stringent environmental regulations; the second involve a joint project with the City of Woodland, UC Davis and local flood control agencies studying the feasibility of securing water rights from the Sacramento River to replace the City's current reliance on groundwater.

ATTACHMENT C

FINANCIAL INFORMATION

The City's accounting records are organized and operated on the basis of funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts and fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

City management staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and facilitates internal management reporting. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council via the annual appropriation ordinance. Funds for all operating, special revenue, debt service and capital improvement activities of the City are appropriated in the annual budget. The legal level of budgetary control (that is, the level at which actual expenditures may not legally exceed the appropriated amount) is at the fund level. The City also maintains an encumbrance accounting system as one technique in accomplishing budgetary control. Open encumbrances at June 30, 2007 are reported as reservations of fund balance in the City's governmental funds. Management considers such encumbrances as a use of budgetary authority and they are reflected as equivalent to an expenditure in the accompanying budget and actual schedules. In conformance with generally accepted accounting principles, encumbrances are otherwise not included in the accompanying operating statements.

We believe that the statements and schedules included in the Financial Section of this report demonstrate that the City is meeting its responsibility for sound financial management.

For a more comprehensive analysis of the City's financial information, please refer to Management's Discussion and Analysis contained in the Financial Section.

CASH MANAGEMENT

The City pools all cash funds not held by fiscal agents in order to maximize investment opportunities and increase flexibility. Investment earnings are credited back to all funds contributing to the pool, based on the fund's cash balance as a percentage of the pool. Investment responsibility is located organizationally within the Finance Department, but internal control is rigorously maintained to provide accountability and to protect the City's cash assets.

Investments are conservatively managed with the three primary objectives of (1) safety of principal, (2) liquidity to meet disbursement requirements, and (3) investment yield pursued in that order.

During the 2006-07 Fiscal Year, a significant portion of the City's pooled cash was invested in the Local Agency Investment Fund, an investment pool for local agencies operated by the State of California Treasurer's Office. Investments were also placed in federally sponsored agency notes where opportunities presented themselves to enhance investment yield while maintaining safety and liquidity. Total investment earnings for all funds held in the city treasury totaled \$5,007,200, a return of 4.378%.

At the June 30, 2007 close of the City's fiscal year, \$118,213,764 was held in the City's treasury with investments valued based on fair value (rather than the actual amount invested). During Fiscal Year 1997-98, the City adopted the requirements of Governmental Accounting Standards Board Statement 31, which calls for the recognition in the City's accounts of the unrealized net market value gain or loss on investments held by the City and its fiscal agents.

RISK MANAGEMENT

The Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) JPA handles the City's risk management. The deductible for liability is \$5,000 and for workers comp is \$1,000. This limits the City's risk to an insignificant amount.

ATTACHMENT D

OTHER INFORMATION

INDEPENDENT AUDIT

The City's financial statements were audited by the independent accounting firm of Maze & Associates Accountancy Corporation. Their unqualified opinion is presented at the front of the financial section. We wish to express our appreciation to the staff of Maze & Associates for their assistance during the audit process.

AWARDS

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 Davis for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report, which implements GASB Statement 34, continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

PRINCIPAL OFFICIALS

CITY OF DAVIS

JUNE 30, 2007

CITY COUNCIL

Mayor	Sue Greenwald
Mayor Pro-Tem	Ruth Uy Asmundson
Councilmember	Lamar Heystek
Councilmember	Stephen Souza
Councilmember	Don Saylor

ADMINISTRATIVE OFFICIALS

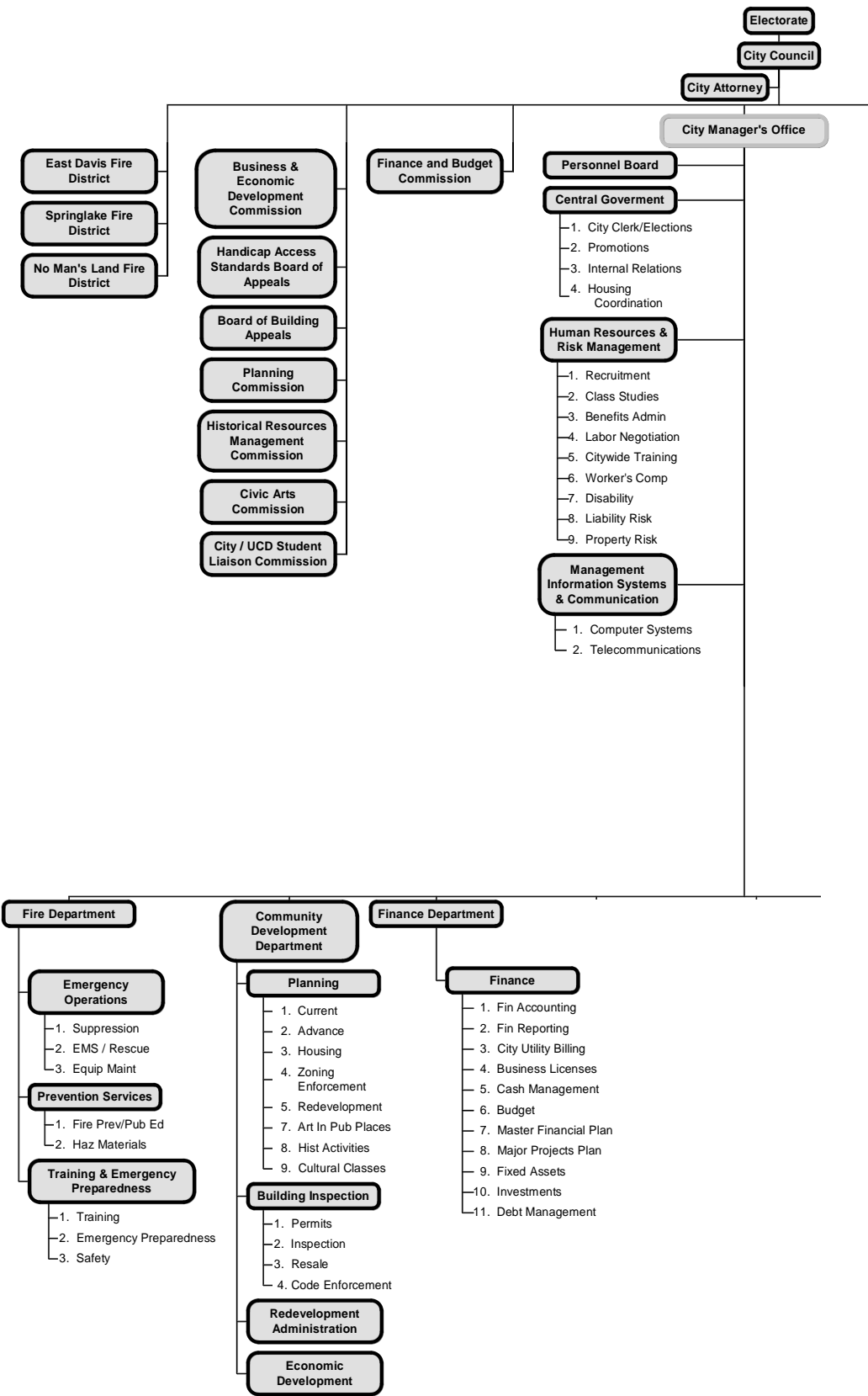
City Manager	William Emlen
City Attorney	Harriet Steiner
City Clerk	Margaret Roberts
Finance Director	Paul Navazio
Chief of Police	Landy Black
Community Development Director	Katherine Hess
Fire Chief	Rose Conroy
Parks & Community Services Director	Donna Silva
Public Works Director	Bob Weir

ADMINISTRATIVE STAFF

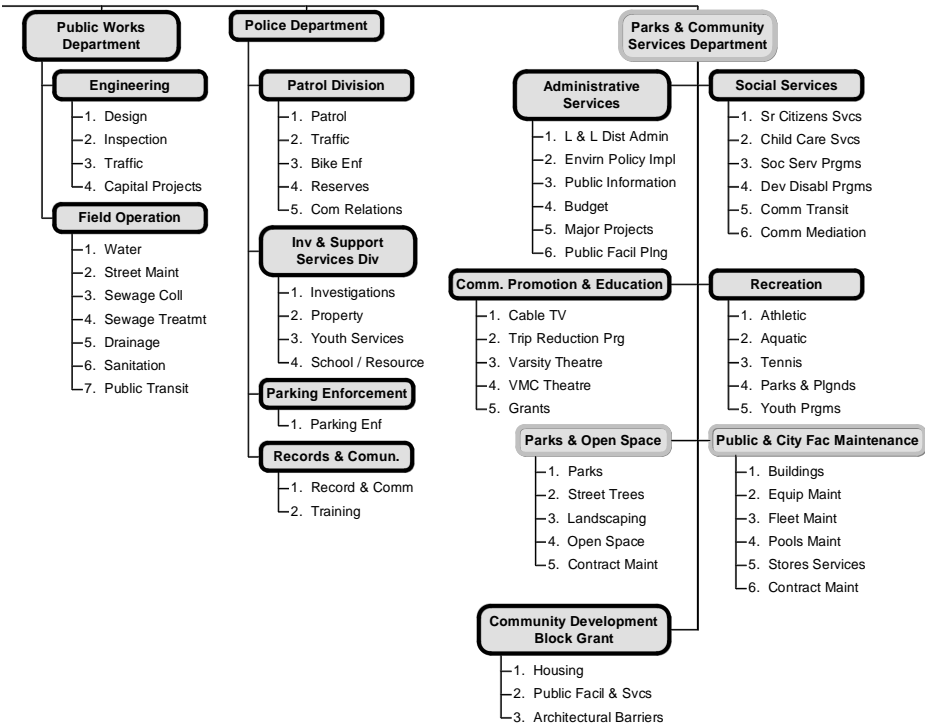
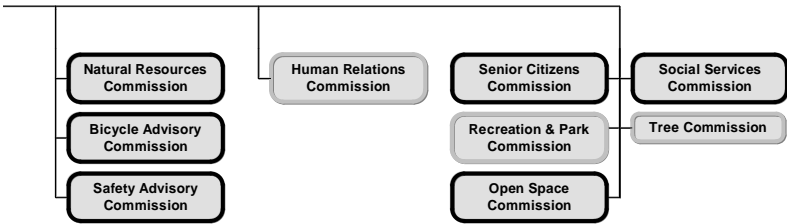
Financial Analyst	Gail Buller
Financial Analyst	Sheila McCrory
Assistant to Finance Director	Kelly Fletcher
Financial Supervisor	Pam Day
Financial Associate	Karen Bordigon

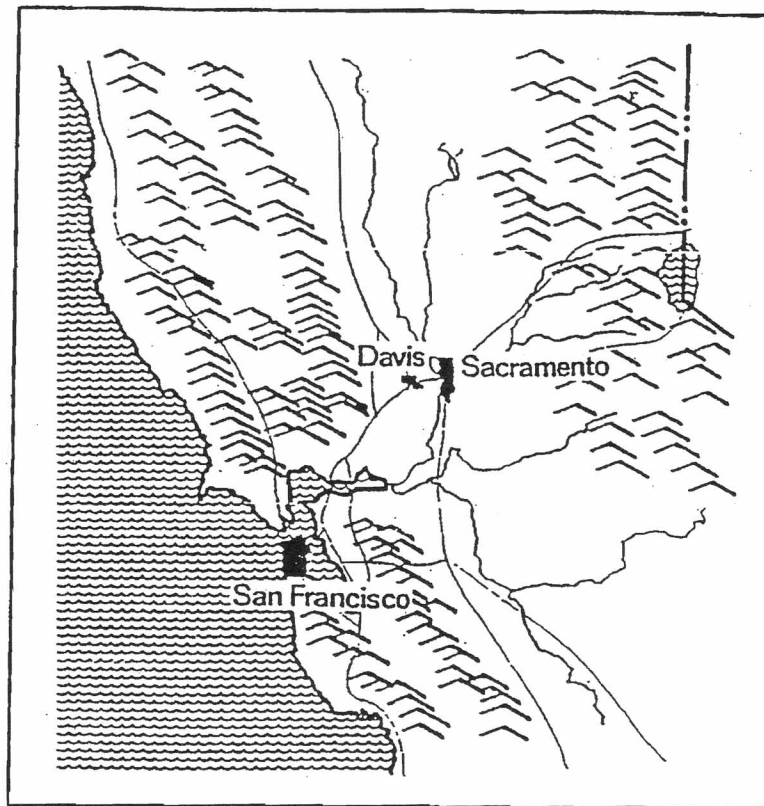


City of Davis

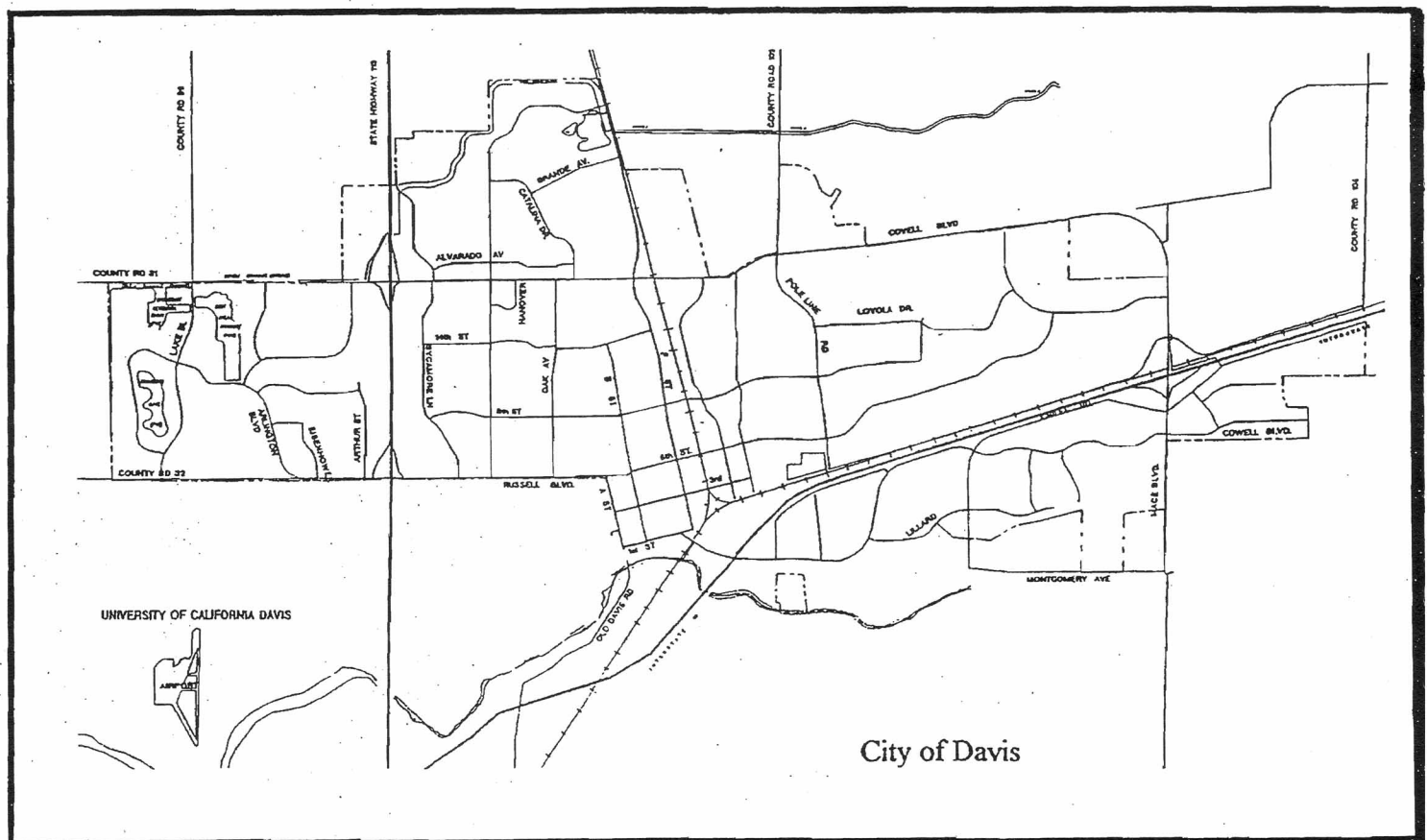


Organizational Chart





Regional Location



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Davis
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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www.mazeassociates.com

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, California, as of and for the year ended June 30, 2007, 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, the business-type activities, each major fund, the aggregate remaining fund information of the City of Davis, California, as of June 30, 2007 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.

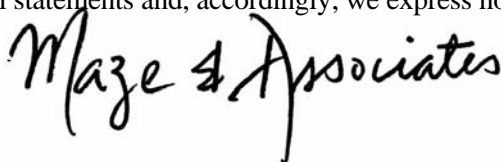
In accordance with Government Auditing Standards, we have also issued reports dated November 9, 2007 on our consideration of the City of Davis' internal control structure and on its compliance with laws and regulations.

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.

November 9, 2007



FINANCE DEPARTMENT

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MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year 2006/07 is the fifth year the city of Davis is required to issue its financial statements in the format prescribed by the provision of Government Accounting Standards Board Statement 34 (GASB 34), which requires the city to provide this overview of its financial activities for the fiscal year. Please read it in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Fiscal Year 2006/07 Financial Highlights

Like all cities in California, over the past decade Davis lost significant control over its revenues to the State. The diversion of local funds has allowed the State to meet its program funding obligations at the expense of important local services. These financial challenges have forced the City of Davis to search for creative ways to deal with permanent fiscal diversions. Over the years the city has implemented various budget balancing measures which have included layoffs, hiring freezes, new taxes and fee increases.

Financial highlights for the 2006/07 fiscal year include the following:

Citywide

- The City's total net assets decreased \$1.3 billion to \$.6 billion in fiscal year 2007. This is primarily due to GASB 34 Implementation adjustments of \$<1.3> billion. At June 30, 2006 the City's net assets totaled \$1.9 billion.
- Total City revenues, including program and general revenues were \$110.0 million, which was an increase of \$13.0 million from the prior year's \$97.0 million.
- Total Citywide expenses were \$111.0 million, a decrease of \$56.9 million from the prior year's \$167.9 million.
- Net assets in Governmental funds decreased \$1.5 billion, while net assets in Business-type Activities increased \$164.9 million.
- Governmental Program Revenues increased \$5.9 million from fiscal year 2006's \$23.9 million.
- Governmental Program Expenses decreased \$59.9 million from \$139.7 million in fiscal 2006.

- Revenues from Business-type Activities increased \$4.4 million in fiscal 2007 from \$29.4 million in fiscal 2006.
- Expenses of Business-type Activities increased \$3.1 million in fiscal 2007 from \$28.1 million in fiscal 2006.

Fund level

- Governmental Fund balances increased to \$13.2 million in fiscal 2007 from the prior year's \$78.9 million.
- Governmental Fund revenues increased \$6.6 million in fiscal 2007 from the prior year's \$67.4 million.
- Governmental Fund expenditures increased to \$68.9 million in fiscal 2007, up \$5.4 million from the prior year's \$63.5 million.
- General Fund balance of \$11.4 million in fiscal 2007 is down \$.5 million from the prior year's \$11.9 million.
- General Fund revenues increased to \$37.2 million, up \$3.3 million from the prior year's \$33.9 million and expenditures increased \$5.5 million from prior year's \$32.4 million.

Financial Condition Summary

The City began the fiscal year 2007 budget process buoyed by recent success in buffering city revenues from State takeaways as well as from continued strength in the local housing market. In addition, the City was able to secure long-term labor contracts which provided a measure of predictability in personnel costs.

Uncertainty over national and state economy as well as the local effect of the slowdown in the real estate market will be guiding factors in updating the City's financial planning efforts. Elements of the long-range planning efforts include:

- Moving away from reliance on fund balances (saving) to meet operating needs;
- Addressing a number of unfunded liabilities, including retirement medical and deferred maintenance costs;
- Working to preserve tax revenues subject to renewal in the next two years; and
- Looking at means to provide additional funding for priority unmet needs.

Overview of the Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report (CAFR) is organized in six parts:

1. Introductory section, which includes the Transmittal Letter and general information,
2. Management's Discussion and Analysis (this part),
3. The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the notes to these financial statements,
4. Required Supplemental Information,
5. Combining statements for Non-major Governmental Funds and Fiduciary Funds,
6. Statistical Information.

The Basic Financial Statements

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the city's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The fiduciary statements provide financial information about the activities of the Special Assessment Districts, for which the city acts solely as agent.

The Government-wide Financial Statements

- **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, planning and building, parks and community services, public safety, public works, and general administrative services. These services are supported by general city revenues such as taxes, and by specific program revenues such as development fees.

- The City's general activities include the activities of a separate legal entity, the City of Davis Redevelopment Agency, because the city is financially accountable for the Agency.
- **Business-type activities** – All the City's enterprise activities are reported here, including water, sewer, sanitation, storm sewer and transit. Unlike governmental services, these services are supported by charges paid by users based on the amount of service they use.

City-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the city as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

Fund Financial Statements include governmental, enterprise and internal service funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they only measure current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Services Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the Activities which created them, along with any residual net assets of the Internal Service Funds.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major funds that are Special Revenue Funds.

Fiduciary Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

Financial Activities of the City as a Whole

This analysis focuses on the net assets and changes in net assets of the City's Governmental Activities and Business-Type Activities presented in the City-wide Statement of Net Assets and Statement of Activities that follow.

Governmental Activities

Table 1
Governmental Net Assets at June 30, 2007
(in Millions)

	<u>Governmental Activities</u>	
	2007	2006
Cash and investments	69.565	57.895
Other assets	37.285	36.957
Capital assets	<u>299.315</u>	<u>1,823.977</u>
Total Assets	<u>406.165</u>	<u>1,918.829</u>
Long-term debt outstanding	32.413	24.788
Other liabilities	<u>10.887</u>	<u>12.188</u>
Total Liabilities	<u>43.300</u>	<u>36.976</u>
Net assets:		
Invested in capital assets, net of debt	274.639	1,794.853
Restricted	77.158	62.362
Unrestricted	<u>11.068</u>	<u>24.638</u>
Total net assets	<u>362.865</u>	<u>1,881.853</u>

The City's net assets decreased \$1.5 billion in 2007. This decrease is the Change in Net Assets reflected in the Statement of Activities shown in Table 2 and is explained below:

- Cash and investments increased \$11.7 million and consists of \$69.3 million available to fund ongoing City operations, the remaining \$.2 million is legally restricted as to what it can be spent on, such as capital projects funded with bond proceeds and bond reserves.

- Capital assets decreased \$1.5 billion mainly due to GASB 34 Implementation adjustments of \$1.3 billion. This adjustment occurred as a result of an asset inventory and valuation which added the balance of our infrastructure assets but, due to the use of a different valuation method, resulted in a reduction of the street value by \$2.3 billion.
- Other assets consist primarily of accounts receivables, loans and other receivables.
- Long-term debt increased \$7.6 million due to the issuance of taxable housing tax allocation bonds by the Redevelopment Agency of the City of Davis.
- Other liabilities consist primarily of accounts and claims payable as well as the City's compensated absences liability.
- Net assets invested in capital assets net of related debt decreased to \$274.6 million due mainly to the GASB 34 Implementation adjustment, and represent the net value of the City's capital assets financed through borrowing.
- Restricted net assets consists of net assets that are legally restricted to be spent on City capital projects, Redevelopment projects, special revenue funded projects and debt service reserves.
- Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Unrestricted net assets decreased \$13.6 million to \$11.0 million which are available to finance day-to-day operations and other expenditures approved by City Council, again, due mainly to the GASB 34 Implementation adjustment.

Fiscal Year 2007 Governmental Activities

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized below.

Table 2
Changes in Governmental Net Assets
For the Year Ended June 30, 2007
(in Millions)

	<u>Governmental Activities</u>	
	2007	2006
Expenses		
City council	.104	.139
City attorney	.418	.407
City manager	2.188	1.893
Finance	1.933	1.709
Planning & building	3.590	3.563
Parks and community services	25.641	18.554
Public safety – fire	8.922	8.174
Public safety - police	13.832	11.400
Public works	15.442	86.762
Special projects	4.946	5.877
Interest on debt	<u>2.814</u>	<u>1.276</u>
Total expenses	<u>79.830</u>	<u>139.754</u>
Revenues		
Program revenues:		
Charges for services	8.352	8.038
Operating grants and contributions	19.531	14.424
Development Impact Fees and permits	<u>1.952</u>	<u>1.516</u>
Total program revenues	<u>29.835</u>	<u>23.978</u>
General revenues:		
Taxes	35.216	33.993
Motor vehicle in-lieu	4.723	4.619
Investment income	3.543	1.295
Miscellaneous	1.452	2.791
Transfers, net	<u>0.000</u>	<u>0.262</u>
Total general revenues	<u>44.934</u>	<u>42.960</u>
Total revenues	<u>74.770</u>	<u>66.938</u>
Changes in net assets	<u>(5.060)</u>	<u>(72.815)</u>

Governmental revenue increased \$7.8 million mostly due to an increase in property tax (\$1.2 million); an increase in grant revenue (\$5.2 million); an increase in investment revenues (\$2.2 million); slight increases in charges for services and motor vehicle in-lieu (\$.4 million) and a decrease in miscellaneous revenues and transfers (\$1.6 million) .

Expenses decreased \$59.9 million in fiscal 2007. The decrease was due mostly to GASB 34 implementation adjustments which decreased depreciation expenses \$72.2 and was offset by increases in several areas. Child Care expenditures increased \$3.6 million in direct proportion to additional grant revenues. The Police Department expenditures increased \$2.4 million which was partially due to the addition of a new red light camera program. Debt service interest increased \$1.5 million due to the refunding of old debt and issuance of new. MOU changes, as well as minor increases and decreases, in all other areas effected all departments.

Governmental Activities

Table 3 presents the net cost of each of the City's largest programs. Net cost is defined as total program cost less the revenues generated by those specific activities.

Table 3
Net Governmental Activities
For the Year Ended June 30, 2007
(in Millions)

	Net (Expense) Revenue From Services		
	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
City council	-.104	-.139	-.035
City attorney	-.402	-.406	-.004
City manager	-2.182	-1.841	.341
Finance	-.668	-.725	-.057
Planning & building	-1.458	-.972	.486
Parks and community services	-11.882	-9.714	2.168
Public safety – fire	-5.880	-6.401	-.521
Public safety – police	-12.046	-8.689	3.357
Public works	-9.410	-82.027	-72.617
Special projects	-3.147	-3.606	-.459
Interest on debt	-2.814	-1.276	1.538

- The principal expense for the City's major programs is payroll and payroll related expenses, as the primary cost in service related operations is personnel costs.
- Charges for services and operating grants and contributions are the primary program revenue source funding general governmental activities.
- Planning and building revenues are primarily generated from planning applications and building inspection and permit fees and development impact fees.
- Police activities primary program revenue sources are violation and services fees and grants.

- Fire activities generated program revenue primarily through fire protection services outside of the City and fire inspection services.
- Public works generates primary program revenues through service fees, such as engineering and plan checking, state and federal grants and developer contributions.
- Parks and community services programs generate program revenues through charges for recreation programs.

Business-type Activities

Table 4
Business-Type Net Assets
As of June 30, 2007
(in Millions)

	<u>Business-Type Activities</u>	
	2007	2006
Cash and investments	24.043	21.148
Other current assets	4.994	2.915
Capital assets	<u>241.052</u>	<u>81.469</u>
Total assets	<u>270.089</u>	<u>105.532</u>
Long-term debt outstanding	17.524	18.841
Other liabilities	<u>5.525</u>	<u>4.613</u>
Total liabilities	<u>23.049</u>	<u>23.454</u>
Net assets:		
Invested in capital assets, net of related debt	223.527	67.057
Restricted	.086	.086
Unrestricted	<u>23.427</u>	<u>14.935</u>
Total net assets	<u>247.040</u>	<u>82.078</u>

The net assets of business-type activities consist primarily of capital assets used in operations.

Table 5
Changes in Business-Type Net Assets
For the Year Ended June 30, 2007
(in Millions)

	<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>
Net Revenues from Business-type activities:		
Water	.404	.049
Sanitation	.138	.192
Sewer	3.589	2.103
Storm sewer	-1.496	-.365
Public transit	-.028	-.706
Total Business-type activities	<u>2.607</u>	<u>1.273</u>

Water, sanitation, sewer and storm sewer are funded through user service fees. Public transit is funded with a combination of user fees and grants. Operating costs consist primarily of personnel costs and contractual services.

The City's Fund Financial Statements

Table 6 below summarizes activity and balances at the fund level:

Table 6
Financial Highlights at Fund Level at June 30
(in millions)

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Total assets	100.958	90.292	10.666
Total liabilities	8.807	11.366	-2.559
Total fund balances	92.151	78.926	13.225
Total revenues	74.039	67.450	6.589
Total expenditures	68.902	63.506	5.396
Total other financing sources (uses)	8.087	-1.159	9.246

Governmental Funds

At June 30, 2007, the City's governmental funds reported combined fund balances of \$92.1 million, which is an increase of \$13.2 million compared with last year. \$43.1 million is legally reserved as to how the funds are to be spent. In addition \$.3 million has been designated by City management to fund certain projects. \$48.7 million is available to fund ongoing City operations.

Revenues at the fund level increased \$6.6 million this year to \$74.0 million. The General Fund accounted for 50.3%, Child Care Grant Fund accounted for 13.9% and the Redevelopment Agency accounted for 13.2% of this revenue. The remainder was primarily in the Non-Major funds. Governmental expenditures increased \$5.4 million to \$68.9 million; of which the General Fund generated 55.1%, Child Care Grant Fund accounted for 14.9% and the Redevelopment Agency expenditures generated 4.7% and the remainder was primarily in non-Major funds.

Proprietary Funds

Enterprise Fund net assets increased \$164.9 million to \$247.0 million at June 30, 2007. Enterprise operating revenues increased \$3.7 million to \$29.2 million this year, while net non-operating revenues increased to \$5.1 million from last year's \$4.8 million.

Enterprise Fund operating expenses increased \$2.6 million to \$30.5 million in fiscal 2007.

Analysis of Major Governmental Funds

General Fund

General Fund revenues consisted primarily of property taxes and other taxes, which increased \$1.1 million to \$27.4 million or 73.6% of total fund revenue, for the year ended June 30, 2007. Charges for current services showed an increase of \$.5 million and represented 13.7% of total fund revenue. Most other General Fund revenues also showed increases and contributed to an overall increase of \$3.4 million. A portion of this increase (\$.9 million) was due to closing the Parking Fund into the General Fund at the beginning of FY 2006/07.

General Fund expenditures increased \$5.5 million which consisted primarily of parks and community services (26%); police (33%) and fire (20%) for the year ended June 30, 2006. The primary expenditures associated with these services consisted of salaries and benefits. The net increase consists of an increase due to MOU adjustments, the decrease in other funds availability for use to help offset costs in Police, the addition of a red light camera service in Police and the result of closing the Parking Fund into the General Fund.

The General Fund shows several revenue and expenditure categories with significant budget variances, including; Intergovernmental, Charges for services, and Capital Improvement expenditures. The variance between original and final budgets in Intergovernmental revenue is due to new or additional grants that were awarded during the year (after the budget had been completed) for which the projects have not been completed. These grants require the work to be completed before request for payment can be made, which also explains the budget to actual variance. The majority of changes between original and final budgets for all departments are due to MOU changes which required additional funding. The Community Development variances between budget and actual are due the decline in current planning projects. Parks and community services had a variance between budget and actual which was the result of anticipated asset acquisitions that were delayed, contract services that were also delayed and salary savings from unfilled positions. Police variances between budget and actual was also the

result of anticipated asset acquisitions that were delayed, contract services that were delayed and salary saving from unfilled positions. The variance between budget and actual for Capital Improvements was primarily due to the delay in awarding a contract for renovation of Manor Pool.

At June 30, 2007 the General Fund Balance comprised \$7.9 million in unreserved, undesignated balances and \$3.4 million reserved or designated fund balances. Only the unreserved portion represents available liquid resources. The fund balance decreased \$.5 million due primarily to MOU adjustments.

Child Care Grant

Child Care Grant fund revenues consist primarily of grant revenue which increased \$3.6 million and totaled \$10.0 million or 97.6% of total fund revenue, for the year ended June 30, 2007.

Expenditures consisted of parks and community services. The primary expenditures associated with these services consisted of salaries, benefits and provider payments.

At June 30, 2007 the Child Care fund balance comprised \$26,792 in designated or reserved fund balance and \$52,111 in undesignated fund balance.

Redevelopment Agency

The Redevelopment Agency revenues consist primarily of property taxes, which increased \$.4 million to a total of \$9.2 million or 94.1% of total fund revenue, for the year ended June 30, 2007.

Expenditures consisted primarily of special projects expenditures, which included property tax pass-through agreement payments and ERAF shifts in the amount of \$2.4 million.

Transfers out of the Redevelopment Agency fund consisted of transfers to the Redevelopment Agency Low/Moderate Housing Fund for the required 20% set-aside, and to the Debt Service fund for debt payments.

At June 30, 2007 the Redevelopment Agency fund balance comprised \$6.6 million in unreserved, undesignated fund balance and \$201,730 in restricted fund balance. The restricted fund balance is primarily due to a reserve for long-term receivables and encumbrances.

Redevelopment Agency Low Income Housing Fund

The Redevelopment Agency Low Income Housing Fund revenues consisted of investment income, which increased \$71,312 to a total of \$151,635 or 100% of total fund revenue, for the year ended June 30, 2007. The fund also issued taxable housing tax allocation bonds in the amount of \$8.7 million.

Expenditures consisted primarily of special projects expenditures, which included administration of the Low Income Housing program.

Transfers into the Redevelopment Agency Low Income Housing Fund consisted of transfers from the Redevelopment Agency Fund for the required 20% set-aside.

At June 30, 2007 the Redevelopment Agency Low Income Housing fund balance comprised \$21.7 million in designated or reserved fund balance. The Redevelopment Agency Low Income Housing fund is completely restricted in the use of fund balance.

Development Deferred Improvement

The Development Deferred Improvement revenues increased \$1.3 million and consist primarily of development impact fees in the amount of \$1.2 million (\$.7 million increase) or 53.4% of total fund revenues and Interest income in the amount of \$1.0 million (\$.6 million increase) or 46.6% of total fund revenues, for the year ended June 30, 2007. Development impact fees are wholly dependent on new development and will decrease as the City moves closer to build out.

Primary expenditures for the Development Deferred Improvements fund are for capital projects. Capital projects expenditures which increased \$.5 million and comprise \$1.7 million or 90.5% of total expenditures.

At June 30, 2007 the Development Deferred Improvements fund balance was comprised of \$21.8 million in unreserved fund balance and \$1.2 million in reserved fund balance. The fund balance in this fund can only be used for capital projects.

Proprietary Funds

Water

Water fund revenues consist primarily of charges for services to the residents of Davis in the amount of \$8.1 million or 93.8% of total fund revenues. This represents a \$1.5 million increase in fee revenue.

Primary expenditures are for water production, distribution and system maintenance (\$4.7 million). There was a \$1.7 million increase in the amount of expenditures from the prior year.

Sanitation

Sanitation fund revenues consist primarily of charges for services to the residents of Davis in the amount of \$8.4 million or 98.7% of total fund revenues. Revenues increased slightly (\$.3 million) from the prior year.

Primary expenditures are for waste collection and street sweeping (\$7.4 million). This reflects a slight increase in expenditures (\$.4 million).

Sewer

Sewer fund revenues consist primarily of charges for services to the residents of Davis in the amount of \$11.2 million or 93.4% of total fund revenues. Sewer fee increases resulted in an additional \$2.4 million in revenues.

Primary expenditures are for sewage collection and treatment (\$4.4 million).

Storm Sewer

Storm Sewer fund revenues consist primarily of charges for services to the residents of Davis in the amount of \$1.5 million or 84.5% of total fund revenues. This is approximately the same as the prior year.

Primary expenditures are for storm drainage system maintenance (\$1.1 million). Expenditures decreased slightly (\$.1 million) from the prior year.

Public Transit

Public Transit fund revenues consist primarily of operating grants and subventions in the amount of \$3.3 million or 99.3% of total fund revenues. Grants and subventions decreased \$.5 million.

Primary expenditures are for the provision of public transportation services (\$3.3 million). This reflects a decrease in expenditures of \$1.1 million primarily due to the completion of the new Unitrans facility.

Capital Assets

GASB 34 requires the City to record all its capital assets including infrastructure, which was not recorded in prior years. The city completed the infrastructure implementation within the 2006/07 fiscal year. The City contracted to have an asset inventory and valuation study which was completed during fiscal year 2006/07. Differences in valuation methods used (mostly in streets) resulted in an overall reduction of capital assets. At the end of fiscal 2007 the City had \$540.4 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 6 below (further detail can be found in note 5 to the financial statements):

Table 7
Capital Assets at June 30, 2007
(in Millions)

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Governmental activities:			
Land	64.559	15.122	49.437
Construction in progress	24.273	27.022	-2.749
Buildings and improvements	31.365	45.490	-14.125
Equipment	11.978	18.471	-6.493
Infrastructure – Streets	240.183	2,548.968	-2,308.785
Infrastructure – Parks	52.765	3.516	49.249
Infrastructure – Bike/Ped Paths	<u>11.229</u>	<u>0.000</u>	<u>11.229</u>
Less accumulated depreciation	<u>137.037</u>	<u>834.635</u>	<u>-697.598</u>
Totals	<u>299.315</u>	<u>1,823.954</u>	<u>-1,524.639</u>
Business-type activities:			
Land	5.823	5.823	.000
Construction in progress	7.499	7.559	-0.060
Buildings	146.970	44.902	102.068
Pipes and Lines	140.541	52.373	88.168
Equipment	<u>24.418</u>	<u>9.317</u>	<u>15.101</u>
Less accumulated depreciation	<u>84.199</u>	<u>38.505</u>	<u>45.694</u>
Totals	<u>241.052</u>	<u>81.469</u>	<u>159.583</u>

Debt Administration

Each of the City's debt issues is discussed in detail in Note 6 to the financial statements. At June 30, 2007 the City's debt comprised:

Table 8
Outstanding Debt at June 30, 2007
(in Millions)

	<u>2006</u>	<u>2006</u>	<u>Net Change</u>
Governmental activities:	32.413	24.788	7.625
Business-type activities:	17.524	18.841	-1.317

Special Assessment District Debt

At June 30, 2007, a total of \$36.420 million in special assessment district debt was outstanding, issued by five special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, although the City does act as these Districts' agent in the collection and remittance of assessments.

Economic Outlook and Major Initiative

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

Contacting the City's Financial Management

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Division, at 23 Russell Blvd, Davis, CA 95616.

CITY OF DAVIS

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The purpose of the Statement of Net Assets and the Statement of Activities is to summarize the entire City's financial activities and financial position.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating interfund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the modified accrual basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of Davis, and the Public Facilities Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

CITY OF DAVIS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$69,347,435	\$23,343,911	\$92,691,346
Cash with fiscal agents (Note 2)	217,114	698,956	916,070
Accrued interest	831,682	281,951	1,113,633
Receivables:			
General accounts	4,218,537	2,169,798	6,388,335
Grants	2,929,326	2,526,566	5,455,892
Utility accounts	333,277	2,497,447	2,830,724
Loans (Note 4)	24,302,415		24,302,415
Mortgages (Note 4)	936,340		936,340
Inventory	267,789		267,789
Prepaid deposits		984,489	984,489
Internal balances (Note 3D)	3,465,598	(3,465,598)	
Capital assets (Note 5):			
Non-depreciable	88,832,027	13,321,479	102,153,506
Depreciable, net of depreciation	210,483,119	227,730,249	438,213,368
Total Assets	406,164,659	270,089,248	676,253,907
LIABILITIES			
Payables:			
Accounts	3,658,486	2,454,945	6,113,431
Grants	30,244		30,244
Interest	937,771		937,771
Deposits	1,751,764	58,225	1,809,989
Due to other governments			
Unearned revenue	1,458,642	2,648,885	4,107,527
Claims payable (Note 12)			
Due within one year	98,037		98,037
Due in more than one year	343,538		343,538
Compensated absences (Note 1H)			
Due within one year	137,870	363,074	500,944
Due in more than one year	2,470,128		2,470,128
Long-term debt (Note 6):			
Due within one year	1,186,853	1,593,229	2,780,082
Due in more than one year	31,226,373	15,930,995	47,157,368
Total Liabilities	43,299,706	23,049,353	66,349,059
NET ASSETS (Note 8)			
Invested in capital assets, net of related debt	274,639,149	223,527,504	498,166,653
Restricted for:			
Capital projects	30,450,025		30,450,025
Debt service	673,069	85,847	758,916
Redevelopment activities	28,507,852		28,507,852
Special revenue projects	17,526,476		17,526,476
Total Restricted Net Assets	77,157,422	85,847	77,243,269
Unrestricted	11,068,382	23,426,544	34,494,926
Total Net Assets	\$362,864,953	\$247,039,895	\$609,904,848

See accompanying notes to financial statements

CITY OF DAVIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Development Impact Fees and Permits	Governmental Activities	Business-type Activities	
Governmental Activities:							
City council	\$104,250				(\$104,250)		(\$104,250)
City attorney	417,718	\$15,894			(401,824)		(401,824)
City manager	2,187,416	5,777			(2,181,639)		(2,181,639)
Finance	1,932,653	1,264,306			(668,347)		(668,347)
Community development	3,590,336	2,132,203			(1,458,133)		(1,458,133)
Parks and community services	25,640,697	2,546,902	\$10,485,712	\$726,336	(11,881,747)		(11,881,747)
Public safety - fire	8,922,382	809,723	2,232,617		(5,880,042)		(5,880,042)
Public safety - police	13,832,200	1,382,662	403,247		(12,046,291)		(12,046,291)
Public works	15,442,190	172,982	4,647,209	1,211,454	(9,410,545)		(9,410,545)
Special projects	4,945,794	22,000	1,762,250	14,101	(3,147,443)		(3,147,443)
Debt service:							
Interest on long-term debt	2,801,334				(2,801,334)		(2,801,334)
Interest on special assessment debt	12,855				(12,855)		(12,855)
Total Governmental Activities	79,829,825	8,352,449	19,531,035	1,951,891	(49,994,450)		(49,994,450)
Business-type Activities:							
Water	8,713,651	8,106,267		1,011,650		\$404,266	404,266
Sanitation	8,292,311	8,398,749	31,283			137,721	137,721
Sewer	7,756,636	11,191,703	154,277			3,589,344	3,589,344
Storm sewer	3,058,338	1,486,683	75,987			(1,495,668)	(1,495,668)
Public transit	3,388,419	24,855	3,335,102			(28,462)	(28,462)
Total Business-type Activities	31,209,355	29,208,257	3,596,649	1,011,650		2,607,201	2,607,201
Total	<u>\$111,039,180</u>	<u>\$37,560,706</u>	<u>\$23,127,684</u>	<u>\$2,963,541</u>	<u>(49,994,450)</u>	<u>2,607,201</u>	<u>(47,387,249)</u>
General revenues:							
Taxes:							
Property taxes					18,437,026		18,437,026
Sales taxes					8,834,409		8,834,409
Municipal services					2,076,696		2,076,696
Business license					1,258,072		1,258,072
Park maintenance					1,315,081		1,315,081
Construction					371,489		371,489
Open space protection					627,345		627,345
Franchise					1,003,229		1,003,229
Transient occupancy					1,056,691		1,056,691
Transfer					236,092		236,092
Intergovernmental, unrestricted:							
Motor vehicle in-lieu					4,723,196		4,723,196
Investment earnings					3,542,701	1,128,852	4,671,553
Miscellaneous					1,452,218	326,244	1,778,462
Total general revenues					44,934,245	1,455,096	46,389,341
Change in Net Assets					(5,060,205)	4,062,297	(997,908)
Beginning Net Assets					1,881,829,886	82,078,125	1,963,908,011
GASB Statement No. 34 Implementation Adjustments (Note 5)					(1,513,904,728)	160,899,473	(1,353,005,255)
Ending Net Assets					<u>\$362,864,953</u>	<u>\$247,039,895</u>	<u>\$609,904,848</u>

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2007. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The fund is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit, which are not accounted for in another fund.

CHILD CARE GRANT FUND

This fund accounts for receipts and expenditures of funds from Federal, State and Local agencies that may be expended only for the purpose of providing child care services.

REDEVELOPMENT AGENCY FUND

This fund accounts for receipts and expenditures of the Redevelopment Agency of the City of Davis.

REDEVELOPMENT AGENCY LOW INCOME HOUSING FUND

This fund accounts for Redevelopment tax increment revenues set aside pursuant to State law for low-and-moderate-income housing efforts.

DEVELOPMENT DEFERRED IMPROVEMENT FUND

This fund accounts for collections from property developers at time of subdivision for specific major offsite public improvements that impose a burden cost on the newly developed areas and that will be constructed at a later date.

CITY OF DAVIS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General	Child Care Grant	Redevelopment Agency	Redevelopment Agency Low Income Housing
ASSETS				
Cash and investments (Note 2)	\$11,637,917	\$671,285	\$7,288,126	\$8,750,021
Cash with fiscal agents (Note 2)				
Accrued interest	115,545	7,969	78,813	35,760
Receivables:				
General accounts	3,234,794	1,293	494,175	
Grants	560,062	433,674		
Utility accounts	180,622			
Loans (Note 4)	217,667		133,287	12,976,208
Mortgages (Note 4)				
Due from other funds (Note 3A)				
Total Assets	<u>\$15,946,607</u>	<u>\$1,114,221</u>	<u>\$7,994,401</u>	<u>\$21,761,989</u>
LIABILITIES				
Payables:				
Accounts	\$2,232,052	\$742,622	\$14,931	\$14,529
Grants		30,244		
Deposits	1,338,980		11,769	
Deferred revenue	991,444	262,452		
Due to other funds (Note 3A)				
Advances from other funds (Note 3B)			1,207,309	
Total Liabilities	<u>4,562,476</u>	<u>1,035,318</u>	<u>1,234,009</u>	<u>14,529</u>
FUND BALANCES				
Fund balance (Note 8)				
Reserved for:				
Debt service				
Encumbrances	2,488,149	26,792	78,281	
Long-term loans receivable	216,911		123,449	12,966,736
Payment withheld by State	478,556			
Low and moderate income-housing				8,780,724
Unreserved:				
Designated for:				
Open space	288,114			
Undesignated, Reported in:				
General Fund	7,912,401			
Special Revenue Funds		52,111	6,558,662	
Capital Projects Funds				
Total Fund Balances	<u>11,384,131</u>	<u>78,903</u>	<u>6,760,392</u>	<u>21,747,460</u>
Total Liabilities and Fund Balances	<u>\$15,946,607</u>	<u>\$1,114,221</u>	<u>\$7,994,401</u>	<u>\$21,761,989</u>

See accompanying notes to financial statements

Development Deferred Improvement	Other Governmental Funds	Total Governmental Funds
\$20,275,087	\$15,900,920	\$64,523,356
	217,114	217,114
296,340	200,633	735,060
130,108	321,549	4,181,919
	1,935,590	2,929,326
	152,655	333,277
34,627	10,940,626	24,302,415
	936,340	936,340
2,799,361		2,799,361
<u>\$23,535,523</u>	<u>\$30,605,427</u>	<u>\$100,958,168</u>
\$209,987	\$269,404	\$3,483,525
		30,244
271,349	73,025	1,695,123
34,627	563,116	1,851,639
	539,140	539,140
		1,207,309
<u>515,963</u>	<u>1,444,685</u>	<u>8,806,980</u>
	520,069	520,069
1,225,954	5,069,086	8,888,262
	11,162,374	24,469,470
		478,556
		8,780,724
		288,114
		7,912,401
	10,567,909	17,178,682
21,793,606	1,841,304	23,634,910
<u>23,019,560</u>	<u>29,160,742</u>	<u>92,151,188</u>
<u>\$23,535,523</u>	<u>\$30,605,427</u>	<u>\$100,958,168</u>

CITY OF DAVIS
Reconciliation of the
GOVERNMENTAL FUNDS - FUND BALANCE
with the
STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances reported on the governmental funds balance sheet	\$92,151,188
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Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets net of accumulated depreciation used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	290,351,939
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ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	4,824,079
Accrued interest	96,622
Accounts receivable	36,618
Inventory	267,789
Capital assets, net	8,963,207
Accounts payable	(174,961)
Leave benefits	(137,870)
Deposits	(56,641)
Claims payable	(441,575)
Internal balances	2,412,686

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	392,997
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LONG-TERM ASSETS AND LIABILITIES

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

Long-term debt	(32,413,226)
Interest payable	(937,771)
Non-current portion of compensated absences	(2,470,128)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$362,864,953</u></u>
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See accompanying notes to financial statements

CITY OF DAVIS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	General	Child Care Grant	Redevelopment Agency	Redevelopment Agency Low Income Housing
REVENUES				
Taxes	\$27,426,557		\$9,190,651	
Licenses and permits	107			
Fines and forfeitures	941,447			
Use of money and property	700,152	\$37,771	483,414	\$151,635
Intergovernmental	1,226,146	10,033,483	46,392	
Charges for current services	5,089,249	211,249		
Development fees				
Administrative fee - Enterprise Fund	1,405,458			
Other	467,866		46,707	
Total Revenues	37,256,982	10,282,503	9,767,164	151,635
EXPENDITURES				
Current:				
City council	111,968			
City attorney	417,718			
City manager	2,192,138			
Finance	1,857,526			
Community development	1,365,496		86,576	
Parks and community services	9,844,962	10,280,703		
Public safety - fire	7,772,719			
Public safety - police	12,466,985			
Public works	1,277,408			
Special projects			3,172,034	189,713
Capital improvements	453,594			
Debt service:				
Principal	155,498			
Interest and fiscal charges	52,210			395,408
Special assessment				
Total Expenditures	37,968,222	10,280,703	3,258,610	585,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(711,240)	1,800	6,508,554	(433,486)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debts (Note 6)				8,675,000
Payments to escrow agent (Note 6)				
Transfers in (Note 3C)	170,000			1,847,409
Transfers (out) (Note 3C)			(3,344,598)	
Total Other Financing Sources (Uses)	170,000		(3,344,598)	10,522,409
NET CHANGE IN FUND BALANCES	(541,240)	1,800	3,163,956	10,088,923
BEGINNING FUND BALANCES	11,925,371	77,103	3,596,436	11,658,537
ENDING FUND BALANCES	\$11,384,131	\$78,903	\$6,760,392	\$21,747,460

See accompanying notes to financial statements

Development Deferred Improvement	Other Governmental Funds	Total Governmental Funds
	\$3,164,695	\$39,781,903
		107
		941,447
\$1,088,314	836,039	3,297,325
	6,667,485	17,973,506
	3,286,041	8,586,539
1,247,564	176,347	1,423,911
		1,405,458
458	114,246	629,277
<u>2,336,336</u>	<u>14,244,853</u>	<u>74,039,473</u>
		111,968
		417,718
		2,192,138
79,753	50,053	1,987,332
	2,177,919	3,629,991
	2,161,031	22,286,696
	1,066,359	8,839,078
	1,176,642	13,643,627
	3,370,448	4,647,856
103,487	1,497,136	4,962,370
1,748,782	1,242,732	3,445,108
	530,000	685,498
	1,517,244	1,964,862
	87,526	87,526
<u>1,932,022</u>	<u>14,877,090</u>	<u>68,901,768</u>
<u>404,314</u>	<u>(632,237)</u>	<u>5,137,705</u>
	12,140,000	20,815,000
	(12,727,516)	(12,727,516)
390,473	2,598,276	5,006,158
(39,950)	(1,621,610)	(5,006,158)
<u>350,523</u>	<u>389,150</u>	<u>8,087,484</u>
754,837	(243,087)	13,225,189
<u>22,264,723</u>	<u>29,403,829</u>	<u>78,925,999</u>
<u>\$23,019,560</u>	<u>\$29,160,742</u>	<u>\$92,151,188</u>

CITY OF DAVIS
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$13,225,189
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay and other capitalized expenditures are therefore added back to fund balance	904,886
Contributions of capital assets is added to fund balance	380,426
Depreciation expense is deducted from the fund balance	
(Depreciation expense is net of internal service fund depreciation of \$979,380 which has already been allocated to serviced funds)	(12,625,044)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	685,498
Repayment of special assessment obligation is added back to fund balance	74,671
Proceeds from the issuance of debt is deducted from fund balance	(20,815,000)
Payment to bond escrow agent is added back to fund balance	12,727,516
Cost of issuance is deducted from fund balance	(297,516)

ACCRUAL OF NON-CURRENT ITEMS

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

Interest payable	(538,956)
Deferred revenue	(231,302)
Compensated absences	(224,226)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in Net Assets - All Internal Service Funds	1,673,653
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$5,060,205)</u></u>
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See accompanying notes to financial statements

CITY OF DAVIS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	\$27,785,389	\$27,785,389	\$27,426,557	(\$358,832)
Licenses and permits	150	150	107	(43)
Fines and forfeitures	1,660,570	1,660,570	941,447	(719,123)
Use of money and property	160,334	154,027	700,152	546,125
Intergovernmental	959,108	1,111,784	1,226,146	114,362
Charges for current services	4,257,399	5,222,548	5,089,249	(133,299)
Administrative fee - Enterprise Fund	1,338,544	1,338,544	1,405,458	66,914
Other	32,644	32,644	467,866	435,222
Total Revenues	36,194,138	37,305,656	37,256,982	(48,674)
EXPENDITURES:				
Current:				
City council	121,594	121,594	111,968	9,626
City attorney	429,805	429,805	417,718	12,087
City manager	2,324,595	2,383,424	2,192,138	191,286
Finance	1,791,816	2,025,193	1,857,526	167,667
Community development	1,683,314	2,019,379	1,365,496	653,883
Parks and community services	10,548,516	10,688,993	9,844,962	844,031
Public safety - fire	7,634,493	7,710,611	7,772,719	(62,108)
Public safety - police	12,891,526	13,100,653	12,466,985	633,668
Public works	1,499,349	1,496,832	1,277,408	219,424
Capital improvements	950,400	2,511,462	453,594	2,057,868
Debt service:				
Principal	155,499	155,499	155,498	1
Interest and fiscal charges	50,160	50,160	52,210	(2,050)
Total Expenditures	40,081,067	42,693,605	37,968,222	4,725,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,886,929)	(5,387,949)	(711,240)	4,676,709
OTHER FINANCING SOURCES (USES)				
Transfers in			170,000	170,000
Total other financing sources (uses)			170,000	170,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$3,886,929)	(\$5,387,949)	(541,240)	\$4,846,709
Beginning fund balance			11,925,371	
Ending fund balance			\$11,384,131	

See accompanying notes to financial statements

CITY OF DAVIS
CHILD CARE GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$15,661	\$15,661	\$37,771	\$22,110
Intergovernmental	7,062,922	10,782,407	10,033,483	(748,924)
Charges for current services	128,045	128,045	211,249	83,204
Total Revenues	<u>7,206,628</u>	<u>10,926,113</u>	<u>10,282,503</u>	<u>(643,610)</u>
EXPENDITURES:				
Current:				
Parks and community services	<u>7,208,267</u>	<u>11,149,393</u>	<u>10,280,703</u>	<u>868,690</u>
Total Expenditures	<u>7,208,267</u>	<u>11,149,393</u>	<u>10,280,703</u>	<u>868,690</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,639)</u>	<u>(223,280)</u>	<u>1,800</u>	<u>225,080</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$1,639)</u>	<u>(\$223,280)</u>	<u>1,800</u>	<u>\$225,080</u>
Beginning fund balance			<u>77,103</u>	
Ending fund balance			<u>\$78,903</u>	

See accompanying notes to financial statements

CITY OF DAVIS
REDEVELOPMENT AGENCY FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	\$9,265,360	\$9,265,360	\$9,190,651	(\$74,709)
Use of money and property	178,157	178,157	483,414	305,257
Intergovernmental	46,000	46,000	46,392	392
Other		4,707	46,707	42,000
Total Revenues	9,489,517	9,494,224	9,767,164	272,940
EXPENDITURES:				
Current:				
Community development	82,163	82,163	86,576	(4,413)
Special projects	4,211,944	4,216,651	3,172,034	1,044,617
Total Expenditures	4,294,107	4,298,814	3,258,610	1,040,204
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,195,410	5,195,410	6,508,554	1,313,144
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(3,810,856)	(3,810,856)	(3,344,598)	466,258
Total other financing sources (uses)	(3,810,856)	(3,810,856)	(3,344,598)	466,258
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$1,384,554	\$1,384,554	3,163,956	\$1,779,402
Beginning fund balance			3,596,436	
Ending fund balance			\$6,760,392	

See accompanying notes to financial statements

CITY OF DAVIS
REDEVELOPMENT AGENCY LOW INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$150,668	\$150,668	\$151,635	\$967
Other	1,000	1,000		(1,000)
Total Revenues	151,668	151,668	151,635	(33)
EXPENDITURES:				
Current:				
Special projects	160,825	1,239,932	189,713	1,050,219
Debt service:				
Interest and fiscal charges			395,408	(395,408)
Total Expenditures	160,825	1,239,932	585,121	654,811
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,157)	(1,088,264)	(433,486)	654,778
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debts			8,675,000	8,675,000
Transfers in		1,853,072	1,847,409	(5,663)
Total other financing sources (uses)		1,853,072	10,522,409	8,669,337
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$9,157)	\$764,808	10,088,923	\$9,324,115
Beginning fund balance			11,658,537	
Ending fund balance			\$21,747,460	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

WATER FUND

This fund accounts for the provision of water services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, billing and collection.

SANITATION FUND

This fund accounts for the activities associated with the various agreements entered into by the City relating to sanitation operations.

SEWER FUND

This fund accounts for the provision of sewer services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, billing and collection.

STORM SEWER FUND

This fund accounts for the provision of storm drain services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, billing and collection.

PUBLIC TRANSIT FUND

This fund accounts for special transportation funds derived from the City's share of motor fuel revenue to pay contracted transportation services. These funds are legally restricted items approved in the City's Transportation Development Act claim.

CITY OF DAVIS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Business-type Activities-Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
ASSETS				
Current Assets				
Cash and investments (Note 2)	\$3,846,010	\$1,775,843	\$13,896,871	\$3,825,187
Cash with fiscal agents (Note 2)	698,956			
Accrued interest	62,932	17,005	157,071	44,893
Receivables:				
General accounts	1,978,116	2,046	116,719	72,262
Grants				
Utility accounts	614,431	736,029	948,261	198,726
Inventory				
Prepaid items			984,489	
Total Current Assets	7,200,445	2,530,923	16,103,411	4,141,068
Noncurrent Assets				
Advances to other funds (Note 3B)				
Capital Assets (Note 5):				
Non-depreciable	4,779,062	134	6,325,593	2,025,295
Depreciable	118,926,643	2,718	88,299,348	100,614,221
Accumulated depreciation	(29,833,563)	(2,590)	(34,407,288)	(19,210,838)
Total Noncurrent Assets	93,872,142	262	60,217,653	83,428,678
Total Assets	101,072,587	2,531,185	76,321,064	87,569,746
LIABILITIES				
Current Liabilities				
Accounts payable	340,776	641,972	407,674	151,138
Leave benefits payable (Note 1H)	154,427		197,116	
Deposits	49,625		8,600	
Deferred revenue	223,121	970,532	1,264,067	191,165
Due to other funds (Note 3A)				
Claims payable (Note 12)				
Loans payable (Note 6)	495,944		1,097,285	
Total Current Liabilities	1,263,893	1,612,504	2,974,742	342,303
Noncurrent Liabilities				
Advances from other funds (Note 3B)			886,544	886,544
Claims payable (Note 12)				
Long-term loans payable (Note 6)	5,160,443		10,770,552	
Total Noncurrent Liabilities	5,160,443		11,657,096	886,544
Total Liabilities	6,424,336	1,612,504	14,631,838	1,228,847
NET ASSETS				
Invested in capital assets, net of related debt	88,215,755	262	48,349,816	83,428,678
Restricted for:				
Self-insurance programs				85,847
South Area drainage				2,826,374
Unrestricted	6,432,496	918,419	13,339,410	
Total Net Assets	\$94,648,251	\$918,681	\$61,689,226	\$86,340,899

See accompanying notes to financial statements

Public Transit	Totals	Governmental Activities- Internal Service Funds
	\$23,343,911	\$4,824,079
	698,956	
\$50	281,951	96,622
655	2,169,798	36,618
2,526,566	2,526,566	
	2,497,447	
		267,789
	984,489	
2,527,271	32,503,118	5,225,108
		2,980,397
191,395	13,321,479	434,996
4,086,464	311,929,394	14,752,636
(744,866)	(84,199,145)	(6,224,425)
3,532,993	241,051,728	11,943,604
6,060,264	273,554,846	17,168,712
913,385	2,454,945	174,961
11,531	363,074	137,870
	58,225	56,641
	2,648,885	
1,692,510	1,692,510	567,711
		98,037
	1,593,229	
2,617,426	8,810,868	1,035,220
	1,773,088	
		343,538
	15,930,995	
	17,704,083	343,538
2,617,426	26,514,951	1,378,758
3,532,993	223,527,504	8,963,207
		153,000
	85,847	
(90,155)	23,426,544	6,673,747
\$3,442,838	\$247,039,895	\$15,789,954

CITY OF DAVIS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
OPERATING REVENUES				
Charges for current services	\$8,106,267	\$8,398,749	\$11,191,703	\$1,486,683
Total Operating Revenues	8,106,267	8,398,749	11,191,703	1,486,683
OPERATING EXPENSES				
Administrative and billing	266,790	143,762	471,232	107,916
Payments to general government	445,451	103,840	529,801	111,922
Water production	2,088,623			
Water distribution	1,628,358			
Water system maintenance	1,329,939			
Street sweeping		633,703		
Waste removal and solid waste management		7,375,073		
Sewage collection			672,333	
Sewage treatment			3,741,076	
Storm drainage system maintenance				1,117,137
Public transportation service				
Special transportation service				
Central stores				
Central equipment				
Duplication - postal				
City administrative facility maintenance				
City electrical maintenance				
Insurance administration				
Insurance premiums				
Litigation				
MIS services				
Depreciation	2,652,811	39	2,040,938	1,721,363
Other	301,679	35,894		
Total Operating Expenses	8,713,651	8,292,311	7,455,380	3,058,338
Operating Income (Loss)	(607,384)	106,438	3,736,323	(1,571,655)
NONOPERATING REVENUES (EXPENSES)				
Interest income	259,754	68,997	622,515	177,586
Interest (expense)			(301,256)	
Operating grants and subventions		31,283	154,277	75,987
Gain on disposal of capital assets				
Other	275,469	13,265	19,272	18,238
Total Nonoperating Revenues (Expenses)	535,223	113,545	494,808	271,811
Income (Loss) Before Contributions and Transfers	(72,161)	219,983	4,231,131	(1,299,844)
Contributions	454,005		119,768	383,668
Change in net assets	381,844	219,983	4,350,899	(916,176)
BEGINNING NET ASSETS	33,126,949	698,698	31,546,400	13,288,987
GASB 34 Implementation Adjustments (Note 5)	61,139,458		25,791,927	73,968,088
ENDING NET ASSETS	\$94,648,251	\$918,681	\$61,689,226	\$86,340,899

See accompanying notes to financial statements

Public Transit	Totals	Governmental Activities- Internal Service Funds
\$24,855	\$29,208,257	\$11,768,211
24,855	29,208,257	11,768,211
	989,700	
	1,191,014	
	2,088,623	
	1,628,358	
	1,329,939	
	633,703	
	7,375,073	
	672,333	
	3,741,076	
	1,117,137	
2,907,128	2,907,128	
380,415	380,415	
		206,136
		1,600,652
		400,317
		1,404,254
		175,961
		243,527
		4,248,266
		150,010
		1,344,682
100,876	6,516,027	979,380
	337,573	
3,388,419	30,908,099	10,753,185
(3,363,564)	(1,699,842)	1,015,026
	1,128,852	581,023
	(301,256)	
3,335,102	3,596,649	
		15,300
	326,244	62,304
3,335,102	4,750,489	658,627
(28,462)	3,050,647	1,673,653
54,209	1,011,650	
25,747	4,062,297	1,673,653
3,417,091	82,078,125	9,695,685
	160,899,473	4,420,616
\$3,442,838	\$247,039,895	\$15,789,954

CITY OF DAVIS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$7,746,351	\$8,303,624	\$11,145,745	\$1,447,212
Payments to suppliers	(5,164,743)	(7,999,888)	(4,502,485)	(995,152)
Payments to employees	(701,169)	(247,602)	(985,962)	(219,838)
Claims paid				
Other expenses	(301,679)	(35,894)		
	<u>1,578,760</u>	<u>20,240</u>	<u>5,657,298</u>	<u>232,222</u>
Cash Flows from Operating Activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and contributions		31,283	154,277	75,987
Interfund advance			(47,971)	(47,971)
Interfund payments				
Interfund receipts				
	<u></u>	<u></u>	<u></u>	<u></u>
Cash Flows from Noncapital Financing Activities		31,283	106,306	28,016
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash transfer to fiscal agent	(4,119)			
Acquisition of capital assets	(2,483,259)	(134)	(1,677,802)	(1,776)
Proceeds from sale of capital assets				
Principal payments on capital debt	(483,933)		(1,091,329)	
Interest paid			(42,662)	
	<u>(2,971,311)</u>	<u>(134)</u>	<u>(2,811,793)</u>	<u>(1,776)</u>
Cash Flows from Capital and Related Financing Activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	249,582	61,323	549,583	162,099
	<u>249,582</u>	<u>61,323</u>	<u>549,583</u>	<u>162,099</u>
Cash Flows from Investing Activities				
Net Cash Flows	(1,142,969)	112,712	3,501,394	420,561
Cash and investments at beginning of period	4,988,979	1,663,131	10,395,477	3,404,626
Cash and investments at end of period	<u>3,846,010</u>	<u>\$1,775,843</u>	<u>\$13,896,871</u>	<u>\$3,825,187</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	(\$607,384)	\$106,438	\$3,736,323	(\$1,571,655)
Litigation settlement and other	275,469	13,265	19,272	18,238
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	2,652,811	39	2,040,938	1,721,363
Other revenues				
Change in assets and liabilities:				
Receivables:				
General accounts	(422,550)	2,829	13,123	(22,272)
Utility accounts	(269,052)	(89,113)	(231,351)	(24,976)
Inventory				
Accounts payable	(117,823)	8,888	(89,076)	121,985
Leave benefits payable	11,072		15,071	
Refundable deposits				
Claims payable				
Deferred revenue	56,217	(22,106)	152,998	(10,461)
	<u>1,578,760</u>	<u>\$20,240</u>	<u>\$5,657,298</u>	<u>\$232,222</u>
Cash Flows from Operating Activities				
Noncash transactions:				
Loss on disposal of capital assets				
Contributions of capital assets	\$454,005		\$119,768	\$383,668
	<u></u>	<u></u>	<u>\$119,768</u>	<u>\$383,668</u>
Accreted interest on long-term debt			\$258,594	
	<u></u>	<u></u>	<u>\$258,594</u>	<u></u>
GASB 34 Implementation Adjustments	\$61,139,458		\$25,791,927	\$73,968,088
	<u>\$61,139,458</u>	<u></u>	<u>\$25,791,927</u>	<u>\$73,968,088</u>

See accompanying notes to financial statements

Public Transit	Totals	Governmental Activities- Internal Service Funds
\$24,767	\$28,667,699	\$11,828,860
(2,502,013)	(21,164,281)	(5,327,462)
	(2,154,571)	(4,557,672)
	(337,573)	(422,464)
(2,477,246)	5,011,274	1,521,262
2,619,658	2,881,205	
(121,605)	(95,942)	274,263
	(121,605)	(123,844)
2,498,053	2,663,658	150,419
	(4,119)	
(24,185)	(4,187,156)	(1,604,586)
	(1,575,262)	35,016
	(42,662)	
(24,185)	(5,809,199)	(1,569,570)
3,378	1,025,965	528,466
3,378	1,025,965	528,466
	2,891,698	630,577
	20,452,213	4,193,502
	\$23,343,911	\$4,824,079
(\$3,363,564)	(\$1,699,842)	\$1,015,026
	326,244	
100,876	6,516,027	979,380
		62,304
(88)	(428,958)	(9,896)
	(614,492)	(25,399)
782,400	706,374	(233,992)
3,130	29,273	(1,948)
		8,241
		(272,454)
	176,648	
(\$2,477,246)	\$5,011,274	\$1,521,262
\$54,209	\$1,011,650	(\$19,716)
	\$258,594	
	\$160,899,473	\$4,420,616

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF DAVIS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$5,795,555
Cash with fiscal agents (Note 2)	18,810,793
Accrued interest	<u>69,742</u>
Total Assets	<u><u>\$24,676,090</u></u>
LIABILITIES	
Accounts payable	\$49,052
Due to bondholders	<u>24,627,038</u>
Total Liabilities	<u><u>\$24,676,090</u></u>

See accompanying notes to financial statements

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Davis is a municipal corporation operating under the general laws of the State of California, under the Council-Manager form of government and provides the following services: public safety (police and fire); community planning and development; water, wastewater, and sanitation utilities; transportation; recreation, cultural and social assistance; and general administration services.

A. *Reporting Entity*

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

PRIMARY GOVERNMENT

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

BLENDED COMPONENT UNITS

The Redevelopment Agency of the City of Davis was established to assist in the clearance and rehabilitation of City areas determined to be in a declining condition. The Agency has the same governing board as the City, all accounting and administrative functions are performed by City staff and its activities are intended to finance capital improvements and economic development to benefit the City. The financial activities of the Agency have been included in the Redevelopment Agency and Redevelopment Agency Low Income Housing Special Revenue Funds, the Redevelopment Agency Debt Service Fund, and the Redevelopment Agency Capital Projects Fund. Audited annual financial statements are available from the Agency at 23 Russell Boulevard, Davis, CA 95616.

The Public Facilities Financing Authority was established solely to assist the City in the issuance of certain bonds for a series of Community Facilities Districts under the State Mello-Roos Act for the construction of infrastructure and improvements. The Authority is controlled by and financially dependent on the City; its financial activities are included in the Capital Projects Fund and Fiduciary Fund.

B. *Basis of Presentation*

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City and its component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

GENERAL FUND

The General Fund is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit, which are not accounted for in another fund.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CHILD CARE GRANT

This fund accounts for receipts and expenditures of funds from Federal, State and Local agencies that may be expended only for the purpose of providing child care services.

REDEVELOPMENT AGENCY FUND

This fund accounts for receipts and expenditures of the Redevelopment Agency of the City of Davis.

REDEVELOPMENT AGENCY LOW INCOME HOUSING FUND

This fund accounts for Redevelopment tax increment revenues set aside pursuant to State law for low-and-moderate-income housing efforts.

DEVELOPMENT DEFERRED IMPROVEMENT FUND

This fund accounts for collections from property developers at time of subdivision for specific major offsite public improvements that impose a burden cost on the newly developed areas and that will be constructed at a later date.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

WATER FUND

This fund accounts for the provision of water services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance and billing, and collection.

SANITATION FUND

This fund accounts for the activities associated with the various agreements entered into by the City relating to sanitation operations.

SEWER FUND

This fund accounts for the provision of sewer services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

STORM SEWER FUND

This fund accounts for the provision of storm drain services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PUBLIC TRANSIT FUND

This fund accounts for special transportation funds derived from the City's share of motor fuel revenue to pay contracted transportation services. This fund is legally restricted items approved in the City's Transportation Development Act claim.

Internal Service Funds. These funds account for general services, building maintenance, and City's self insurance; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. Agency Funds are used to account for assets held by the City as an agent for Public Facilities Financing Authority and Mello Roos Community Facilities District. The financial activities of these funds are excluded from the Entity-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

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

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

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are use of money and property revenue, charges for services and fines and penalties. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue.

E. *Utility Service Billing*

The City bills and collects service charges for water, sanitation, sewer, and storm sewer service. The City's utility accounts for sewer, sanitation and storm sewer are billed flat rates for services bimonthly, in advance, on the 1st of the months of February, April, June, August, October and December. The City also collects two additional charges for general government purposes, a Municipal Services tax and Public Safety charge, on the bills with the utility services.

The City has recorded all utility accounts receivable outstanding at June 30, 2007, and has deferred revenue recognition on one-half of the June 1, 2007 bi-monthly billing, representing July service.

F. *Budgets and Budgetary Accounting*

The City, by ordinance, adopts annually the operating, debt service and capital improvement budgets for all governmental funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. Upon approval by the City Manager and City Treasurer, however, amounts may be transferred between activities within a ***fund's*** operating budget appropriation total. The City Manager and City Treasurer may also approve routine minor new appropriations of \$10,000 or less subject to limitations. For the capital budget, the City Manager and City Treasurer may approve transfers between projects of \$15,000, as long as each ***fund's*** appropriation total remains intact. Increases in excess of the above limits and inter-fund transfers must be approved by the City Council. The budget data reflected in these financial statements incorporate all administrative and City Council amendments through June 30, 2007. Individual amendments were not material in relation to the original appropriations. All appropriations not expended or encumbered by year-end are canceled. All prior year unspent encumbrances are rolled over to the current fiscal year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

G. *Materials, Parts and Supplies*

Materials, parts and supplies are held for consumption and are valued at the lower of cost or market. Cost is determined by the average cost method and materials, parts and supplies are recorded as expenditures or expenses as they are consumed.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Leave Benefits

The liability for compensated absences includes the unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. For governmental funds, a liability for these amounts is recorded only if they have matured, for example, as a result of employee resignations and retirements. The remaining amounts are reported as a liability in the Statement of Net Assets. Proprietary funds' liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

Changes in compensated absences for the year ended June 30, 2007 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,385,720	\$333,801	\$2,719,521
Additions	3,067,973	446,654	3,514,627
Payments	(2,845,695)	(417,381)	(3,263,076)
Ending Balance	<u>\$2,607,998</u>	<u>\$363,074</u>	<u>\$2,971,072</u>
Current Portion	<u>\$137,870</u>	<u>\$363,074</u>	<u>\$500,944</u>

I. Property Tax

Yolo County assesses properties and bills, collects, and distributes actual property taxes collected to the City five times per year. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. Property taxes levied are recorded as revenue and receivables in the fiscal year of levy.

NOTE 2 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

A. Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

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

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Investment income is allocated among funds on the basis of average daily cash and investment balances in these funds. Interest income on certain investments is allocated based on the source of the investment and legal requirements which apply.

Cash and investments with an original maturity of three months or less are used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements. Cash and investments as of June 30, 2007 are as follows:

City cash and investments in primary government:	
Cash and investments	\$92,691,346
Cash with fiscal agents	916,070
	<hr/>
Total City cash and investments in primary government	93,607,416
	<hr/>
Cash and investments in Fiduciary Funds (Separate Statement):	
Cash and investments	5,795,555
Cash with fiscal agent	18,810,793
	<hr/>
Total Fiduciary Funds cash and investments	24,606,348
	<hr/>
Total cash and investments	\$118,213,764
	<hr/> <hr/>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments as of June 2007 consist of the following:

Cash on hand	\$8,390
Cash with financial institutions	701,346
Investments	117,504,028
Total Cash and Investments	<u>\$118,213,764</u>

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

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds, and Notes	5 years	No Limit	No Limit	No Limit
Federal Agency Obligations	5 years	No Limit	No Limit	No Limit
Bankers' Acceptances	180 days	No Limit	40%	(A)
Commercial Paper	270 days	AA	15%	10%
Negotiable Certificates of Deposit	2 years	No Limit	30%	No Limit
Security Swaps	No Limit	No Limit	No Limit	No Limit
Certificates of Deposit	No Limit	No Limit	No Limit	No Limit
Medium-Term Corporate Notes	5 years	AA	10%	No Limit
Money Market Mutual Funds	No Limit	AAA	15%	10%
Repurchase Agreements	1 year	No Limit	No Limit	No Limit
California Pooled Investment Authority (CPIA)	No Limit	No Limit	No Limit	No Limit
Local Agency Investment Fund	No Limit	No Limit	No Limit	\$40 million per account

(A) No more that \$5 million or 10% of the cost value of the portfolio, whichever is less.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Federal Securities	No Limit	N/A
U.S. Government Obligation	No Limit	N/A
U.S. Government Sponsored Obligations	No Limit	N/A
Banker's Acceptance	360 Days	A-1+
Money Market Accounts	n/a	AAm - AAAm
FDIC Insured Deposits	One year	N/A
Investment Agreements	No Limit	AA - AAAm
Commercial Paper	None to 270 days	A-1-A-1+
State Obligations:		
General Obligations	N/A	A
General Short-Term Obligations	No Limit	A-1
Special Revenue Bonds	No Limit	AA
Federal Funds	360 to 365 days	A-1
Repurchase Agreements	30 days	A
Local Agency Investment Fund	n/a	N/A
Pre-Refunded Municipal Obligations	No Limit	AAA

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 18 Months	19 to 60 Months	Total
U.S. Government Sponsored Obligations:				
Non-callable	\$9,468,990	\$980,312	\$1,976,562	\$12,425,864
Callable	32,754,389			32,754,389
California Local Agency Investment Fund	52,597,618			52,597,618
Held by Trustees:				
Money Market Mutual Funds (U.S. Securities)	2,391,620			2,391,620
U.S. Treasury Bill	17,334,537			17,334,537
Total Investments	<u>114,547,154</u>	<u>\$980,312</u>	<u>\$1,976,562</u>	<u>117,504,028</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills and floating rate securities issued by federal agencies, government-sponsored enterprises, , and corporations. At June 30, 2007, these investments have an average maturity of 176 days.

Money market mutual funds are available for withdrawal on demand and at June 30, 2007, have an average maturity ranging from 1 to 11 days.

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2007 for the U.S. Agency Obligations and First American Treasury Obligation Money Market Mutual Funds were AAA/AAAm as provided by Moody's and Standard and Poor's investment rating system. Blackrock Money Market Mutual Funds were rated AAA/V1+ and U.S. Bank National Association Money Market Mutual Funds were rated A1+ as provided by Fitch Investment rating system. The U.S. Treasury Obligations are exempt from rating disclosure requirements and the Local Agency Investment Fund were not rated as of June 30, 2007.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. Concentration of Credit Risk

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2007, those investments consisted of:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity-wide	Federal Home Loan Mortgage Corporation	Federal agency securities	\$11,932,201
	Federal Home Loan Bank	Federal agency securities	25,323,406

NOTE 3 - INTERFUND TRANSACTIONS

A. Current Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2007, the following funds have balances due to the Development Deferred Improvement Capital Projects Fund to temporarily fund short-term cash flow needs.

Special Revenue Funds:	
TDA Non-Transit Use Fund	\$474,735
Park Maintenance Tax Fund	64,405
Internal Service Fund:	
City Self-Insurance Fund	567,711
Enterprise Fund:	
Public Transit Fund	<u>1,692,510</u>
Total	<u><u>\$2,799,361</u></u>

B. Long-Term Advances

At June 30, 2007, the following funds had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Special Revenue Fund:		
Redevelopment Agency	General Services Internal Service Fund	\$1,207,309
Enterprise Funds:		
Sewer	General Services Internal Service Fund	886,544
Storm Sewer	General Services Internal Service Fund	<u>886,544</u>
		<u><u>\$2,980,397</u></u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

The **Redevelopment Agency** began making annual interest and principal payments on its advance beginning July 1, 2004 with final repayment by fiscal year 2014. The interest rate is subject to an annual reset at average-cost-of-funds rate (twelve-month average investments earnings rate.) Principal and interest payments are reviewed annually during the budgeting process, with the intention of accelerating repayment when possible.

Sewer and Storm Sewer funds make annual principal and interest payment on July 1, with final repayment by fiscal year 2023. The interest rate is subject to an annual reset at average-cost-of-funds rate (twelve-month average investments earnings rate.) Principal and interest payments are reviewed annually during the budgeting process, with the intention of accelerating repayment when possible.

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2007 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
General Fund	Non-Major Governmental Funds	\$170,000	A
Redevelopment Agency Low Income Housing Fund	Redevelopment Agency Fund	1,847,409	B
Development Deferred Improvement Fund	Non-Major Governmental Funds	390,473	A
Non-Major Governmental Funds	Development Deferred Improvement Fund	39,950	C
	Redevelopment Agency Fund	1,497,189	D
	Non-Major Governmental Funds	<u>1,061,137</u>	A, C
Total Interfund Transfers		<u><u>\$5,006,158</u></u>	

(A) To fund grant expenditures

(B) To fund the twenty percent set-aside in the Redevelopment Agency Low Income Housing Fund

(C) To fund debt service

(D) To fund Redevelopment Agency capital projects from bond proceeds.

D. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE

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

Davis Mutual Housing Association	\$5,002,031
Davis Campus Cooperatives	1,005,640
Windmere II	1,213,146
Franklin Cooperative	1,173,177
Walnut Terrace	3,474,055
Tremont Green	2,722,379
Moore Village	3,811,415
Eleanor Roosevelt	2,094,841
Pence Gallery	98,432
Oakshade East	900,000
Other Commercial Rehabilitation, Housing Rehabilitation, and Affordable Housing	2,555,005
Davis Musical Theater	48,652
Employee Computer Loans	169,015
Royal Oaks Mobile Home Park	34,627
	<hr/>
Total Loans Receivable	24,302,415
Mortgages Receivable	936,340
	<hr/>
Total Loans and Mortgages Receivable	<u><u>\$25,238,755</u></u>

A. Davis Mutual Housing Association

The City entered into two agreements with the Davis Mutual Housing Association for affordable housing. Under the terms of the first agreement, the City loaned \$3,950,000 to assist in the development of affordable housing located at 3023 Albany Avenue. This agreement is guaranteed by four promissory notes based on different funding sources. These notes bear no annual interest. One of the promissory notes in the amount of \$807,396 requires monthly payments of \$1,346, that began on January 10, 2002, with a final payment of \$1,142 on January 10, 2052. The other three promissory notes require a total monthly payment of \$5,239, beginning January 10, 2006, with a total final payment of \$4,443 on January 10, 2056.

Under the terms of the second agreement, the City loaned \$1,271,190 to the Association to develop an affordable multi-family housing project consisting of thirty-six units. This note bears 3% interest and payments are to be made from residual cash flows. The remaining outstanding principal will be due on May 21, 2033.

Both agreements are secured by deeds of trust. As of June 30, 2007 the Association has drawn down \$5,002,031.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

B. *Davis Campus Cooperatives*

The City entered into two agreements with Davis Campus Cooperatives for affordable housing. Under the terms of the first agreement, the City loaned \$375,000 to assist in the development of affordable housing located at 1752 Drew Circle. The note bears annual interest of 6%. Monthly payments of \$2,248 commenced November 1, 2000. The remaining outstanding principal and any accrued but unpaid interest will be due on April 21, 2030. Under the second agreement, the City loaned \$642,000 to the same project. This note bears zero interest and payments are to be made from residual cash flows. The remaining outstanding principal will be due on April 21, 2030. Both agreements are secured by deeds of trust. The balance of the loans receivable arising from these two notes at June 30, 2007 was \$1,005,640.

C. *Windmere II*

The Redevelopment Agency of the City of Davis entered into two agreements with Windmere II for affordable housing. Under the terms of the first agreement, the Agency loaned \$445,000 to assist in the development of affordable housing located at 3100 Fifth Street. The note bears 3% simple interest. Annual interest only payments begin July 1, 2000. Commencing July 1, 2005, principal and interest payments are due annually with final payment expected in 2035. Under the terms of the second agreement, the Agency loaned \$148,000 to assist in the development of affordable housing located at 3100 Fifth Street. The note bears 3% simple interest and payments are to be made from residual cash flows. Annual interest only payments begin July 1, 2000.

The City also entered into two agreements with Windmere II for affordable housing. Under the terms of the first agreement, the City loaned \$476,190 to assist in the development of affordable housing located at 3100 Fifth Street. The note bears 3% simple interest. Payments are to be made from residual cash flow. Under the terms of the second agreement, the City loaned \$151,824 to assist in the development of affordable housing located at 3100 Fifth Street. The note bears 3% simple interest and payments are to be made from residual cash flows. Annual interest only payments begin July 1, 2001.

Commencing July 1, 2005, annual principal and interest payments are due with final payment expected in 2035. Both agreements are secured by deeds of trust. The balance of the loans receivable arising from these notes at June 30, 2007 was \$1,213,146.

D. *Franklin Cooperative*

The Redevelopment Agency of the City of Davis entered into an agreement with the Davis Area Cooperative Housing Association for affordable housing. Under the terms of the agreement, the Agency loaned \$1,140,000 for acquisition of affordable housing units located at 5503, 5509, 5515, 5521, 5527, 5533 and 5539 Tufts Street. The note bears interest of 5.5% interest. Commencing March 1, 2003, principal and interest payments are due monthly in the amount of \$6,473 with final payment expected in 2033. The agreement is secured by a deed of trust.

The City entered into another agreement with Davis Area Cooperative Housing Association for affordable housing. Under the terms of the agreement, the City loaned an additional \$100,000 to fund the acquisition of property located at 5503, 5509, 5515, 5521, 5527, 5533 and 5539 Tufts Street. The note bears no annual interest. Commencing January 1, 2013, annual principal payments are due in the amount of \$10,000. The final payment is due on January 1, 2023. The agreement is secured by a deed of trust.

The balance of the loans receivable arising from these notes at June 30, 2007 was \$1,173,177.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

E. *Walnut Terrace*

The Redevelopment Agency of the City of Davis entered into an agreement with Walnut Terrace Limited Partnership for affordable housing. Under the terms of the agreement, the Agency loaned \$2,108,792 interest free to assist in the development of affordable senior multi-family housing project consisting of thirty units located at 3101 Fifth Street. Subsequently, Walnut Terrace Limited secured other financing and repaid \$278,372 to the Agency. If the project generates any residual cash flow, 100% of the residual cash flow shall be paid to the Agency in the form of an annual payment, commencing November 1, 2005. All unpaid principal is due on November 1, 2060. The agreement is secured by a deed of trust.

The City also entered into an agreement with Walnut Terrace Limited Partnership for affordable housing. Under the terms of the agreement, the City loaned \$2,251,208 interest free to assist in the development of the same project discussed above. Subsequently, Walnut Terrace Limited secured other financing and repaid \$607,573 to the City. If the project generates any residual cash flow, 100% of the residual cash flow shall be paid to the City in the form of an annual payment, commencing November 1, 2005. All unpaid principal is due on November 1, 2060. The agreement is secured by a deed of trust.

The balance of the loans receivable arising from these notes at June 30, 2007 was \$3,474,055.

F. *Tremont Green*

The Redevelopment Agency and the City of Davis entered into an agreement with Yolo Mutual Housing Association for affordable housing. Under the terms of the agreement, the Agency and the City loaned \$2,722,379 for construction of a thirty-six unit residential rental property located at El Macero Estates. The note bears 3.0% interest. If the project generates any residual cash flow, principal and interest payments are due annually with final payment expected in 2058. The agreement is secured by a deed of trust.

The balance of the loan receivable arising from this note at June 30, 2007 was \$2,722,379.

G. *Moore Village*

The Redevelopment Agency and the City of Davis entered into an agreement with Yolo Mutual Housing Association for affordable housing. Under the terms of the agreement, the Agency and the City loaned \$3,811,415 for construction of a fifty-nine unit apartment complex. The note bears 3.0% simple interest. If the project generates any residual cash flow, principal and interest payments are due annually with final payment expected in 2059. The agreement is secured by a deed of trust.

The balance of the loan receivable arising from this note at June 30, 2007 was \$3,811,415.

H. *Eleanor Roosevelt*

The Redevelopment Agency and the City of Davis entered into an agreement with Davis Senior Housing Cooperative for affordable housing. Under the terms of the agreement, the Agency and City of Davis have approved a loan in the amount not to exceed \$4,250,000 for the construction of a sixty unit senior residential rental property. The note bears no interest for the first fifteen years, 6% simple interest for the next fifteen years, and 3% simple interest for the remaining twenty five years. The payments are to be made from residual cash flow. Commencing December 2020, annual principal and interest payments are due with final payment expected in 2060. The loan is secured by deeds of trust.

The balance of the loan receivable arising from this note at June 30, 2007 was \$2,094,841.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

I. Pence Gallery

The Redevelopment Agency of the City of Davis entered into a loan agreement with Pence Gallery Association to assist in repayment of construction loans and development impact fees. Under the terms of agreement the Agency loaned the Association \$123,040. The note bears no annual interest. The loan is due and payable in March 2011. However, the Agency will forgive 20% of the principal loan amount on each loan agreement anniversary date if the Association continues to operate and maintain the Gallery for artistic exhibits and events. The balance of the loan receivable arising from this note at June 30, 2007 was \$98,432.

J. Oakshade East

The Redevelopment Agency of the City of Davis entered into an agreement with Yolo Mutual Housing Association and Sacramento Mutual Housing Association to develop 60 to 70 affordable two, three, and four bedroom apartments. Under terms of the agreement the Agency loaned the associations \$900,000. The note bears simple interest at 3%. If the projects generate any residual cash flow, principle and interest payments are due annually with final payment expected in 2065.

K. Other Commercial Rehabilitation, Housing Rehabilitation and Affordable Housing

The City and the Agency engage in programs designed to encourage construction or improvement in low-to-moderate-income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the terms of the loan agreements. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue or a reserve of fund balance, as they are not expected to be repaid during the next fiscal year. The balance of the loans receivable arising from these programs at June 30, 2007 was \$2,555,005.

L. Other Loan Receivables

The City entered into an agreement with the Davis Musical Theatre Company to assist in constructing tenant improvements in the building, to convert it into a theater. The original principal balance was \$50,000 and bears interest at 4.8%. It is to be repaid through monthly installments of \$261.43 commencing on April 1, 2005 and continuing until December 20, 2007. April, May, and June payments were made subsequent to year end. As of June 30, 2007, the principal balance was \$48,652.

The City began a loan program to assist its employees with the purchase of personal computers. These loans are for a maximum of \$3,000 for loans given before June 2007, and \$2,000 for loans given in or after June 2007, bear no interest and are repaid by monthly deductions from the employee paychecks. As of June 30, 2007, the loans outstanding amounted to \$169,015.

The City entered into an agreement with Royal Oaks Mobile Home Park to assist in financing the water connection to the City water lines. The original principal balance was \$138,160 and bears interest at 8%. It is to be repaid through monthly payments by 2009. The principal balance at June 30, 2007 was \$34,627.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

M. *Mortgages Receivable*

The City has an agreement with the developers of low-to-moderate-income housing to defer certain developer fees so those houses can be sold at a lower cost to the home buyers. This fee is collected from the homeowners by the City, and is considered a loan. These loans are secured by second trust deeds on the property. One of these loans totaling \$31,569 has been made to a City employee. Although these mortgages are expected to be repaid in full, their balance has been offset by deferred revenue or a reserve of fund balance, as they are not expected to be repaid during the next fiscal year. The balance of all the mortgages receivables at June 30, 2007 was \$936,340.

N. *Conditional Grants*

The City has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and-moderate-income housing. These loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for these loans as conditional grants in the Entity-wide financial statements, and provides a reserve against their eventual forgiveness using the straight-line method over the life of the respective loan.

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. GASB Statement 34 allows the City up to four years to record all its historical infrastructure assets.

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

Buildings	50 years
Improvements	15 years
Vehicles	3-20 years
Computers	5-7 years
Equipment	15 years
Streets	25-40 years
Parks and Greenbelts	25-50 years
Belt/Pedestrian Pathways	75 years
Utility Underground Systems	30-50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance at June 30, 2006	GASB 34 Adjustments	Additions	Retirements	Transfers	Balance at June 30, 2007
Governmental Activities						
Capital assets not being depreciated:						
Land	\$15,121,542	\$49,437,133				\$64,558,675
Construction in progress	27,022,483	(3,144,070)	\$394,939			24,273,352
Total capital assets not being depreciated	42,144,025	46,293,063	394,939			88,832,027
Capital assets being depreciated:						
Buildings	23,387,129	2,936,743	77,843		\$471,651	26,873,366
Improvements	22,103,239	(17,377,026)	237,110		(471,651)	4,491,672
Vehicles	8,379,129	663,273	1,011,834	(\$481,124)		9,573,112
Computer and equipment	10,091,463	(7,988,405)	421,279	(119,298)		2,405,039
Infrastructure:						
Streets	2,548,968,128	(2,309,271,726)	487,100			240,183,502
Parks and greenbelts	3,515,728	48,989,374	259,792			52,764,894
Bike/Pedestrian Pathways		11,229,181				11,229,181
Total capital assets being depreciated	2,616,444,816	(2,270,818,586)	2,494,958	(600,422)		347,520,766
Less accumulated depreciation for:						
Buildings	(7,407,709)	(2,805,257)	(631,038)		(234,620)	(11,078,624)
Improvements	(15,493,079)	13,487,145	(701,435)		234,620	(2,472,749)
Vehicles	(5,009,469)	514,049	(697,716)	462,028		(4,731,108)
Computer and equipment	(8,441,723)	7,346,010	(290,187)	118,679		(1,267,221)
Infrastructure						
Streets	(798,268,531)	716,171,385	(6,915,412)			(89,012,558)
Parks and greenbelts	(14,214)	(21,154,843)	(4,206,662)			(25,375,719)
Bike/Pedestrian Pathways		(2,937,694)	(161,974)			(3,099,668)
Total accumulated depreciation	(834,634,725)	710,620,795	(13,604,424)	580,707		(137,037,647)
Net capital assets being depreciated	1,781,810,091	(1,560,197,791)	(11,109,466)	(19,715)		210,483,119
Governmental Activities Capital Assets, Net	\$1,823,954,116	(\$1,513,904,728)	(\$10,714,527)	(\$19,715)		\$299,315,146

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2006	GASB 34 Adjustments	Additions	Retirements	Transfers	Balance at June 30, 2007
<i>Business-type Activities</i>						
Capital assets, not being depreciated:						
Land	\$5,822,878					\$5,822,878
Construction in progress	7,559,482	\$2,478,080	\$1,349,677		(\$3,888,638)	7,498,601
Total capital assets not being depreciated	13,382,360	2,478,080	1,349,677		(3,888,638)	13,321,479
Capital assets, being depreciated:						
Buildings and improvements	4,308,811		78,394			4,387,205
Water wells, pumps and related	8,686,400	34,820,595			2,200,603	45,707,598
Water distribution system	27,307,716	29,864,315	1,522,791		406,855	59,101,677
Sewer treatment plant	27,057,226	14,942,775				42,000,001
Sewer pipes and pipelines	16,378,511	17,778,972	1,574,120			35,731,603
Drainage facilities	13,535,658	86,086,508	383,668		577,517	100,583,351
Equipment	9,317,801	14,108,420	290,155	(\$2,080)	703,663	24,417,959
Net capital assets being depreciated	106,592,123	197,601,585	3,849,128	(2,080)	3,888,638	311,929,394
Less accumulated depreciation for:						
Buildings and improvements	(818,771)		(108,458)			(927,229)
Water wells, pumps and related	(2,529,560)	(6,557,345)	(1,049,229)			(10,136,134)
Water distribution system	(11,798,429)	(3,054,329)	(1,008,651)			(15,861,409)
Sewer treatment plant	(10,152,508)	(11,227,493)	(840,001)			(22,220,002)
Sewer pipes and pipe lines	(6,109,263)	(1,940,472)	(741,325)			(8,791,060)
Drainage facilities	(5,441,794)	(12,040,151)	(1,718,929)			(19,200,874)
Equipment	(1,654,681)	(4,360,402)	(1,049,434)	2,080		(7,062,437)
Total accumulated depreciation	(38,505,006)	(39,180,192)	(6,516,027)	2,080		(84,199,145)
Net capital assets being depreciated	68,087,117	158,421,393	(2,666,899)		3,888,638	227,730,249
Business-type Activities Capital Assets, Net	\$81,469,477	\$160,899,473	(\$1,317,222)			\$241,051,728

B. GASB 34 Implementation Adjustments

Since the implementation of GASB Statement 34 in fiscal year 2002-03, the City had been in process of recording the historical costs and depreciation of infrastructure assets to comply with the Statement. In fiscal year 2006-07, the City concluded the process by completing a capital assets valuation study. The results of this study were included in the City's financial reports for the fiscal year ended June 30, 2007, and resulted in accounting adjustments. The results of these accounting adjustments are reported as GASB 34 Implementation Adjustments.

C. Capital Asset Contributions

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

<p style="text-align: center;">CITY OF DAVIS, CALIFORNIA Notes to Basic Financial Statements</p>

<p>NOTE 5 - CAPITAL ASSETS (Continued)</p>

D. Depreciation Allocation

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

Governmental Activities

City council	\$373
City manager	35,036
Finance	916
Community development	7,505
Parks and community services	3,590,551
Public safety - fire	170,451
Public safety - police	336,187
Public works	8,484,025
Internal Service Fund	979,380

Total Governmental Activities	<u>\$13,604,424</u>
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Business-Type Activities

Water	\$2,652,811
Sanitation	39
Sewer	2,040,938
Storm sewer	1,721,363
Public transit	100,876

Total Business-Type Activities	<u>\$6,516,027</u>
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CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT

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

A. The City's Long-Term Debt

The City's long-term debt activities for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
<i>Governmental Activities Long-Term Debt:</i>					
<i>Redevelopment Agency Bonds:</i>					
2000 Tax Allocation Refunding Bonds 4.625%-5.30%	\$12,700,000		\$12,700,000		
2003 Tax Allocation Refunding Bonds 2.00%-5.00%, due 09/01/34	9,055,000		120,000	\$8,935,000	\$150,000
2007 Tax Allocation Refunding Bonds 4.00%-4.25%, due 9/1/2030		\$12,140,000		12,140,000	300,000
2007 Taxable Housing Tax Allocation Bonds 5.50%, due 9/1/2037		8,675,000		8,675,000	350,000
Special Assessment Payable Due 06/30/09	236,814		74,671	162,143	78,938
<i>Certificates of Participation:</i>					
1995 Association of Bay Area Governments 5.00%-6.50%, due 03/01/16	1,515,000		115,000	1,400,000	120,000
1994 City of Davis Certificates of Participation 6.50%, due 07/01/14	230,000		25,000	205,000	25,000
<i>Capital Lease Obligation</i>					
Central Controller and Ancillary Equipment 4.77%, due 10/1/11	1,051,581		155,498	896,083	162,915
Total Governmental Activities Long-Term Debt	<u>\$24,788,395</u>	<u>\$20,815,000</u>	<u>\$13,190,169</u>	<u>\$32,413,226</u>	<u>\$1,186,853</u>
<i>Business-type Activities Long-Term Debt</i>					
State Revolving Fund Loan #1 2.7%, due 7/25/15	\$2,614,162	\$62,648	\$293,852	\$2,382,958	\$293,852
State Revolving Fund Loan #2 2.6%, due 5/1/19	8,227,010	195,946	690,637	7,732,319	690,636
Department of Water Resources Loan #1 2.5%, due 10/1/11	1,609,058		276,506	1,332,552	283,314
Department of Water Resources Loan #2 2.6%, due 9/30/22	4,531,262		207,427	4,323,835	212,630
Sewer System Capital Improvement Loan 5.5%, due 12/15/18	1,859,400		106,840	1,752,560	112,797
Total Business-type Activities Long-Term Debt	<u>\$18,840,892</u>	<u>\$258,594</u>	<u>\$1,575,262</u>	<u>\$17,524,224</u>	<u>\$1,593,229</u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Future principal and interest payments on all Governmental and Business-type long-term debt were as follows at June 30, 2007:

For the Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$1,186,853	\$1,514,729	\$1,593,229	\$237,759
2009	988,892	1,480,962	1,373,978	457,054
2010	948,828	1,434,813	1,412,347	418,683
2011	997,358	1,391,253	1,452,842	378,191
2012	1,041,295	1,345,002	1,336,818	336,614
2013-2017	4,535,000	6,036,583	6,166,086	1,120,050
2018-2022	4,625,000	4,995,705	3,714,585	287,060
2023-2027	5,800,000	3,821,045	474,339	12,408
2028-2032	7,135,000	2,278,953		
2033-2037	4,595,000	620,878		
2038	560,000	15,807		
Total	<u>\$32,413,226</u>	<u>\$24,935,730</u>	<u>\$17,524,224</u>	<u>\$3,247,819</u>

C. Description of the City's Long-Term Debt Issues

2000 Tax Allocation Refunding Bonds - On November 15, 2000, the Redevelopment Agency of the City of Davis issued the 2000 Tax Allocation Refunding Bonds in the amount of \$13,000,000. The proceeds from the sale of Bonds were used to aid the financing of the Redevelopment projects and refunding of the outstanding balance of the 1997 Tax Allocation Bonds. On February 20, 2007 outstanding principal of \$12,430,000 of the Bonds were refunded by the 2007 Tax Allocation Refunding Bonds as discussed below.

2003 Tax Allocation Refunding Bonds – On October 30, 2003, the Redevelopment Agency of the City of Davis issued the 2003 Tax Allocation Refunding Bonds in the amount of \$9,625,000. The proceeds from the sale of the Bonds were used to refund the Agency's outstanding Davis Redevelopment Project 1994 Tax Allocation Bonds. Agency's tax increment revenue is pledged for the repayment of these bonds. Principal payments are payable annually on September 1 and interest is payable semi-annually each March 1 and September 1 through 2034.

2007 Tax Allocation Refunding Bonds – On February 20, 2007, the Redevelopment Agency of the City of Davis issued the 2007 Tax Allocation Refunding Bonds in the amount of \$9,625,000. The proceeds from the sale of the Bonds were used to refund the Agency's outstanding Davis Redevelopment Project 2000 Tax Allocation Refunding Bonds. Agency tax increment revenue is pledged for the repayment of these bonds. The refunding resulted in an overall cash savings of \$2,590,856 and an economic gain of \$793,927. Interest is payable semi-annually each March 1 and September 1 and principal payments are payable annually on September 1 through 2030.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

2007 Taxable Housing Tax Allocation Bonds – On February 20, 2007, the Redevelopment Agency of the City of Davis issued the 2007 Taxable Housing Tax Allocation Bonds in the amount of \$8,675,000. The proceeds from the sale of the Bonds were used to aid the financing of redevelopment activities consisting of the increasing, improving and preserving of the supply of low and moderate income housing within the City. Agency housing tax revenue is pledged for the repayment of these bonds. Interest is payable semi-annually each March 1 and September 1 and principal payments are payable annually on September 1 through 2037.

Redevelopment Agency Special Assessment Payable - The Redevelopment Agency is responsible for paying the Special Assessment of \$887,517 levied on property it owns by the City of Davis Parking Assessment District #3 through June 30, 2009. The debt service payment for fiscal year 2007 amounted to \$89,117, which included \$74,671 of principal and \$14,446 of interest.

1995 Certificates of Participation - On March 1, 1995, the City issued Certificates of Participation in the original principal amount of \$2,410,000 as part of an agreement with Association of Bay Area Governments (ABAG) to finance the installation and construction of improvements to its municipal golf course and the acquisition of two park sites. The Certificates are secured by a noncancellable lease. Principal payments are payable annually on March 1 and interest payments payable semi-annually on September 1 and March 1, through March 2016. Since the lease is in essence a financing arrangement with ownership of the financed assets reverting to the City, the debt evidenced by the Certificates of Participation has been included in the City's financial statements.

1994 Certificates of Participation - The City issued Certificates of Participation in the original principal amount of \$405,000 for the 1994 Hunt-Boyer Mansion Administrative Office Facility Project. The Certificates are secured by a noncancelable lease. Principal payments are payable annually on July 1 and interest payments payable semi-annually on January 1 and July 1, through July 2014. Since the lease is in essence a financing arrangement with ownership of the financed assets reverting to the City, the debt evidenced by the Certificates of Participation has been included in the City's financial statements.

Capital Lease Obligation – On July 1, 2004, the City entered into \$1,200,000 equipment lease-purchase agreement with Motorola, Inc. for the partial financing of a public safety radio tower. The lease interest and principal payments are due annually on October 1 with a final payment due on October 1, 2011. The lease is payable from general government revenues.

State Revolving Fund Loan #1 - The City entered into a contract in February 1994 to borrow funds from the State Water Resources Control Board. The funds are being used for a Wetland Project and a Pollution Load Reduction Program to improve water quality. The maximum loan amount is \$4,900,000 and bears interest at 2.7% per year for a term of twenty years.

State Revolving Fund Loan #2 - The City entered into a contract in March 1997 to borrow funds from the State Water Resources Control Board. The funds are being used for a Water Pollution Control Plant Expansion upgrade to the existing wastewater treatment facility to meet the City's future wastewater treatment needs. The maximum loan amount is \$10,603,414 and bears interest at 2.6% per year for a term of twenty years.

Department of Water Resources Loan #1 - The City entered into a contract with the Department of Water Resources to borrow funds to finance a water conservation project. The loan cannot exceed \$4,485,000 and bears interest at 2.5% per year. Repayment of principal commences upon completion of the project for a period not to exceed fifteen years.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

Department of Water Resources Loan #2 - The City entered into a contract with the Department of Water Resources to borrow funds to assist in the funding of the City's Water Storage Tank project. The loan cannot exceed \$5,000,000 and bears interest at 2.6% per year. Repayment of principal commences upon completion of the project for a period not to exceed twenty years.

Sewer System Capital Improvement Loan - On December 15, 1998, the City entered into an installment sale agreement in the amount of \$2,500,000 with LaSalle National Bank for the purchase of the 1998 Sewer System Improvement Project. Principal and interest of 5.5% are payable semi-annually through December 15, 2018.

NOTE 7 - SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. 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 as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2007 is as follows:

Description	Issue Year	Maturity Year	Outstanding June 30, 2007
Parking Assessment District #3, \$2,080,000 original principal	1993	2009	\$555,000
University Research Park Improvement, \$2,265,000 original principal	1993	2018	1,520,000
Public Facilities Financing Authority, \$9,785,000 original principal	1999	2030	9,785,000
Community Facilities District No. 1999-2 \$9,640,000 original principal	2000	2024	6,265,000
Public Facilities Financing Authority, \$5,355,000 original principal	2004	2016	4,180,000
Community Facilities District No. 1991-2 \$14,115,000 original principal	2007	2026	14,115,000
Total			<u>\$36,420,000</u>

NOTE 8 - NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 8 - NET ASSETS AND FUND BALANCES (Continued)

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

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

B. Fund Equity

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

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

C. Fund Deficits

As of June 30, 2007, the City Self-Insurance Internal Service Fund had negative net assets of \$996,852 which is expected to be repaid by future contributions from other funds.

NOTE 9 - COMPARISONS WITH BUDGET

The following funds incurred council approved expenditures in excess of their budgets in the amounts below as the result of unanticipated disbursements, for which sufficient additional revenues were available for the year ended June 30, 2007:

	<u>Expenditures in Excess of Budget</u>
Special Revenue Funds:	
Historical Fund	\$1,671
Public Facility Fund	4,350
Redevelopment Agency Debt Service Fund	331,929

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2007, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3%	1.426-2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	21.106%	9.245%

The City's labor contracts require it to pay employee contributions as well as its own.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (Continued)

The Plans' actuarial value (which differs from market value) and funding progress over the most recent past three years available are set forth below at their actuarial valuation date of June 30. In fiscal year 2004, the City combined the Safety Plan for Police and Fire into one plan. Actuarial valuations are shown for combined valuation for 2003, 2004, and 2005.

Safety Plan - Combined:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$50,201,405	\$43,919,151	\$6,282,254	87.5%	\$6,110,085	102.8%
2004	54,072,216	46,719,425	7,352,791	86.4%	6,693,720	109.8%
2005	59,716,043	50,738,465	8,977,578	85.0%	7,093,447	126.6%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$66,167,646	\$64,421,533	\$1,746,113	97.4%	\$15,394,873	11.3%
2004	72,778,662	68,552,680	4,225,982	94.2%	15,785,376	26.8%
2005	80,546,708	73,568,760	6,977,948	91.3%	17,298,871	40.3%

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Actuarially required contributions for fiscal years 2007, 2006 and 2005 were \$5,929,741, \$4,921,701, and \$3,980,043, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

B. Postemployment Health Care Benefits

The City provides health care benefits for retired employees and their dependents based on negotiated employee bargaining unit contracts. All Public Safety Employees that retired from City service are eligible for City payment of health care premiums at 100%, up to the amount equal to the premium for the group health insurance available through PERS for the Kaiser-North plan.

All Miscellaneous employees that were hired prior to July 1, 1996, that retired from City service are eligible for City payment of health care premiums at 100%, up to the amount equal to the premium for the group health insurance available through PERS for the Kaiser-North plan.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (Continued)

Miscellaneous employees hired after July 1, 1996, that retired from City service are eligible for City payment of health care premiums up to the amount equal to the premium for the group health insurance available through PERS for the Kaiser-North plan on the following percentage scale. For the time period between retirement and age 60 the City pays 50% and for the time period after age 60 the City pays 100%.

Expenditures for post-retirement health care benefits are recorded on a pay as you go basis. Currently, 149 retirees meet the eligibility requirements and are receiving health benefits paid directly by the City to PERS. During fiscal year ended June 30, 2007 the City incurred \$1,195,954 in costs related to providing these benefits.

NOTE 11 – DEFERRED COMPENSATION

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

NOTE 12 - RISK MANAGEMENT

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. Risk Coverage

The City is a member of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) which provides coverage for general and auto liability, property, workers' compensation, fidelity and boiler and machinery claims. Once the City's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. In addition, the California Joint Powers Risk Management Authority (CJPRMA), United States Fidelity and Guarantee Company, CSAC-EIA, National Union and Great American Alliance Insurance provide coverage for amounts in excess of YCPARMIA's limits. During the fiscal year ended June 30, 2007, the City contributed \$1,621,973 for coverage.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 12 - RISK MANAGEMENT (Continued)

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The following types of loss risks are covered by the above authorities under the terms of their respective joint-powers agreements and through commercial insurance policies as follows:

Type of Coverage	Deductible	Coverage Limits
General Liability and Auto Liability	\$5,000	\$40,000,000
Workers' Compensation	1,000	145,000,000 per occurrence
Property	1,000	527,409,854
Fidelity Coverage	1,000	1,000,000
Underground Storage Tank	25,000	1,000,000

Financial statements for the risk pools may be obtained from YCPARMIA at 77 West Lincoln Avenue, Woodland, CA 95695 and from CJPRMA at 6140 Stoneridge Mall Road, Suite 389, Pleasanton, CA 94588-3235.

For the years ended June 30, 2007, 2006, and 2005 the amount of settlement did not exceed insurance coverage.

B. Insurance Internal Service Funds

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured *General Liability Claims*, including claims incurred but not reported is reported in the City's Self-Insurance Internal Service Fund. The liability is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2007	2006
Beginning balance	\$38,184	\$51,507
Liability for current fiscal year claims	35,000	15,000
Decrease in estimated liability for prior year claims	(30,387)	(6,745)
Payments made on current year claims	(523)	
Payments made on prior year claims	(2,797)	(21,578)
Ending balance	<u>\$39,477</u>	<u>\$38,184</u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 12 - RISK MANAGEMENT (Continued)

The change in the *Workers' Compensation Claims* liability, including claims incurred but not reported, is reported in the City's Self-Insurance Internal Service Fund. This liability is based on an independent actuarial study prepared annually and was computed as follows at June 30:

	2007	2006
Beginning balance	\$14,741	\$17,153
Liability for current fiscal year claims	23,000	21,000
Decrease in estimated liability for prior year claims	(8,826)	(10,547)
Payments made on current year claims	(14,488)	(6,923)
Payments made on prior year claims	(5,915)	(5,942)
Ending balance	<u>\$8,512</u>	<u>\$14,741</u>

The City's liability for uninsured *Long-Term Disability* claims is reported in the City's Self-Insurance Internal Service Fund. The liability is based on a City computed potential future liability adjusted by a present value factor and was computed as follows at June 30:

	2007	2006
Beginning balance	\$661,104	\$646,018
Liability for current fiscal year claims		2,673
Increase in estimated liability for prior year claims	(177,892)	116,222
Payments made on current year claims		(2,673)
Payments made on prior year claims	(89,626)	(101,136)
Ending balance	<u>\$393,586</u>	<u>\$661,104</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

The State of California believes the Agency is responsible for clean-up of certain real property located in downtown Davis which has been identified as environmentally contaminated, the Agency does not agree. The Agency could be obligated by State and/or federal agencies to provide resources to remediate all or a portion of the contamination. Management has not been able to determine the extent of the contamination or the costs to the Agency for cleanup, if any; accordingly, no provision for any loss which may result has been recorded.

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

BUDGETED MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS

DEVELOPMENT DEFERRED IMPROVEMENT

This fund accounts for collections from property developers at time of subdivision for specific major offsite public improvements that impose a burden cost on the newly developed areas and that will be constructed at a later date.

CITY OF DAVIS
DEVELOPMENT DEFERRED IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$296,032	\$1,088,314	\$792,282
Development fees	1,930,000	1,247,564	(682,436)
Other		458	458
Total Revenues	<u>2,226,032</u>	<u>2,336,336</u>	<u>110,304</u>
EXPENDITURES			
Current:			
Finance	76,719	79,753	(3,034)
Parks and community services	25,000		25,000
Public works	15,000		15,000
Special projects	75,235	103,487	(28,252)
Capital improvements	<u>2,756,481</u>	<u>1,748,782</u>	<u>1,007,699</u>
Total Expenditures	<u>2,948,435</u>	<u>1,932,022</u>	<u>1,016,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(722,403)</u>	<u>404,314</u>	<u>1,126,717</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		390,473	390,473
Transfers (out)	<u>35,600</u>	<u>(39,950)</u>	<u>(75,550)</u>
Total Other Financing Sources (Uses)	<u>35,600</u>	<u>350,523</u>	<u>314,923</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$686,803)</u>	<u>754,837</u>	<u>\$1,441,640</u>
BEGINNING FUND BALANCE		<u>22,264,723</u>	
ENDING FUND BALANCE		<u>\$23,019,560</u>	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds account for the proceeds derived from specific revenue sources that are legally restricted to expenditures for specified purposes.

GAS TAX

This fund accounts for receipts and expenditures of funds apportioned to the City under the State Streets and Highways Code Section 2105, 2106, 2107 and 2107.5. The allocations are restricted for maintenance and construction of streets and roads.

TDA NON-TRANSIT USE

This fund accounts for funds received by the City under the State Transportation Development Act that are used for the maintenance and construction of streets, roads and bicycle or pedestrian facilities.

OPEN SPACE

This fund accounts for revenue from the Open Space Preservation Tax. Such tax revenues will be used to fund open space preservation and acquisition.

PARK MAINTENANCE TAX

This fund accounts for the receipts of the City's Parks Maintenance Tax, which provides the funding for the maintenance of community parks, greenbelts, open space, swimming pools and related public facilities.

CABLE TV

This fund accounts for receipts and expenditures of the City's local Cable TV activities.

PUBLIC SAFETY

This fund accounts for receipts and expenditures of funds produced by the Public Safety fee charged to each parcel within the City. The fee was implemented by City ordinance and may be expended only for Public Safety purposes.

HOUSING IN-LIEU

This fund accounts for payments received from developers in lieu of directly providing low-cost housing units. The purpose of the fee is to promote affordable housing opportunities.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

MUNICIPAL ARTS

This fund accounts for funds produced by City ordinance requiring a contribution for works of art equal to at least one percent of the cost from each City construction project. A contribution is not required where source funds restrictions will not permit it as a legitimate project expenditure and funds generated must be used for art acquisition.

CONSTRUCTION TAX

This fund accounts for receipts and expenditures of the City's Construction Tax on local building activity.

SUBDIVISION IN-LIEU PARK FEES

This fund accounts for receipts and expenditures of funds from the City's In Lieu Park fee charged against property at subdivision. Collections may be expended only for the purpose of providing land for park or recreational facilities.

IN-LIEU OF PARKING PAYMENTS

This fund accounts for payments received from developers in lieu of the on-site parking required for projects in certain zoning areas in the City. Receipts must be expended to acquire and/or develop off-street parking and related facilities.

FEDERAL/STATE HIGHWAY GRANTS

This fund accounts for receipts and expenditures related to grants received for highway construction projects.

COMMUNITY DEVELOPMENT BLOCK GRANT

This fund accounts for financial activity under the Federal Department of Housing and Urban Development Block Grant Program.

OPERATIONAL GRANTS

This fund accounts for the receipt of various grants from State and Federal sources restricted to expenditure for specific programs or services.

AGRICULTURE LAND ACQUISITION

This fund accounts for the receipts of in lieu fees for agricultural mitigation.

BUILDING PERMITS AND FEES

This fund accounts for the collection of building permit fees and related expenditures.

DAVISVILLE BOOK FUND

This fund accounts for funds received from the sale of "Davisville '68, the History and Heritage of the City of Davis," published by the Davis Historical Commission.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

HISTORICAL FUND

This fund accounts for proceeds of fund raising activities of the Davis Historical and Landmarks Commission and the expenditure of those proceeds for the activities of the Commission.

BRINLEY/HATTIE WEBER

This fund accounts for donations to be used for the Hattie Weber Museum and related expenditures.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the payment of general long-term debt of the City and for resources accumulated for this purpose.

Funds have been created for the following long-term obligations:

- Association of Bay Area Governments Certificates of Participation
- Public Facility Certificates of Participation.
- Redevelopment Agency Bonds and Special Assessment Payable

CAPITAL PROJECTS FUNDS

Capital Projects Funds are utilized to account for resources used for the acquisition and construction of capital facilities by the City, with the exception of those assets financed by proprietary funds.

DAVIS RESEARCH PARK

The City is the custodian of funds received from the issuance of bonds for the Davis Research Park special assessment district. These funds are restricted for the construction or acquisition of improvements benefiting the District.

ARLINGTON BOULEVARD BENEFIT AREA

This fund accounts for collections of fees from the property developed in and adjacent to the Arlington Boulevard Area of Benefit and the expenditures made for development of this major street.

CAPITAL GRANTS

This fund accounts for intergovernmental grants received for specific capital projects.

DAVIS LAND ACQUISITION

This fund accounts for moneys reserved for the acquisition of land by the City of Davis.

PUBLIC FACILITIES FINANCING AUTHORITY

This fund accounts for expenditures incurred in connection with the establishment of a series of Community Facilities Districts under the State Mello-Roos Act for the construction of infrastructure and improvements.

MELLO ROOS COMMUNITY FACILITIES DISTRICT

This fund accounts for expenditures for infrastructure and improvements in the Mace Ranch Park development project financed through Mello-Roos Act bonds.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

REDEVELOPMENT AGENCY

This fund accounts for expenditures of the City's Redevelopment Agency for capital purposes in furtherance of the Redevelopment plan.

OXFORD CIRCLE PARK AND PARKING LOT

The City is the custodian of funds received from the issuance of bonds for Oxford Circle Park and Parking Lot special assessment district. These funds are restricted for the construction or acquisition of improvements benefiting the District.

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Gas Tax	TDA Non-Transit Use	Open Space	Park Maintenance Tax	Cable TV
ASSETS					
Cash and investments	\$786,920		\$2,425,207		\$1,356,905
Cash with fiscal agents					
Accrued interest	3,633		26,641		12,320
Receivables:					
General accounts			32,142	\$66,561	152,850
Grants	112,362	\$1,474,947			
Utility accounts					
Loans					
Mortgages					
Total Assets	<u>\$902,915</u>	<u>\$1,474,947</u>	<u>\$2,483,990</u>	<u>\$66,561</u>	<u>\$1,522,075</u>
LIABILITIES					
Accounts payable	\$35,938	\$9,299	\$1,056	\$2,156	\$66,101
Deposits			23,525		
Deferred revenue					
Due to other funds		474,735		64,405	
Total Liabilities	<u>35,938</u>	<u>484,034</u>	<u>24,581</u>	<u>66,561</u>	<u>66,101</u>
FUND EQUITY					
Fund balances:					
Reserved for					
Debt service					
Encumbrances	35,974	93,282	7,500		183,483
Long-term loan receivable					
Unreserved, Undesignated	831,003	897,631	2,451,909		1,272,491
Total Fund Balances	<u>866,977</u>	<u>990,913</u>	<u>2,459,409</u>		<u>1,455,974</u>
Total Liabilities and Fund Balances	<u>\$902,915</u>	<u>\$1,474,947</u>	<u>\$2,483,990</u>	<u>\$66,561</u>	<u>\$1,522,075</u>

SPECIAL REVENUE FUNDS

Public Safety	Housing In-Lieu	Municipal Arts	Construction Tax	Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Federal / State Highway Grant
\$289,305	\$182,708	\$203,182	\$1,956,540	\$266,350	\$351,317	\$1,361,705
	1,799	2,358	29,934	4,155	4,525	24,000
67,346						
152,655						
	5,093,351					
	328,523					
<u>\$509,306</u>	<u>\$5,606,381</u>	<u>\$205,540</u>	<u>\$1,986,474</u>	<u>\$270,505</u>	<u>\$355,842</u>	<u>\$1,385,705</u>
\$125			\$13,346			\$8,239
				\$49,500		
204,747	\$358,369					
<u>204,872</u>	<u>358,369</u>		<u>13,346</u>	<u>49,500</u>		<u>8,239</u>
13,952		\$522	1,862,079			121,699
	5,056,489					
290,482	191,523	205,018	111,049	221,005	\$355,842	1,255,767
304,434	5,248,012	205,540	1,973,128	221,005	355,842	1,377,466
<u>\$509,306</u>	<u>\$5,606,381</u>	<u>\$205,540</u>	<u>\$1,986,474</u>	<u>\$270,505</u>	<u>\$355,842</u>	<u>\$1,385,705</u>
						(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

SPECIAL REVENUE FUNDS

	Community Development Block Grant	Operational Grants	Agriculture Land Acquisition	Building Permits and Fees	Davisville Book Fund	Historical Fund
ASSETS						
Cash and investments	\$46,443	\$1,222,101	\$974,341	\$350,395	\$21,370	\$5,934
Cash with fiscal agents						
Accrued interest	1,706	9,989	12,449	11,346	273	93
Receivables:						
General accounts				2,650		
Grants	197,211	151,070				
Utility accounts						
Loans	1,794,478	4,052,797				
Mortgages		607,817				
Total Assets	<u>\$2,039,838</u>	<u>\$6,043,774</u>	<u>\$986,790</u>	<u>\$364,391</u>	<u>\$21,643</u>	<u>\$6,027</u>
LIABILITIES						
Accounts payable	\$17,235	\$63,328		\$52,492	\$9	\$4
Deposits						
Deferred revenue						
Due to other funds						
Total Liabilities	<u>17,235</u>	<u>63,328</u>		<u>52,492</u>	<u>9</u>	<u>4</u>
FUND EQUITY						
Fund balances:						
Reserved for						
Debt service						
Encumbrances	687,616	57,513		7,478		22
Long-term loan receivable	1,794,478	4,311,407				
Unreserved, Undesignated	(459,491)	1,611,526	\$986,790	304,421	21,634	6,001
Total Fund Balances	<u>2,022,603</u>	<u>5,980,446</u>	<u>986,790</u>	<u>311,899</u>	<u>21,634</u>	<u>6,023</u>
Total Liabilities and Fund Balances	<u>\$2,039,838</u>	<u>\$6,043,774</u>	<u>\$986,790</u>	<u>\$364,391</u>	<u>\$21,643</u>	<u>\$6,027</u>

SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
Brinley/Hattie Weber	Association of Bay Area Governments Certificates of Participation	Public Facility	Redevelopment Agency	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants
\$13,113	\$141,693	\$1,161	\$158,467	\$709,698	\$339,352	\$394,622
198	214,333		2,781			
	1,625	9		9,090	4,347	5,036
<u>\$13,311</u>	<u>\$357,651</u>	<u>\$1,170</u>	<u>\$161,248</u>	<u>\$718,788</u>	<u>\$343,699</u>	<u>\$399,658</u>
\$3	\$357,651	\$1,170	\$161,248			\$600,000
13,308				\$718,788	\$343,699	(200,342)
13,311	357,651	1,170	161,248	718,788	343,699	399,658
<u>\$13,311</u>	<u>\$357,651</u>	<u>\$1,170</u>	<u>\$161,248</u>	<u>\$718,788</u>	<u>\$343,699</u>	<u>\$399,658</u>

(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	CAPITAL PROJECTS FUND					
	Davis Land Acquisition	Public Facilities Financing Authority	Mello Roos Community Facilities District	Redevelopment Agency	Oxford Circle Park & Parking Lot	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$1,403,549	\$195,403		\$698,574	\$44,565	\$15,900,920
Cash with fiscal agents						217,114
Accrued interest	17,976	3,515		13,045	571	200,633
Receivables:						
General accounts						321,549
Grants						1,935,590
Utility accounts						152,655
Loans						10,940,626
Mortgages						936,340
Total Assets	\$1,421,525	\$198,918		\$711,619	\$45,136	\$30,605,427
LIABILITIES						
Accounts payable:				\$76		\$269,404
Deposits						73,025
Deferred revenue						563,116
Due to other funds						539,140
Total Liabilities				76		1,444,685
FUND EQUITY						
Fund balances:						
Reserved for						
Debt service						520,069
Encumbrances	\$53	\$680,275		717,635		5,069,086
Long-term loan receivable						11,162,374
Unreserved, Undesignated	1,421,472	(481,357)		(6,092)	\$45,136	12,409,213
Total Fund Balances	1,421,525	198,918		711,543	45,136	29,160,742
Total Liabilities and Fund Balances	\$1,421,525	\$198,918		\$711,619	\$45,136	\$30,605,427

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Gas Tax	TDA Non-Transit Use	Open Space	Park Maintenance Tax	Cable TV
REVENUES					
Taxes			\$627,345	\$1,315,081	\$453,706
Use of money and property	\$15,004	\$2,190	102,537		47,743
Intergovernmental	1,197,370	1,474,947	62,750		168,950
Charges for current services					
Development fees					
Other			3,175		634
Total Revenues	1,212,374	1,477,137	795,807	1,315,081	671,033
EXPENDITURES					
Current:					
City manager					
Finance					
Community development					
Parks and community services			114,479	1,315,081	485,969
Public safety - fire					
Public safety - police					
Public works	1,200,255	1,016,091			
Special projects					
Capital improvements	10,724		8,033		
Debt service:					
Principal					
Interest and fiscal charges					
Special assessment					
Total Expenditures	1,210,979	1,016,091	122,512	1,315,081	485,969
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,395	461,046	673,295		185,064
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of debt					
Payments to bond escrow agent					
Transfers in	580,000				
Transfers (out)					
Total Other Financing Sources (Uses)	580,000				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	581,395	461,046	673,295		185,064
BEGINNING FUND BALANCES	285,582	529,867	1,786,114		1,270,910
ENDING FUND BALANCES	\$866,977	\$990,913	\$2,459,409		\$1,455,974

SPECIAL REVENUE FUNDS

Public Safety	Housing In-Lieu	Municipal Arts	Construction Tax	Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Federal / State Highway Grants
\$397,074			\$371,489			
	\$43,419	\$9,532	119,747	\$17,514	\$18,251	\$92,109
125,981			16,498			1,818,873
1,783,398	79,314					
		39,018		133,329	4,000	
			2,005			
2,306,453	122,733	48,550	509,739	150,843	22,251	1,910,982
50,052						
		24,724	272,134			
			228,644			
1,066,359						
1,176,642						
			230,641			923,461
			61,690		2,550	
			719,090			
2,293,053		24,724	1,512,199		2,550	923,461
13,400	122,733	23,826	(1,002,460)	150,843	19,701	987,521
			267,412			
			(64,117)	(149,608)		(1,407,885)
			203,295	(149,608)		(1,407,885)
13,400	122,733	23,826	(799,165)	1,235	19,701	(420,364)
291,034	5,125,279	181,714	2,772,293	219,770	336,141	1,797,830
\$304,434	\$5,248,012	\$205,540	\$1,973,128	\$221,005	\$355,842	\$1,377,466

(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS					
	Community Development Block Grant	Operational Grants	Agriculture Land Acquisition	Building Permits and Fees	Davisville Book Fund	Historical Fund
REVENUES						
Taxes						
Use of money and property	\$7,151	\$40,711	\$48,041	\$30,853	\$1,098	\$378
Intergovernmental	595,251	1,183,426				
Charges for current services				1,423,305	24	
Development fees						
Other			95,000	11,344		
Total Revenues	602,402	1,224,137	143,041	1,465,502	1,122	378
EXPENDITURES						
Current:						
City manager						
Finance						
Community development				1,881,061		
Parks and community services			12,000			1,692
Public safety - fire						
Public safety - police						
Public works						
Special projects	477,301	955,595				
Capital improvements						
Debt service:						
Principal						
Interest and fiscal charges						
Special assessment						
Total Expenditures	477,301	955,595	12,000	1,881,061		1,692
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	125,101	268,542	131,041	(415,559)	1,122	(1,314)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt						
Payments to bond escrow agent						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	125,101	268,542	131,041	(415,559)	1,122	(1,314)
BEGINNING FUND BALANCES	1,897,502	5,711,904	855,749	727,458	20,512	7,337
ENDING FUND BALANCES	\$2,022,603	\$5,980,446	\$986,790	\$311,899	\$21,634	\$6,023

SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
	Association of Bay Area Governments Certificates of Participation	Public Facility	Redevelopment Agency	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants
Brinley/Hattie Weber						
\$857	\$15,809	\$38	\$33,750	\$36,511	\$17,458	\$23,439
857	15,809	38	33,750	36,511	17,458	23,439
3,166						
						482
	115,000	25,000	390,000			
	98,726	14,950	1,403,568			
			87,526			
3,166	213,726	39,950	1,881,094			482
(2,309)	(197,917)	(39,912)	(1,847,344)	36,511	17,458	22,957
			12,140,000			
			(12,727,516)			
	213,725	39,950	1,497,189			
	213,725	39,950	909,673			
(2,309)	15,808	38	(937,671)	36,511	17,458	22,957
15,620	341,843	1,132	1,098,919	682,277	326,241	376,701
\$13,311	\$357,651	\$1,170	\$161,248	\$718,788	\$343,699	\$399,658

(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	CAPITAL PROJECTS FUNDS					
	Davis Land Acquisition	Public Facilities Financing Authority	Mello Roos Community Facilities District	Redevelopment Agency	Oxford Circle Park & Parking Lot	Total Nonmajor Governmental Funds
REVENUES						
Taxes						\$3,164,695
Use of money and property	\$72,206	\$14,101		\$46,738	\$2,293	836,039
Intergovernmental						6,667,485
Charges for current services						3,286,041
Development fees						176,347
Other		602	\$1,486			114,246
Total Revenues	72,206	14,703	1,486	46,738	2,293	14,244,853
EXPENDITURES						
Current:						
City manager						
Finance	1					50,053
Community development						2,177,919
Parks and community services						2,161,031
Public safety - fire						1,066,359
Public safety - police						1,176,642
Public works						3,370,448
Special projects						1,497,136
Capital improvements		132,157	\$11,672	360,574		1,242,732
Debt service:						
Principal						530,000
Interest and fiscal charges						1,517,244
Special assessment						87,526
Total Expenditures	1	132,157	11,672	360,574		14,877,090
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	72,205	(117,454)	(10,186)	(313,836)	2,293	(632,237)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt						12,140,000
Payments to bond escrow agent						(12,727,516)
Transfers in						2,598,276
Transfers (out)						(1,621,610)
Total Other Financing Sources (Uses)						389,150
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	72,205	(117,454)	(10,186)	(313,836)	2,293	(243,087)
BEGINNING FUND BALANCES	1,349,320	316,372	10,186	1,025,379	42,843	29,403,829
ENDING FUND BALANCES	\$1,421,525	\$198,918		\$711,543	\$45,136	\$29,160,742

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	GAS TAX			TDA NON-TRANSIT USE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$4,019	\$15,004	\$10,985		\$2,190	\$2,190
Intergovernmental	1,208,600	1,197,370	(11,230)	\$1,168,307	1,474,947	306,640
Charges for current services						
Development fees						
Contributions from property owners						
Other						
Total Revenues	1,212,619	1,212,374	(245)	1,168,307	1,477,137	308,830
EXPENDITURES						
Current:						
City manager						
Finance						
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works	1,301,463	1,200,255	101,208	1,171,273	1,016,091	155,182
Special projects						
Capital improvements	44,455	10,724	33,731			
Debt service:						
Principal						
Interest and fiscal charges						
Special assessment						
Total Expenditures	1,345,918	1,210,979	134,939	1,171,273	1,016,091	155,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(133,299)	1,395	134,694	(2,966)	461,046	464,012
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debts						
Payments to bond escrow agent						
Transfers in		580,000	580,000			
Transfers (out)						
Total Other Financing Sources (Uses)		580,000	580,000			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$133,299)	581,395	\$714,694	(\$2,966)	461,046	\$464,012
BEGINNING FUND BALANCE (DEFICIT)		285,582			529,867	
ENDING FUND BALANCE		\$866,977			\$990,913	

OPEN SPACE			PARK MAINTENANCE TAX			CABLE TV		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$627,000	\$627,345	\$345	\$1,316,000	\$1,315,081	(\$919)	\$380,000	\$453,706	\$73,706
295	102,537 62,750	102,242 62,750				1,123	47,743 168,950	46,620 168,950
21,900	3,175	(18,725)				200	634	434
649,195	795,807	146,612	1,316,000	1,315,081	(919)	381,323	671,033	289,710
243,595	114,479	129,116	1,319,800	1,315,081	4,719	766,571	485,969	280,602
21,135	8,033	13,102						
264,730	122,512	142,218	1,319,800	1,315,081	4,719	766,571	485,969	280,602
384,465	673,295	288,830	(3,800)		3,800	(385,248)	185,064	570,312
<u>\$384,465</u>	673,295	<u>\$288,830</u>	<u>(\$3,800)</u>		<u>\$3,800</u>	<u>(\$385,248)</u>	185,064	<u>\$570,312</u>
	1,786,114						1,270,910	
	<u>\$2,459,409</u>						<u>\$1,455,974</u>	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	PUBLIC SAFETY			HOUSING IN-LIEU		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$436,600	\$397,074	(\$39,526)			
Licenses and permits						
Fines and forfeitures						
Use of money and property				\$28,365	\$43,419	\$15,054
Intergovernmental	90,000	125,981	35,981			
Charges for current services	1,782,900	1,783,398	498	30,000	79,314	49,314
Development fees						
Contributions from property owners						
Other						
Total Revenues	2,309,500	2,306,453	(3,047)	58,365	122,733	64,368
EXPENDITURES						
Current:						
City manager						
Finance	56,601	50,052	6,549			
Community development						
Parks and community services						
Public safety - fire	1,100,272	1,066,359	33,913			
Public safety - police	1,200,749	1,176,642	24,107			
Public works						
Special projects						
Capital improvements						
Debt service:						
Principal						
Interest and fiscal charges						
Special assessment						
Total Expenditures	2,357,622	2,293,053	64,569			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,122)	13,400	61,522	58,365	122,733	64,368
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debts						
Payments to bond escrow agent						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$48,122)	13,400	\$61,522	\$58,365	122,733	\$64,368
BEGINNING FUND BALANCE (DEFICIT)		291,034			5,125,279	
ENDING FUND BALANCE		\$304,434			\$5,248,012	

MUNICIPAL ARTS			CONSTRUCTION TAX			SUBDIVISION IN-LIEU PARK FEES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$1,667,983	\$371,489	(\$1,296,494)			
\$2,364	\$9,532	\$7,168	42,845	119,747	76,902	\$1,078	\$17,514	\$16,436
			164,232	16,498	(147,734)			
	39,018	39,018				40,000	133,329	93,329
				2,005	2,005			
2,364	48,550	46,186	1,875,060	509,739	(1,365,321)	41,078	150,843	109,765
25,371	24,724	647	259,669	272,134	(12,465)			
			236,219	228,644	7,575			
			319,806	230,641	89,165			
			61,691	61,690	1			
			2,912,293	719,090	2,193,203			
25,371	24,724	647	3,789,678	1,512,199	2,277,479			
(23,007)	23,826	46,833	(1,914,618)	(1,002,460)	912,158	41,078	150,843	109,765
			(65,164)	267,412 (64,117)	267,412 1,047	(152,051)	(149,608)	2,443
			(65,164)	203,295	268,459	(152,051)	(149,608)	2,443
<u>(\$23,007)</u>	23,826	<u>\$46,833</u>	<u>(\$1,979,782)</u>	(799,165)	<u>\$1,180,617</u>	<u>(\$110,973)</u>	1,235	<u>\$112,208</u>
	181,714			2,772,293			219,770	
	<u>\$205,540</u>			<u>\$1,973,128</u>			<u>\$221,005</u>	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	IN-LIEU OF PARKING PAYMENTS			FEDERAL / STATE HIGHWAY GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$355	\$18,251	\$17,896		\$92,109	\$92,109
Intergovernmental				\$1,423,000	1,818,873	395,873
Charges for current services						
Development fees	50,000	4,000	(46,000)			
Contributions from property owners						
Other						
Total Revenues	50,355	22,251	(28,104)	1,423,000	1,910,982	487,982
EXPENDITURES						
Current:						
City manager						
Finance						
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works				1,047,884	923,461	124,423
Special projects	2,550	2,550				
Capital improvements						
Debt service:						
Principal						
Interest and fiscal charges						
Special assessment						
Total Expenditures	2,550	2,550		1,047,884	923,461	124,423
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	47,805	19,701	(28,104)	375,116	987,521	612,405
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debts						
Payments to bond escrow agent						
Transfers in						
Transfers (out)					(1,407,885)	(1,407,885)
Total Other Financing Sources (Uses)					(1,407,885)	(1,407,885)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$47,805	19,701	(\$28,104)	\$375,116	(420,364)	(\$795,480)
BEGINNING FUND BALANCE (DEFICIT)		336,141			1,797,830	
ENDING FUND BALANCE		\$355,842			\$1,377,466	

COMMUNITY DEVELOPMENT BLOCK GRANT			OPERATIONAL GRANTS			AGRICULTURE LAND ACQUISITION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$7,151	\$7,151	\$7,000	\$40,711	\$33,711	\$20,684	\$48,041	\$27,357
\$837,189	595,251	(241,938)	1,250,667	1,183,426	(67,241)			
							95,000	95,000
837,189	602,402	(234,787)	1,257,667	1,224,137	(33,530)	20,684	143,041	122,357
						20,000	12,000	8,000
1,385,947	477,301	908,646	1,467,906	955,595	512,311			
1,385,947	477,301	908,646	1,467,906	955,595	512,311	20,000	12,000	8,000
(548,758)	125,101	673,859	(210,239)	268,542	478,781	684	131,041	130,357
(548,758)	125,101	\$673,859	(\$210,239)	268,542	\$478,781	\$684	131,041	\$130,357
	1,897,502			5,711,904			855,749	
	\$2,022,603			\$5,980,446			\$986,790	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	BUILDING PERMITS AND FEES			DAVISVILLE BOOK FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property		\$30,853	\$30,853	\$295	\$1,098	\$803
Intergovernmental						
Charges for current services	\$1,652,900	1,423,305	(229,595)		24	24
Development fees				100		(100)
Contributions from property owners						
Other		11,344	11,344			
Total Revenues	1,652,900	1,465,502	(187,398)	395	1,122	727
EXPENDITURES						
Current:						
City manager						
Finance						
Community development	2,209,257	1,881,061	328,196			
Parks and community services						
Public safety - fire						
Public safety - police						
Public works						
Special projects						
Capital improvements						
Debt service:						
Principal						
Interest and fiscal charges						
Special assessment						
Total Expenditures	2,209,257	1,881,061	328,196			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(556,357)	(415,559)	140,798	395	1,122	727
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debts						
Payments to bond escrow agent						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$556,357)</u>	<u>(415,559)</u>	<u>\$140,798</u>	<u>\$395</u>	<u>1,122</u>	<u>\$727</u>
BEGINNING FUND BALANCE (DEFICIT)		<u>727,458</u>			<u>20,512</u>	
ENDING FUND BALANCE		<u>\$311,899</u>			<u>\$21,634</u>	

HISTORICAL FUND			BRINLEY/HATTIE WEBER			ASSOCIATION OF BAY AREA GOVERNMENTS CERTIFICATES OF PARTICIPATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$118	\$378	\$260	\$887	\$857	(\$30)	\$4,432	\$15,809	\$11,377
118	378	260	887	857	(30)	4,432	15,809	11,377
21	1,692	(1,671)	4,863	3,166	1,697			
						115,000	115,000	
						102,215	98,726	3,489
21	1,692	(1,671)	4,863	3,166	1,697	217,215	213,726	3,489
97	(1,314)	(1,411)	(3,976)	(2,309)	1,667	(212,783)	(197,917)	14,866
						217,215	213,725	(3,490)
						217,215	213,725	(3,490)
<u>\$97</u>	<u>(1,314)</u>	<u>(\$1,411)</u>	<u>(\$3,976)</u>	<u>(2,309)</u>	<u>\$1,667</u>	<u>\$4,432</u>	15,808	<u>\$11,376</u>
	<u>7,337</u>			<u>15,620</u>			<u>341,843</u>	
	<u>\$6,023</u>			<u>\$13,311</u>			<u>\$357,651</u>	
(Continued)								

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	PUBLIC FACILITY			REDEVELOPMENT AGENCY DEBT SERVICE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$591	\$38	(\$553)	\$147,156	\$33,750	(\$113,406)
Intergovernmental						
Charges for current services						
Development fees						
Contributions from property owners						
Other						
Total Revenues	591	38	(553)	147,156	33,750	(113,406)
EXPENDITURES						
Current:						
City manager						
Finance						
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works						
Special projects						
Capital improvements						
Debt service:						
Principal	20,000	25,000	(5,000)	390,000	390,000	
Interest and fiscal charges	15,600	14,950	650	1,070,006	1,403,568	(333,562)
Special assessment				89,159	87,526	1,633
Total Expenditures	35,600	39,950	(4,350)	1,549,165	1,881,094	(331,929)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,009)	(39,912)	(4,903)	(1,402,009)	(1,847,344)	(445,335)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debts					12,140,000	12,140,000
Payments to bond escrow agent					(12,727,516)	(12,727,516)
Transfers in	35,600	39,950	4,350	1,549,165	1,497,189	(51,976)
Transfers (out)						
Total Other Financing Sources (Uses)	35,600	39,950	4,350	1,549,165	909,673	(639,492)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$591	38	(\$553)	\$147,156	(937,671)	(\$1,084,827)
BEGINNING FUND BALANCE (DEFICIT)		1,132			1,098,919	
ENDING FUND BALANCE		\$1,170			\$161,248	

DAVIS RESEARCH PARK			ARLINGTON BOULEVARD BENEFIT AREA			CAPITAL GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$11,229	\$36,511	\$25,282	\$5,319	\$17,458	\$12,139	\$605,504	\$23,439	(\$582,065)
11,229	36,511	25,282	5,319	17,458	12,139	605,504	23,439	(582,065)
						608,279	482	607,797
						608,279	482	607,797
11,229	36,511	25,282	5,319	17,458	12,139	(2,775)	22,957	25,732
<u>\$11,229</u>	36,511	<u>\$25,282</u>	<u>\$5,319</u>	17,458	<u>\$12,139</u>	<u>(\$2,775)</u>	22,957	<u>\$25,732</u>
	<u>682,277</u>			<u>326,241</u>			<u>376,701</u>	
	<u>\$718,788</u>			<u>\$343,699</u>			<u>\$399,658</u>	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	DAVIS LAND ACQUISITION			PUBLIC FACILITIES FINANCING AUTHORITY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses and permits						
Fines and forfeitures						
Use of money and property	\$10,047	\$72,206	\$62,159	\$33,981	\$14,101	(\$19,880)
Intergovernmental						
Charges for current services						
Development fees						
Contributions from property owners					602	602
Other						
Total Revenues	10,047	72,206	62,159	33,981	14,703	(19,278)
EXPENDITURES						
Current:						
City manager						
Finance	54	1	53			
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works						
Special projects						
Capital improvements				835,433	132,157	703,276
Debt service:						
Principal						
Interest and fiscal charges						
Special assessment						
Total Expenditures	54	1	53	835,433	132,157	703,276
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,993	72,205	62,212	(801,452)	(117,454)	683,998
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debts						
Payments to bond escrow agent						
Transfers in				429,903		(429,903)
Transfers (out)						
Total Other Financing Sources (Uses)				429,903		(429,903)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	9,993	72,205	62,212	(\$371,549)	(117,454)	\$254,095
BEGINNING FUND BALANCE (DEFICIT)		1,349,320			316,372	
ENDING FUND BALANCE		\$1,421,525			\$198,918	

MELLO ROOS COMMUNITY FACILITIES DISTRICT			REDEVELOPMENT AGENCY CAPITAL PROJECTS			OXFORD CIRCLE PARK & PARKING LOT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
				\$46,738	\$46,738	\$591	\$2,293	\$1,702
	\$1,486	\$1,486						
	1,486	1,486		46,738	46,738	591	2,293	1,702
\$11,788	11,672	116	\$1,580,916	360,574	1,220,342			
11,788	11,672	116	1,580,916	360,574	1,220,342			
(11,788)	(10,186)	1,602	(1,580,916)	(313,836)	1,267,080	591	2,293	1,702
13,427		(13,427)	408,619		(408,619)			
13,427		(13,427)	408,619		(408,619)			
<u>\$1,639</u>	(10,186)	<u>(\$11,825)</u>	<u>(\$1,172,297)</u>	(313,836)	<u>\$858,461</u>	<u>\$591</u>	2,293	<u>\$1,702</u>
	10,186			1,025,379			42,843	
				<u>\$711,543</u>			<u>\$45,136</u>	

INTERNAL SERVICE FUNDS

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

GENERAL SERVICES FUND

This fund accounts for the financial activity of the City's centralized duplicating and postal operation, its central garage and vehicle maintenance services, central data processing and telecommunications services and the central stores inventory service.

BUILDING MAINTENANCE FUND

This fund accumulates the costs for the City's building and electrical maintenance services.

CITY SELF-INSURANCE FUND

This fund accumulates costs of the City's insurance and risk management programs to permit a cost recovery insurance fee to be charged against City operating programs.

CITY OF DAVIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2007

	General Services	Building Maintenance	City Self- Insurance	Total
ASSETS				
Cash and investments	\$4,537,517	\$286,562		\$4,824,079
Accrued interest	74,132	12,081	\$10,409	96,622
Accounts receivable	21,164		15,454	36,618
Inventory	267,789			267,789
Advances to other funds	2,980,397			2,980,397
Capital assets:				
Non-depreciable	434,996			434,996
Depreciable	14,752,636			14,752,636
Accumulated depreciation	(6,224,425)			(6,224,425)
Total Assets	<u>16,844,206</u>	<u>298,643</u>	<u>25,863</u>	<u>17,168,712</u>
LIABILITIES				
Payables:				
Accounts	119,258	42,274	13,429	174,961
Leave benefits	112,343	25,527		137,870
Deposits payable	56,641			56,641
Due to other funds			567,711	567,711
Claims payable				
Due within one year			98,037	98,037
Due in more than one year			343,538	343,538
Total Liabilities	<u>288,242</u>	<u>67,801</u>	<u>1,022,715</u>	<u>1,378,758</u>
NET ASSETS				
Invested in capital assets	8,963,207			8,963,207
Restricted for self-insurance programs			153,000	153,000
Unrestricted	<u>7,592,757</u>	<u>230,842</u>	<u>(1,149,852)</u>	<u>6,673,747</u>
Total Net Assets	<u>\$16,555,964</u>	<u>\$230,842</u>	<u>(\$996,852)</u>	<u>\$15,789,954</u>

CITY OF DAVIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Services	Building Maintenance	City Self- Insurance	Total
OPERATING REVENUES				
Charges for current services	\$5,125,723	\$1,579,728	\$5,062,760	\$11,768,211
Total Operating Revenues	5,125,723	1,579,728	5,062,760	11,768,211
OPERATING EXPENSES				
Central stores	206,136			206,136
Central equipment	1,600,652			1,600,652
Duplication - postal	400,317			400,317
City administrative facility maintenance		1,404,254		1,404,254
City electrical maintenance		175,961		175,961
Insurance administration			243,527	243,527
Insurance premiums			4,248,266	4,248,266
Litigation			150,010	150,010
MIS services	1,344,682			1,344,682
Depreciation	979,380			979,380
Total Operating Expenses	4,531,167	1,580,215	4,641,803	10,753,185
Operating Income (Loss)	594,556	(487)	420,957	1,015,026
NONOPERATING REVENUES (EXPENSES)				
Interest income	501,612	54,610	24,801	581,023
Gain on disposal of capital assets	15,300			15,300
Other	42,331		19,973	62,304
Total Nonoperating Revenues (Expenses)	559,243	54,610	44,774	658,627
Income before Transfers	1,153,799	54,123	465,731	1,673,653
Change in Net Assets	1,153,799	54,123	465,731	1,673,653
BEGINNING NET ASSETS (DEFICIT)	10,981,549	176,719	(1,462,583)	9,695,685
GASB 34 Implementation Adjustments	4,420,616			4,420,616
ENDING NET ASSETS (DEFICIT)	\$16,555,964	\$230,842	(\$996,852)	\$15,789,954

CITY OF DAVIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2007

	General Services	Building Maintenance	City Self- Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$5,168,545	\$1,579,728	\$5,080,587	\$11,828,860
Payments to suppliers	(566,466)	(205,647)	(4,555,349)	(5,327,462)
Payments to employees	(3,152,085)	(1,405,587)		(4,557,672)
Claims paid			(422,464)	(422,464)
Cash Flows from Operating Activities	<u>1,449,994</u>	<u>(31,506)</u>	<u>102,774</u>	<u>1,521,262</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund receipts	274,263			274,263
Interfund payment			(123,844)	(123,844)
Cash Flows from Noncapital Financing Activities	<u>274,263</u>		<u>(123,844)</u>	<u>150,419</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset additions, net	(1,604,586)			(1,604,586)
Proceeds from sale of capital assets	<u>35,016</u>			<u>35,016</u>
Cash Flows from Capital and Related Financing Activities	<u>(1,569,570)</u>			<u>(1,569,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>457,594</u>	<u>49,802</u>	<u>21,070</u>	<u>528,466</u>
Cash Flows from Investing Activities	<u>457,594</u>	<u>49,802</u>	<u>21,070</u>	<u>528,466</u>
Net Cash Flows	612,281	18,296		630,577
Cash and investments at beginning of period	<u>3,925,236</u>	<u>268,266</u>		<u>4,193,502</u>
Cash and investments at end of period	<u><u>\$4,537,517</u></u>	<u><u>\$286,562</u></u>		<u><u>\$4,824,079</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$594,556	(\$487)	\$420,957	\$1,015,026
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	979,380			979,380
Other revenues	42,331		19,973	62,304
Change in assets and liabilities:				
General accounts receivable	(7,750)		(2,146)	(9,896)
Inventory	(25,399)			(25,399)
Accounts payable	(140,750)	(29,686)	(63,556)	(233,992)
Leave benefits payable	(615)	(1,333)		(1,948)
Claims payable			(272,454)	(272,454)
Deposits payable	<u>8,241</u>			<u>8,241</u>
Cash Flows from Operating Activities	<u><u>\$1,449,994</u></u>	<u><u>(\$31,506)</u></u>	<u><u>\$102,774</u></u>	<u><u>\$1,521,262</u></u>
Noncash transactions:				
Gain on disposal	<u><u>(\$19,716)</u></u>			<u><u>(\$19,716)</u></u>
GASB 34 Implementation Adjustments	<u><u>\$4,420,616</u></u>			<u><u>\$4,420,616</u></u>

AGENCY FUNDS

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Agency Funds are maintained for the following:

PUBLIC FACILITIES FINANCING AUTHORITY
MELLO ROOS COMMUNITY FACILITIES DISTRICT
UNIVERSITY RESEARCH PARK
SPECIAL ASSESSMENT PARKING DISTRICT #3

These funds account for assessments collected from property owners in the respective assessment districts and the repayment of any debt issued by these assessment districts.

CITY OF DAVIS
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>Public Facilities Financing Authority</u>				
Assets:				
Cash and investments	\$3,507,254	\$450,890		\$3,958,144
Cash with fiscal agents	1,368,787		\$195,510	1,173,277
Accrued interest receivable	27,314	44,452	27,314	44,452
Total Assets	<u>\$4,903,355</u>	<u>\$495,342</u>	<u>\$222,824</u>	<u>\$5,175,873</u>
Liabilities:				
Accounts payable		\$59		\$59
Due to bondholders	<u>\$4,903,355</u>	<u>495,283</u>	<u>\$222,824</u>	<u>5,175,814</u>
Total Liabilities	<u>\$4,903,355</u>	<u>\$495,342</u>	<u>\$222,824</u>	<u>\$5,175,873</u>
<u>Mello Roos Community Facilities District</u>				
Assets:				
Cash and investments	\$1,667,499		\$700,588	\$966,911
Cash with fiscal agents	2,021,760	\$15,615,756		17,637,516
Accrued interest receivable	9,871	16,177	9,871	16,177
Total Assets	<u>\$3,699,130</u>	<u>\$15,631,933</u>	<u>\$710,459</u>	<u>\$18,620,604</u>
Liabilities:				
Accounts payable	\$4,290	\$48,993	\$4,290	\$48,993
Due to bondholders	<u>3,694,840</u>	<u>15,582,940</u>	<u>706,169</u>	<u>18,571,611</u>
Total Liabilities	<u>\$3,699,130</u>	<u>\$15,631,933</u>	<u>\$710,459</u>	<u>\$18,620,604</u>

CITY OF DAVIS
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>University Research Park</u>				
Assets:				
Cash and investments	\$367,854	\$7,708		\$375,562
Accrued interest	2,560	4,046	\$2,560	4,046
Total Assets	<u>\$370,414</u>	<u>\$11,754</u>	<u>\$2,560</u>	<u>\$379,608</u>
Liabilities:				
Due to bondholders	<u>\$370,414</u>	<u>\$11,754</u>	<u>\$2,560</u>	<u>\$379,608</u>
Total Liabilities	<u>\$370,414</u>	<u>\$11,754</u>	<u>\$2,560</u>	<u>\$379,608</u>
<u>Special Assessment Parking District #3</u>				
Assets:				
Cash and investments	\$471,601	\$23,337		\$494,938
Accrued interest	3,735	5,067	\$3,735	5,067
Total Assets	<u>\$475,336</u>	<u>\$28,404</u>	<u>\$3,735</u>	<u>\$500,005</u>
Liabilities:				
Due to bondholders	<u>\$475,336</u>	<u>\$28,404</u>	<u>\$3,735</u>	<u>\$500,005</u>
Total Liabilities	<u>\$475,336</u>	<u>\$28,404</u>	<u>\$3,735</u>	<u>\$500,005</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$6,014,208	\$481,935	\$700,588	\$5,795,555
Cash with fiscal agents	3,390,547	15,615,756	195,510	18,810,793
Accrued interest receivable	43,480	69,742	43,480	69,742
Total Assets	<u>\$9,448,235</u>	<u>\$16,167,433</u>	<u>\$939,578</u>	<u>\$24,676,090</u>
Liabilities:				
Accounts payable	\$4,290	\$49,052	\$4,290	\$49,052
Due to bondholders	<u>9,443,945</u>	<u>16,118,381</u>	<u>935,288</u>	<u>24,627,038</u>
Total Liabilities	<u>\$9,448,235</u>	<u>\$16,167,433</u>	<u>\$939,578</u>	<u>\$24,676,090</u>

STATISTICAL SECTION

This part of the City'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 City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin
5. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

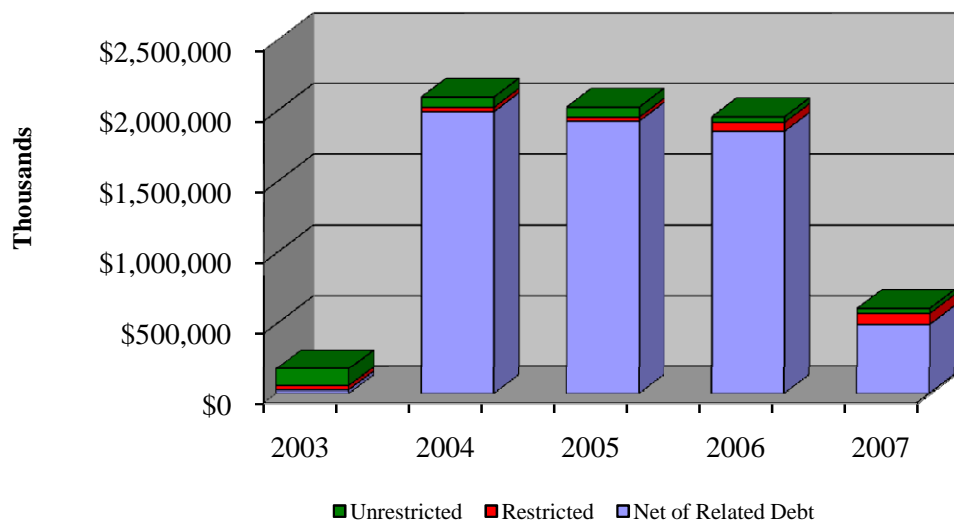
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF DAVIS
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)



	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$27,704,789	\$1,941,360,614	\$1,872,781,202	\$1,794,829,805	\$274,639,149
Restricted	29,878,869	31,157,599	28,394,469	62,362,455	77,157,422
Unrestricted	50,153,144	53,089,644	50,347,342	24,637,626	11,068,382
Total governmental activities net assets	<u>\$107,736,802</u>	<u>\$2,025,607,857</u>	<u>\$1,951,523,013</u>	<u>\$1,881,829,886</u>	<u>\$362,864,953</u>
Business-type activities					
Invested in capital assets, net of related debt		\$58,702,409	\$60,969,494	\$67,057,515	\$223,527,504
Restricted	\$106,216	106,216	85,847	85,847	85,847
Unrestricted	74,828,266	18,667,746	19,158,757	14,934,763	23,426,544
Total business-type activities net assets	<u>\$74,934,482</u>	<u>\$77,476,371</u>	<u>\$80,214,098</u>	<u>\$82,078,125</u>	<u>\$247,039,895</u>
Primary government					
Invested in capital assets, net of related debt	\$27,704,789	\$2,000,063,023	\$1,933,750,696	\$1,861,887,320	\$498,166,653
Restricted	29,985,085	31,263,815	28,480,316	62,448,302	77,243,269
Unrestricted	124,981,410	71,757,390	69,506,099	39,572,389	34,494,926
Total primary government net assets	<u>\$182,671,284</u>	<u>\$2,103,084,228</u>	<u>\$2,031,737,111</u>	<u>\$1,963,908,011</u>	<u>\$609,904,848</u>

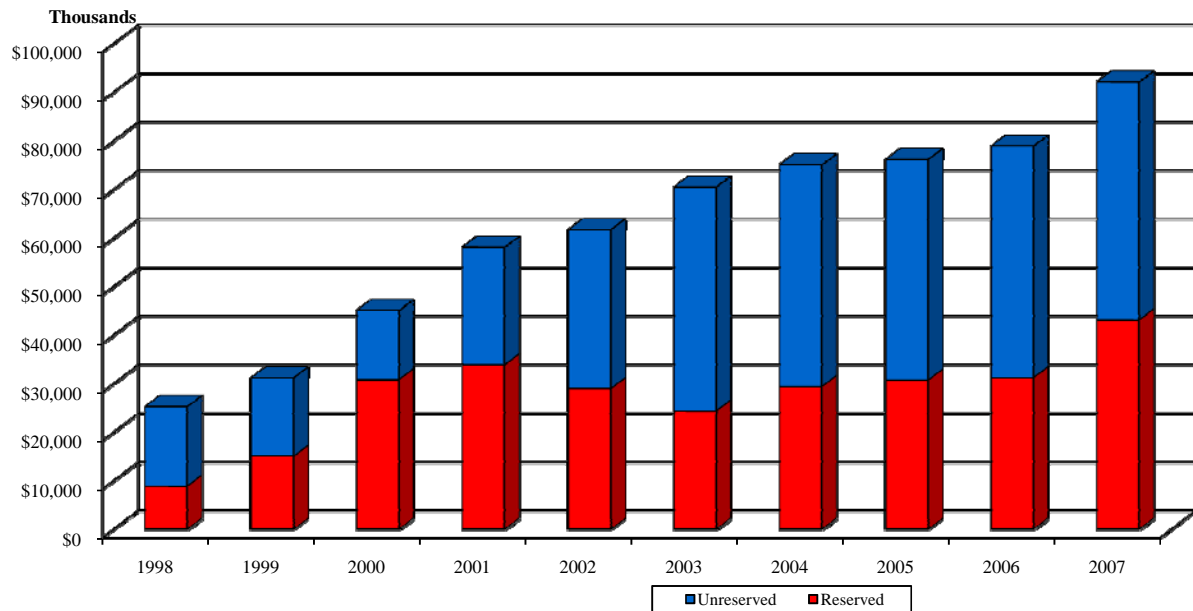
CITY OF DAVIS
Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	\$3,225,626	\$3,571,950	\$3,558,319	\$4,147,737	\$4,642,037
Public Safety	15,461,386	17,309,890	20,723,420	19,574,310	22,754,582
Public Works	7,381,924	90,309,525	92,673,791	92,661,922	20,387,984
Community Development	3,874,644	2,881,783	3,583,231	3,562,456	3,590,336
Parks and Community Services	16,445,283	18,094,869	18,685,011	18,554,243	25,640,697
Interest on Long Term Debt	1,811,617	1,903,353	1,246,150	1,276,405	2,814,189
Total Governmental Activities Expenses	<u>48,200,480</u>	<u>134,071,370</u>	<u>140,469,922</u>	<u>139,777,073</u>	<u>79,829,825</u>
Business-Type Activities:					
Water	5,557,625	6,272,414	6,670,915	6,657,576	8,713,651
Sanitation	7,315,874	7,565,779	7,680,397	7,906,456	8,292,311
Sewer	5,885,551	5,135,805	6,446,797	7,249,341	7,756,636
Storm Sewer	1,288,905	1,454,896	1,704,263	1,827,081	3,058,338
Public transit	3,461,619	6,609,123	3,195,770	4,512,019	3,388,419
Total Business-Type Activities Expenses	<u>23,509,574</u>	<u>27,038,017</u>	<u>25,698,142</u>	<u>28,152,473</u>	<u>31,209,355</u>
Total Primary Government Expenses	<u><u>\$71,710,054</u></u>	<u><u>\$161,109,387</u></u>	<u><u>\$166,168,064</u></u>	<u><u>\$167,929,546</u></u>	<u><u>\$111,039,180</u></u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$699,240	\$1,010,879	\$1,026,383	\$1,035,092	\$1,285,977
Public Safety	1,876,887	3,005,892	2,264,993	1,964,664	2,192,385
Public Works	267,186	442,050	165,807	191,953	194,982
Community Development	2,976,417	2,456,030	3,246,174	2,590,696	2,132,203
Parks and Community Services	2,153,542	2,113,853	2,135,708	2,255,983	2,546,902
Operating Grants and Contributions	14,026,809	12,527,085	14,240,090	14,423,942	19,531,035
Development impact fees and permits	4,374,463	1,815,385	5,370,574	1,515,806	1,951,891
Total Government Activities Program Revenues	<u>26,374,544</u>	<u>23,371,174</u>	<u>28,449,729</u>	<u>23,978,136</u>	<u>29,835,375</u>
Business-Type Activities:					
Charges for Services:					
Water	5,282,564	6,308,856	5,781,440	6,275,459	8,106,267
Sanitation	7,475,904	7,544,575	7,481,207	8,069,352	8,398,749
Sewer	5,013,322	7,048,496	7,836,303	9,145,774	11,191,703
Storm Sewer	1,219,046	1,234,991	1,295,695	1,451,252	1,486,683
Public transit	13,843	16,090	15,685	16,043	24,855
Operating Grants and Contributions	4,132,729	7,276,079	3,275,727	3,958,332	3,596,649
Development impact fees and permits	101,061		961,984	509,050	1,011,650
Total Business-Type Activities Program Revenue	<u>23,238,469</u>	<u>29,429,087</u>	<u>26,648,041</u>	<u>29,425,262</u>	<u>33,816,556</u>
Total Primary Government Program Revenues	<u><u>\$49,613,013</u></u>	<u><u>\$52,800,261</u></u>	<u><u>\$55,097,770</u></u>	<u><u>\$53,403,398</u></u>	<u><u>\$63,651,931</u></u>
Net (Expense)/Revenue					
Governmental Activities	(\$21,825,936)	(\$110,700,196)	(\$112,020,193)	(\$115,798,937)	(\$49,994,450)
Business-Type Activities	(271,105)	2,391,070	949,899	1,272,789	2,607,201
Total Primary Government Net Expense	<u><u>(\$22,097,041)</u></u>	<u><u>(\$108,309,126)</u></u>	<u><u>(\$111,070,294)</u></u>	<u><u>(\$114,526,148)</u></u>	<u><u>(\$47,387,249)</u></u>

CITY OF DAVIS
Changes in Net Assets
(continued)
Last Five Fiscal Years
(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes	\$11,737,158	\$13,717,077	\$14,150,857	\$17,016,586	\$18,437,026
Sales Taxes	5,548,113	5,434,627	8,052,765	8,988,381	8,834,409
Municipal Services	1,772,132	1,853,167	1,921,115	2,001,032	2,076,696
Business License	1,043,991	1,075,340	1,139,725	1,179,106	1,258,072
Park Maintenance	1,305,426	1,292,315	1,312,782	1,315,708	1,315,081
Construction	1,154,752	852,777	847,051	787,699	371,489
Open Space Protection	630,112	615,616	625,694	627,096	627,345
Franchise	794,452	849,649	876,117	877,670	1,003,229
Transient Occupancy Tax	908,964	981,074	928,090	940,886	1,056,691
Transfer	239,465	270,800	334,523	257,580	236,092
Other Taxes	360,631		309,593		
Motor Vehicle In-Lieu	3,578,071	3,509,788	4,316,129	4,618,842	4,723,196
Investment Earnings	2,673,312	852,878	2,045,947	1,295,101	3,542,701
Miscellaneous	849,025	964,693	1,074,961	2,791,561	1,452,218
Total Government Activities	<u>32,595,604</u>	<u>32,269,801</u>	<u>37,935,349</u>	<u>42,697,248</u>	<u>44,934,245</u>
Business-Type Activities:					
Interest Earnings	343,612	116,518	480,419	404,646	1,128,852
Miscellaneous	868,382	34,301	1,307,409	449,358	326,244
Total Business-Type Activities	<u>1,211,994</u>	<u>150,819</u>	<u>1,787,828</u>	<u>854,004</u>	<u>1,455,096</u>
Total Primary Government	<u>\$33,807,598</u>	<u>\$32,420,620</u>	<u>\$39,723,177</u>	<u>\$43,551,252</u>	<u>\$46,389,341</u>
Change in Net Assets					
Governmental Activities	\$10,769,668	(\$78,430,395)	(\$74,084,844)	(\$73,101,689)	(\$5,060,205)
Business-Type Activities	940,889	2,541,889	2,737,727	2,126,793	4,062,297
Total Primary Government	<u>\$11,710,557</u>	<u>(\$75,888,506)</u>	<u>(\$71,347,117)</u>	<u>(\$70,974,896)</u>	<u>(\$997,908)</u>

CITY OF DAVIS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund:										
Reserved	\$267,558	\$660,118	\$687,886	\$658,554	\$811,491	\$1,052,593	\$2,786,293	\$3,210,614	\$2,887,364	\$3,183,616
Unreserved	3,305,283	3,806,522	3,142,025	6,289,261	8,041,626	9,223,352	7,256,807	9,846,736	9,038,007	8,200,515
Total General Fund	<u>\$3,572,841</u>	<u>\$4,466,640</u>	<u>\$3,829,911</u>	<u>\$6,947,815</u>	<u>\$8,853,117</u>	<u>\$10,275,945</u>	<u>\$10,043,100</u>	<u>\$13,057,350</u>	<u>\$11,925,371</u>	<u>\$11,384,131</u>
All Other Governmental Funds:										
Reserved	\$8,629,425	\$14,399,901	\$30,104,536	\$33,210,506	\$28,185,703	\$23,286,280	\$26,593,445	\$27,522,772	\$28,319,649	\$39,953,465
Unreserved, reported in:										
Special revenue funds	1,705,293	3,983,060	(1,789,061)	2,317,843	3,521,759	13,210,393	14,037,455	11,969,346	15,336,726	17,178,682
Capital project funds	11,336,252	8,312,957	12,944,735	15,644,466	21,146,138	23,723,056	24,442,115	23,590,901	23,344,253	23,634,910
Total All Other Governmental Funds	<u>\$21,670,970</u>	<u>\$26,695,918</u>	<u>\$41,260,210</u>	<u>\$51,172,815</u>	<u>\$52,853,600</u>	<u>\$60,219,729</u>	<u>\$65,073,015</u>	<u>\$63,083,019</u>	<u>\$67,000,628</u>	<u>\$80,767,057</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

CITY OF DAVIS
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

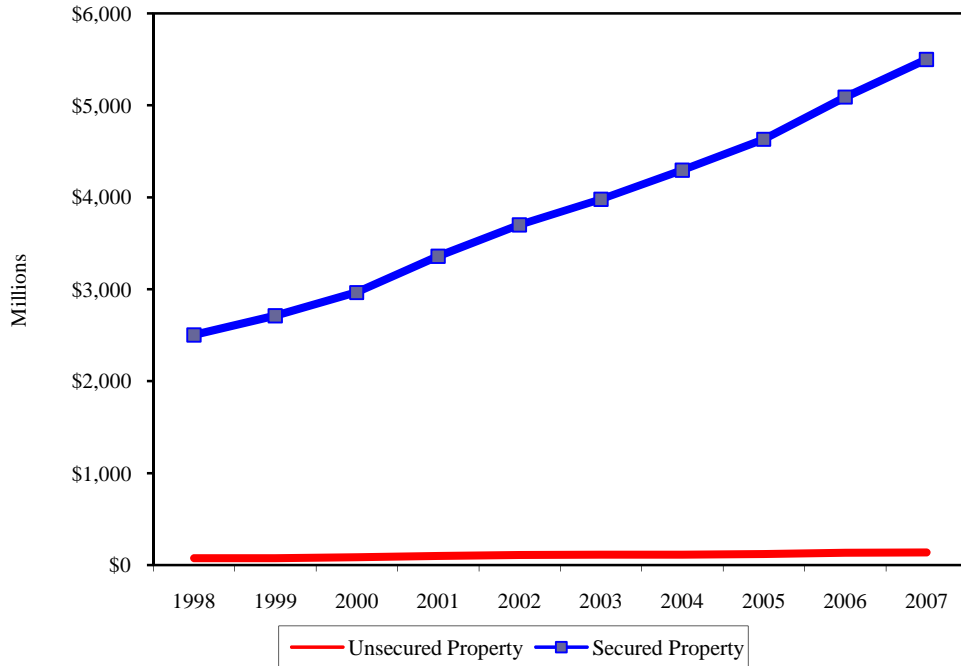
	Fiscal Year Ended June 30,				
	1998	1999	2000	2001	2002
Revenues					
Taxes	\$16,742,317	\$19,919,980	\$22,042,415	\$23,709,406	\$24,075,386
Licenses, permits and fees	1,392,411	508,969	1,492,489	1,277,593	927,267
Fines and forfeitures	405,728	500,130	636,662	383,546	615,553
Use of money and property	1,520,450	1,512,601	2,551,796	5,401,909	3,011,331
Intergovernmental revenues	11,418,056	7,476,325	12,167,190	13,460,444	16,085,891
Charges for current services	4,399,916	6,166,250	4,760,569	5,232,829	6,205,880
Development fees	6,382,476	5,376,062	10,353,022	5,662,874	2,511,439
Administrative fee - Enterprise Fund	585,012	592,178	649,297	640,278	740,944
Other	3,215,603	1,195,349	8,044,299	2,305,797	456,983
Total Revenues	46,061,969	43,247,844	62,697,739	58,074,676	54,630,674
Expenditures					
Current:					
General government	2,630,956	2,550,550	3,300,137	3,352,341	3,071,701
Public safety	9,637,048	10,814,976	11,710,315	12,552,060	14,048,087
Public works	2,370,379	2,676,661	2,965,676	2,281,519	3,552,472
Community development	2,046,128	2,178,649	2,543,096	2,512,524	2,377,021
Parks and community services	8,705,715	10,959,759	11,701,117	13,432,722	14,658,793
Special projects	9,941,003	1,124,105	2,942,511	3,284,578	3,277,709
Debt service:					
Principal repayment	486,321	375,000	246,000	2,731,000	230,000
Interest and fiscal charges	796,710	1,099,450	906,827	1,482,132	1,309,345
Special assessment	136,746	84,229	87,060	85,406	428,837
Capital improvements	4,058,870	4,198,998	9,505,099	17,262,496	7,638,898
Total Expenditures	40,809,876	36,062,377	45,907,838	58,976,778	50,592,863
Excess (deficiency) of revenues over (under) expenditures	5,252,093	7,185,467	16,789,901	(902,102)	4,037,811
Other Financing Sources (Uses)					
Transfers in	6,018,329	2,510,682	3,784,540	6,885,860	9,762,711
Transfers (out)	(7,822,618)	(3,499,967)	(5,887,923)	(7,362,849)	(10,214,435)
Proceeds from issuance of debts	2,500,000			13,000,000	
Payments to refunded bond escrow	(88,255)				
Sale of real property	498,433			525,000	
Total other financing sources (uses)	1,105,889	(989,285)	(2,103,383)	13,048,011	(451,724)
Net Change in fund balances	\$6,357,982	\$6,196,182	\$14,686,518	\$12,145,909	\$3,586,087
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	(a)

NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for fiscal years subsequent to that date.

Fiscal Year Ended June 30,				
2003	2004	2005	2006	2007
\$25,434,082	\$27,082,587	\$30,498,312	\$38,633,353	\$39,781,903
1,022,193	877,681	1,004,427	1,540,924	107
905,959	997,748	1,131,340	888,727	941,447
2,476,607	776,841	1,854,330	1,661,219	3,297,325
16,542,689	15,911,100	17,226,773	15,320,106	17,973,506
7,565,251	6,720,666	7,879,991	6,510,429	8,586,539
3,570,435	1,519,665	3,846,464	701,840	1,423,911
849,371	955,493	1,040,717	1,118,422	1,405,458
849,025	685,477	131,968	1,075,316	629,277
59,215,612	55,527,258	64,614,322	67,450,336	74,039,473
3,149,546	3,482,340	3,381,214	4,064,483	4,709,156
14,750,154	16,777,950	19,866,978	20,160,141	22,482,705
3,631,578	2,458,887	3,530,097	3,893,669	4,647,856
2,926,577	2,837,643	3,482,608	3,520,994	3,629,991
16,301,173	16,886,059	17,151,735	17,983,887	22,286,696
3,695,386	4,293,233	6,408,977	6,689,316	4,962,370
310,000	340,000	295,000	463,419	685,498
1,293,840	1,719,446	1,199,786	1,247,229	1,964,862
159,233	133,997	116,907	86,587	87,526
4,209,168	4,206,318	10,135,957	5,396,131	3,445,108
50,426,655	53,135,873	65,569,259	63,505,856	68,901,768
8,788,957	2,391,385	(954,937)	3,944,480	5,137,705
8,581,648	4,798,387	5,751,571	6,107,112	5,006,158
(8,581,648)	(4,811,631)	(4,972,420)	(7,265,962)	(5,006,158)
	9,265,000	1,200,000		20,815,000
	(7,022,700)			(12,727,516)
	2,229,056	1,979,151	(1,158,850)	8,087,484
\$8,788,957	\$4,620,441	\$1,024,214	\$2,785,630	\$13,225,189
4.0%	4.7%	3.0%	3.2%	4.4%

CITY OF DAVIS
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

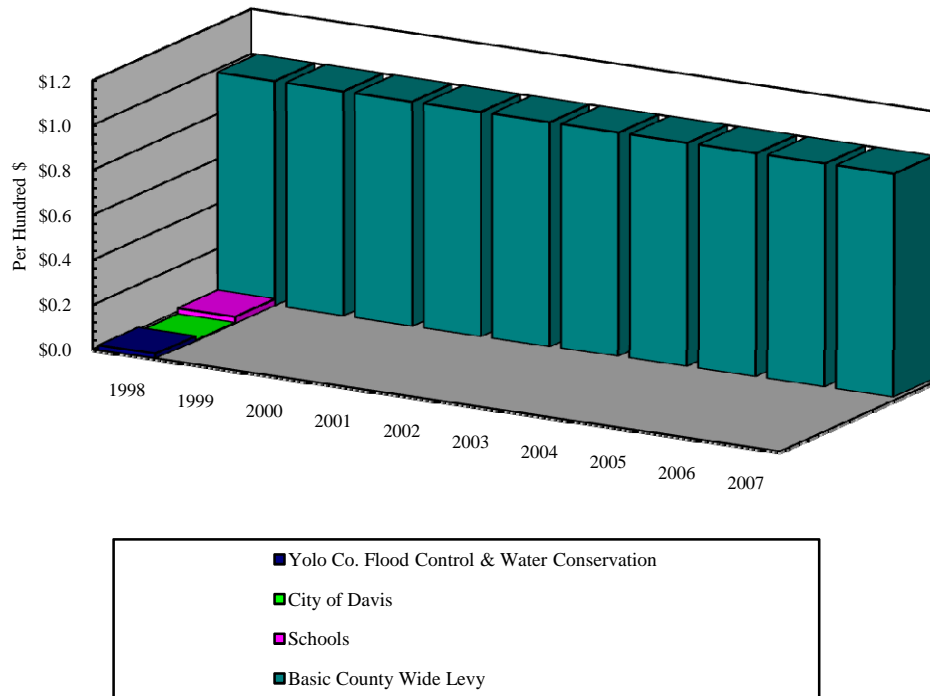


Fiscal Year	Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
1998	#####	\$75,207,193	\$2,502,415,282	\$2,502,415,282	1%
1999	2,635,400,397	76,817,538	2,712,217,935	2,712,217,935	1%
2000	2,877,974,547	86,631,960	2,964,606,507	2,964,606,507	1%
2001	3,258,797,718	101,098,970	3,359,896,688	3,359,896,688	1%
2002	3,592,309,287	108,995,676	3,701,304,963	3,701,304,963	1%
2003	3,865,177,730	113,350,054	3,978,527,784	3,978,527,784	1%
2004	4,182,229,896	114,517,651	4,296,747,547	4,296,747,547	1%
2005	4,510,927,115	120,164,717	4,631,091,832	4,631,091,832	1%
2006	4,956,350,623	135,042,126	5,091,392,749	5,091,392,749	1%
2007	5,362,509,751	138,051,430	5,500,561,181	5,500,561,181	1%

Source: Yolo County Auditor - Controller Assessed Value Summaries

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Davis encompasses more than 15 tax rate areas.

**CITY OF DAVIS
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy	City of Davis	Schools	Yolo Co. Flood Control & Water Conservation	Total
1998	\$1.0000	\$0.0040	\$0.0300	\$0.0230	\$1.0570
1999	1.0000				1.0000
2000	1.0000				1.0000
2001	1.0000				1.0000
2002	1.0000				1.0000
2003	1.0000				1.0000
2004	1.0000				1.0000
2005	1.0000				1.0000
2006	1.0000				1.0000
2007	1.0000				1.0000

Source: Yolo County Auditor - Controller's Assessed Value Summaries,
State of California Department of Finance and Davis Chamber of Commerce

CITY OF DAVIS
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2006-07			1997-98		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southern Pacific Land Hunt Wesson, Inc.			0.0%	\$47,734,819	1	1.9%
Marketplace Center, Inc	\$21,151,075	5	0.4%	17,952,000	2	0.7%
Tanglewood Association			0.0%	14,214,929	3	0.6%
SFC Greystone Invest LP. ETAL			0.0%	12,880,359	4	0.5%
Kaiser Found Health Plan, Inc.			0.0%	12,263,611	5	0.5%
ARV Assisted Living, Inc.	20,594,559	7	0.4%	11,818,665	6	0.5%
Waggener Ranch Ltd. Partnership			0.0%	11,694,830	7	0.5%
Arlington Farms Partners			0.0%	9,206,495	8	0.4%
1175 Lake Boulevard			0.0%	8,910,287	9	0.4%
Walnut Park Apartments			0.0%	8,801,311	10	0.4%
KW Davis LLC	24,000,000	3	0.4%			0.0%
Fine Arts LP	22,430,607	4	0.4%			0.0%
Olive Drive Partners	21,144,913	6	0.4%			0.0%
WGA Sycamore Lane LP	18,315,833	8	0.3%			0.0%
SE-Davis LLC	18,130,498	9	0.3%			0.0%
Centro Watt Property Owners 1	17,576,746	10	0.3%			0.0%
Kirkwood Village Assoc ETAL	36,515,271	2	0.7%			0.0%
5th & G Plaza	15,722,457	11	0.3%			0.0%
Sequoia Equities - Cypress ETAL	41,582,220	1	0.8%			0.0%
Subtotal	<u>\$257,164,179</u>		<u>4.7%</u>	<u>\$155,477,306</u>		<u>6.2%</u>

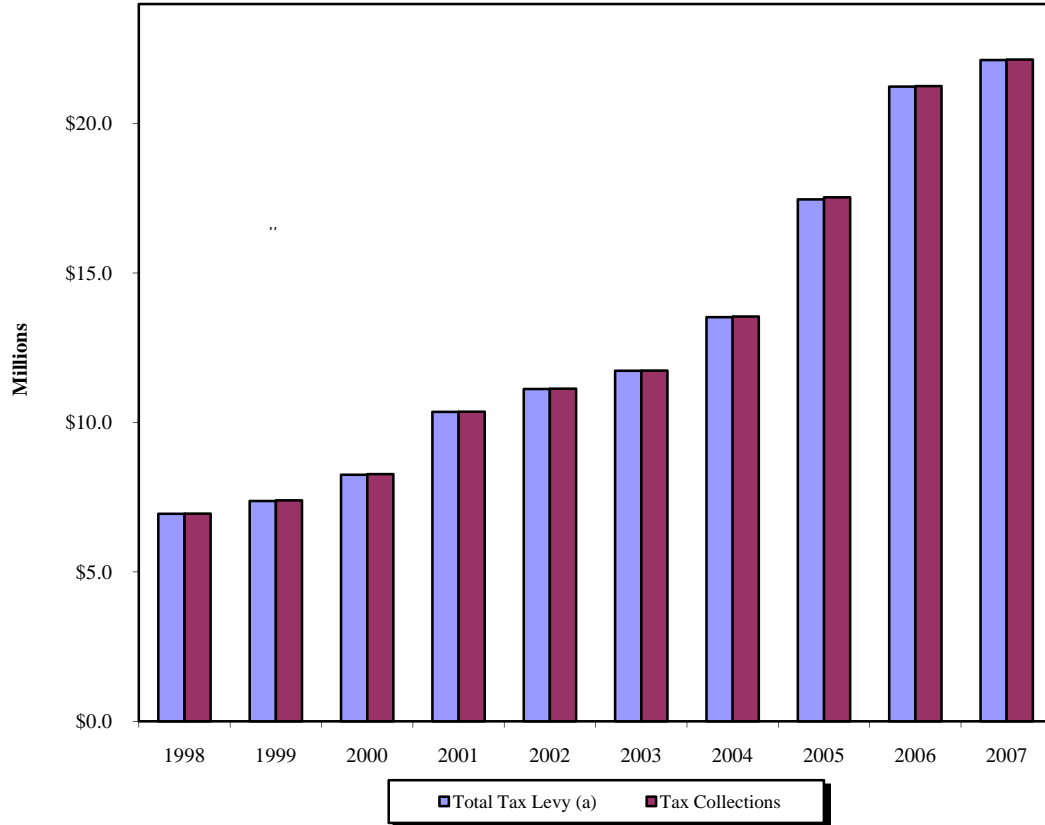
Total Net Assessed Valuation:

Fiscal Year 2006-2007 \$5,500,561,181

Fiscal Year 1997-1998 \$2,502,415,282

Source: Yolo County Assessor Fiscal Year Combined Tax Rolls.

**CITY OF DAVIS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (b)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1998	\$6,941,794	\$6,941,794	100.0000%	\$6,146	\$6,947,940	100.0885%
1999	7,372,007	7,372,007	100.0000%	18,724	7,390,731	100.2540%
2000	8,249,545	8,249,545	100.0000%	21,424	8,270,969	100.2597%
2001	10,355,838	10,355,838	100.0000%	5,116	10,360,954	100.0494%
2002	11,121,408	11,121,408	100.0000%	10,112	11,131,520	100.0909%
2003	11,728,523	11,728,523	100.0000%	8,635	11,737,158	100.0736%
2004	13,521,441	13,521,441	100.0000%	20,582	13,542,023	100.1522%
2005	17,463,356	17,463,356	100.0000%	69,778	17,533,134	100.3996%
2006	21,239,917	21,239,917	100.0000%	11,628	21,251,545	100.0547%
2007	22,126,532	22,126,532	100.0000%	18,356	22,144,888	100.0830%

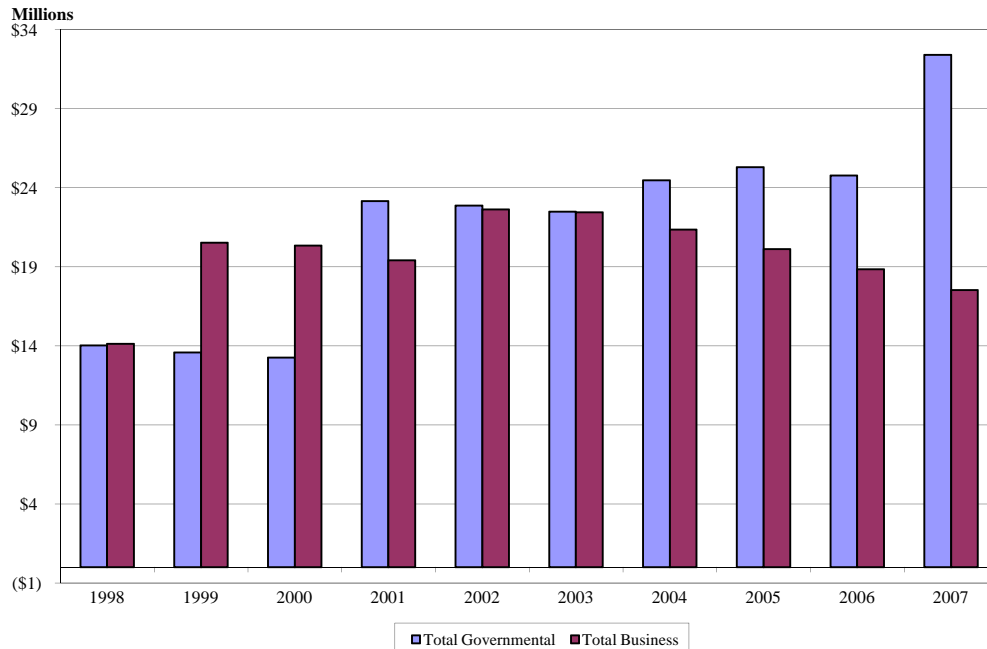
Source: Yolo County Auditor - Controller's Assessed Value Summaries

NOTE: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California

(a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

(b) Includes unsecured property taxes that are not included in the Teeter Plan

CITY OF DAVIS
Ratio of Outstanding Debt by Type (b)
Last Ten Fiscal Years



Governmental Activities						
Fiscal Year	Tax Allocation Bonds	Certificates of Participation	Special Assessment Payable	General Obligation Bond	Capital Lease Obligations	Total
1998	\$10,160,000	\$2,580,000	\$1,075,572	\$222,000		\$14,037,572
1999	10,045,000	2,495,000	1,006,074	47,000		13,593,074
2000	9,925,000	2,405,000	919,764	11,000		13,260,764
2001	20,300,000	2,310,000	546,165			23,156,165
2002	20,170,000	2,210,000	492,829			22,872,829
2003	19,965,000	2,105,000	433,092			22,503,092
2004	22,120,000	1,990,000	371,222			24,481,222
2005	21,945,000	1,870,000	305,085		\$1,200,000	25,320,085
2006	21,755,000	1,745,000	236,814		1,051,581	24,788,395
2007	29,750,000	1,605,000	162,143		896,083	32,413,226

Business-Type Activities							
Fiscal Year	Department of Water Resources Loan	State Revolving Fund Loans	Sewer System Capital Improvement Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
1998	\$3,400,386	\$10,732,552		\$14,132,938	\$28,170,510	712.53%	\$513.12
1999	3,363,543	14,698,419	\$2,464,921	20,526,883	34,119,957	811.17%	609.09
2000	3,131,210	14,821,977	2,391,853	20,345,040	33,605,804	732.27%	573.19
2001	2,892,877	14,200,845	2,314,690	19,408,412	42,564,577	888.11%	707.04
2002	6,753,082	13,642,056	2,233,236	22,628,374	45,501,203	932.24%	718.55
2003	7,398,398	12,909,068	2,147,240	22,454,706	44,957,798	884.85%	699.63
2004	7,075,773	12,237,597	2,056,449	21,369,819	45,851,041	854.79%	708.67
2005	6,612,138	11,548,453	1,960,597	20,121,188	45,441,273	790.91%	704.52
2006	6,140,320	10,841,172	1,859,400	18,840,892	43,629,287	N/A	675.53
2007	5,656,387	10,115,277	1,752,560	17,524,224	49,937,450	N/A	769.00

Sources: City of Davis
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

Notes: (a) See page 133 (Demographic Statistics) for personal income and population data.
Personal Income information is not available for 2006 to 2007
(b) Debt amounts exclude any premiums, discounts, or other amortization amounts.

CITY OF DAVIS
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Tax Allocation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
1998	\$10,160,000	0.41%	\$185.06
1999	10,045,000	0.37%	179.32
2000	9,925,000	0.33%	169.28
2001	20,300,000	0.60%	337.20
2002	20,170,000	0.54%	318.52
2003	19,965,000	0.50%	310.70
2004	22,120,000	0.51%	341.89
2005	21,945,000	0.47%	340.23
2006	21,755,000	0.43%	336.84
2007	29,750,000	0.54%	458.13

CITY OF DAVIS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2007

2006-07 Assessed Valuation \$5,500,561,181

	Net Debt Outstanding	Percentage Applicable to City of Davis	Amount Applicable to City of Davis
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
City of Davis - Certificates of Participation	<u>\$1,605,000</u>	100.00%	<u>\$1,605,000</u>
 TOTAL DIRECT AND OVERLAPPING DEBT	 <u><u>\$1,605,000</u></u>		 <u><u>\$1,605,000</u></u>
 Overlapping Bonded Debt Per Capita			 <u><u>\$24.72</u></u>

Source: City of Davis

CITY OF DAVIS
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2007

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$5,362,509,751
-----------------------------------------------------------------	-----------------

BONDED DEBT LIMIT (15% OF ASSESSED VALUE)	\$804,376,463
-------------------------------------------	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$31,355,000
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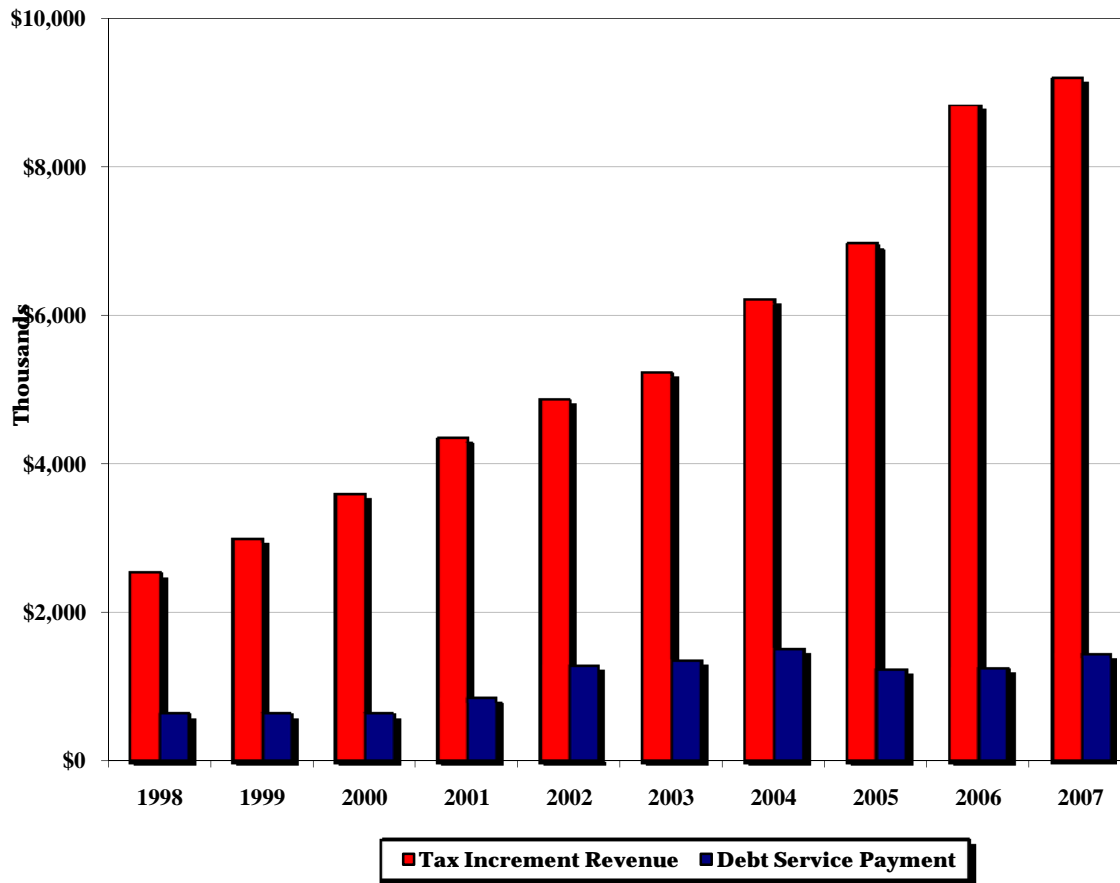
Less: Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	31,355,000
--------------------------------------------------------------------------------------------------------------	------------

Amount of debt subject to limit	0
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LEGAL BONDED DEBT MARGIN	\$804,376,463
--------------------------	---------------

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1998	\$375,362,292	\$222,000	\$375,140,292	0.06%
1999	406,832,690	47,000	406,785,690	0.01%
2000	444,664,412	11,000	444,653,412	0.00%
2001	503,984,503	0	503,984,503	0.00%
2002	555,195,744	0	555,195,744	0.00%
2003	596,779,168	0	596,779,168	0.00%
2004	644,512,137	0	644,512,137	0.00%
2005	694,663,775	0	694,663,775	0.00%
2006	732,237,018	0	732,237,018	0.00%
2007	804,376,463	0	804,376,463	0.00%

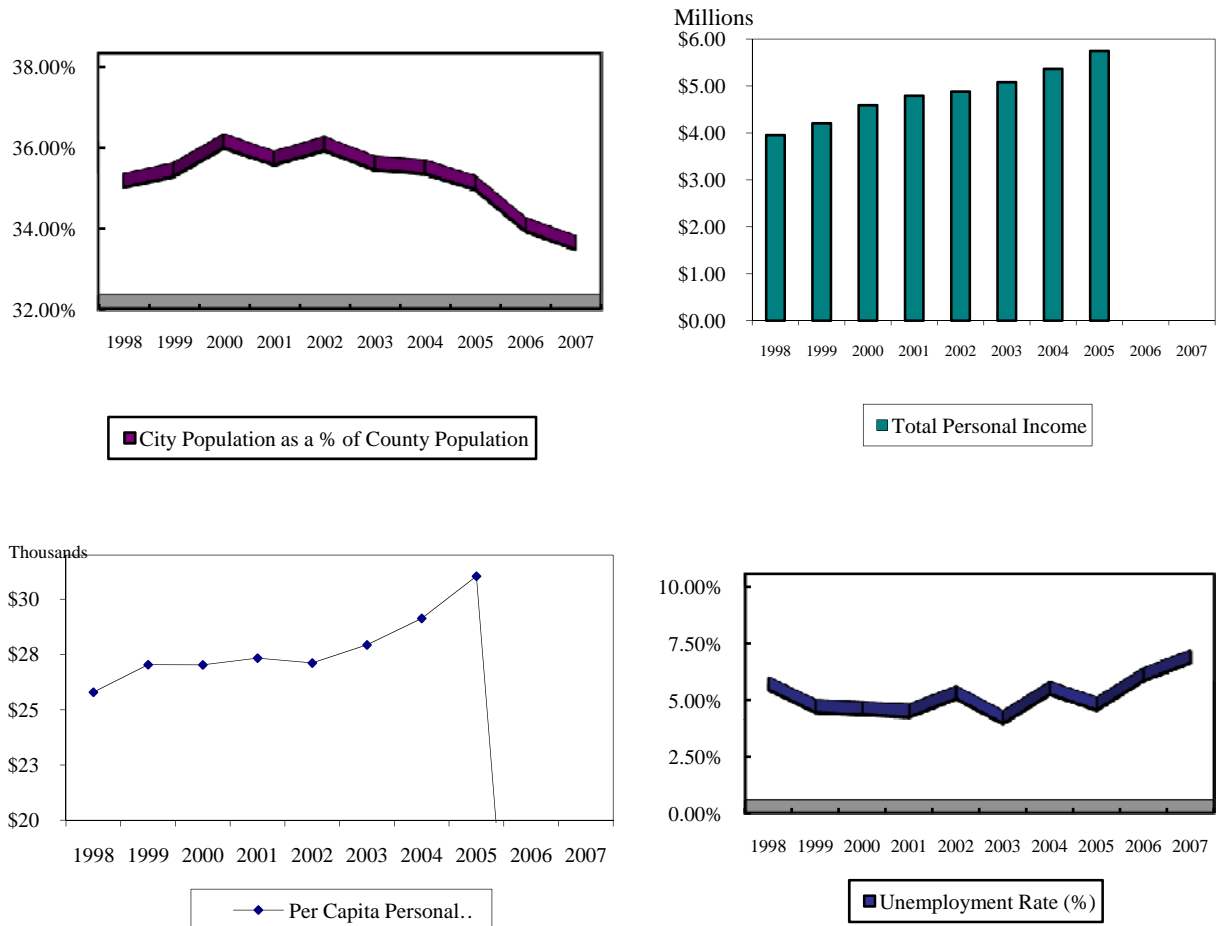
CITY OF DAVIS
BONDED DEBT PLEDGED REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1998	\$2,532,492	\$110,000	\$527,735	\$637,735	3.97
1999	2,995,888	115,000	521,575	636,575	4.71
2000	3,594,831	120,000	515,135	635,135	5.66
2001	4,349,879	125,000	724,427	849,427	5.12
2002	4,869,155	130,000	1,156,240	1,286,240	3.79
2003	5,231,587	205,000	1,146,736	1,351,736	3.87
2004	6,213,587	225,000	1,274,787	1,499,787	4.14
2005	6,958,112	175,000	1,066,084	1,241,084	5.61
2006	8,823,668	190,000	1,060,402	1,250,402	7.06
2007	9,190,651	390,000	1,050,006	1,440,006	6.38

Sources: Redevelopment Agency of the City of Davis Annual Financial Statements
Official Statements of the 2000 Tax Allocation Refunding Bonds
and 2003 Tax Allocation Refunding Bonds

CITY OF DAVIS DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS



Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Yolo County Population	City Population % of County
1998	54,900	\$3,953,600	\$25,791	5.4%	156,800	35.01%
1999	56,018	4,206,288	27,037	4.4%	158,797	35.28%
2000	58,629	4,589,286	27,030	4.3%	162,928	35.98%
2001	60,201	4,792,716	27,332	4.2%	169,265	35.57%
2002	63,324	4,880,859	27,114	5.0%	176,289	35.92%
2003	64,259	5,080,810	27,932	3.9%	181,291	35.45%
2004	64,700	5,364,000	29,133	5.2%	183,042	35.35%
2005	64,500	5,745,453	31,041	4.5%	184,500	34.96%
2006	64,585	(A)	N/A	5.8%	190,344	33.93%
2007	64,938	(A)	N/A	6.6%	193,983	33.48%

Source: California State Department of Finance

Note: (A) Information not available

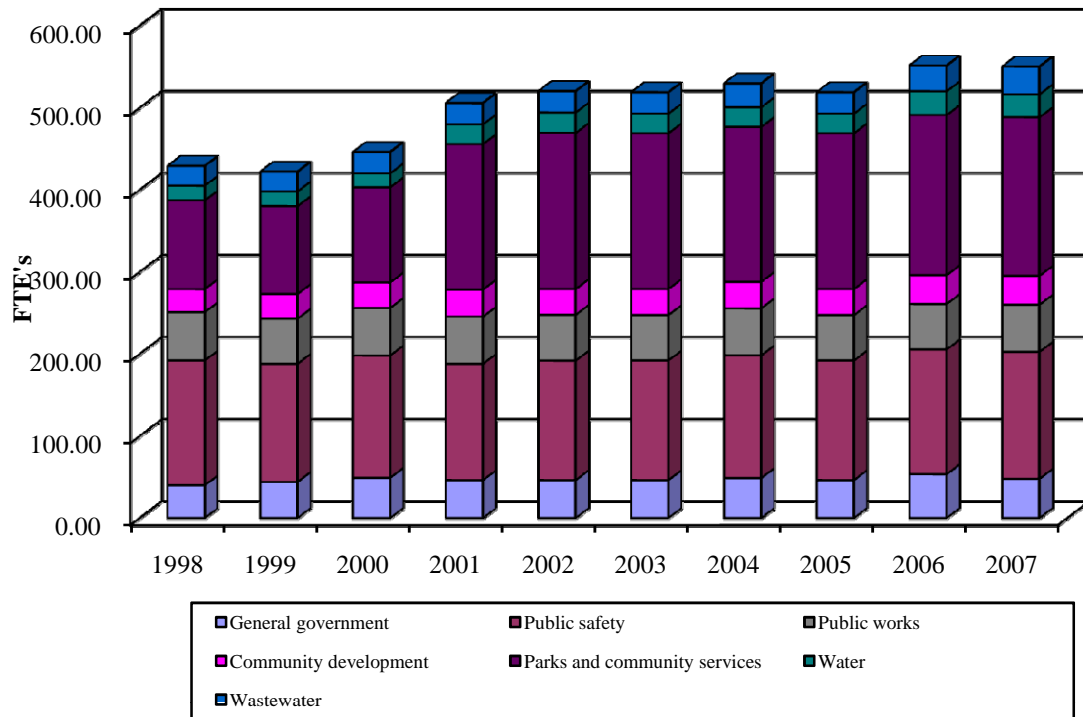
CITY OF DAVIS
Principal Employers
Current Year and Last Year

Employer	2006-07			2005-06		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
UC Davis	17,637	1	27.2%	28,230	1	43.7%
Davis Joint Unified School District	976	2	1.5%	909	2	1.4%
City of Davis	447	3	0.7%	551	3	0.9%
Sutter Davis Hospital	430	4	0.7%	435	4	0.7%
Safeway	270	5	0.4%	270	5	0.4%
USDA	200	6	0.3%	250	6	0.4%
Nugget Market	236	7	0.4%	245	7	0.4%
PG&E	166	8	0.3%	155	8	0.2%
Z-World	135	9	0.2%	130	10	0.2%
Sierra Health Care	131	10	0.2%	150	9	0.2%
Subtotal	20,628		31.8%	31,325		48.5%
Total City Day Population	64,938			64,585		

Source: City of Davis phone survey, summer 2007

Note: 1997-08 data not available

CITY OF DAVIS
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Function										
General government	40.00	44.00	49.00	46.20	46.20	46.20	48.68	46.20	53.37	47.79
Public safety	152.00	144.00	149.00	141.79	145.68	145.78	149.42	145.78	152.05	154.67
Public works	59.00	55.00	58.00	57.44	55.87	55.38	57.45	55.38	55.44	57.44
Community development	28.00	30.00	31.00	33.00	31.32	31.69	32.17	31.69	35.01	35.18
Parks and community services	108.00	107.00	116.00	177.26	190.19	189.80	188.82	189.80	195.28	193.29
Water	18.00	18.00	17.00	24.00	25.00	24.00	24.00	24.00	28.96	27.96
Wastewater	24.00	24.00	26.00	26.00	26.00	26.00	29.00	26.00	31.21	33.83
Total	429.00	422.00	446.00	505.69	520.26	518.85	529.54	518.85	551.32	550.16

Source: City of Davis

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

	Fiscal Year			
	1998	1999	2000	2001
Function/Program				
Public safety:				
Fire:				
Fire calls for service	316	221	313	252
Medical calls for service	1,172	1,300	1,401	1,610
Other calls for service	875	1,017	1,003	1,169
Primary fire inspections conducted	1,550	1,115	856	1,142
Fire loss	\$401,222	\$454,610	\$824,882	\$712,730
Police:				
Communication center calls answered (911)	8,054	9,222	9,076	8,263
Police calls for service	48,813	50,690	49,307	58,355
Law violations:				
Part I and Part II crimes	2,288	2,431	1,637	1,817
Warrants processed (adult and juvenile)	1,436	1,534	997	902
Driving under influence arrests (DUI)	217	162	251	251
Property loss	\$1,940,110	\$1,394,602	\$2,007,966	\$2,007,966
Property recovered	\$720,402	\$542,690	\$810,791	\$810,791
Cases written	7,658	6,510	7,064	7,376
Bicycle thefts	551	418	1,016	287
Recovered stolen bicycles	32	47	149	22
Animal related calls	1,305	604	666	516
Citizen complaints	21	16	17	9
Noise complaints	3,208	3,044	3,284	2,793
Moving violations	4,649	5,379	7,258	5,321
Parking violations	19,313	15,909	19,495	19,124
Public works:				
Annual vandalism expenses	\$27,207	\$27,207	\$29,167	\$27,207
Parks and Community Service:				
Recreation class participants	12,683	12,683	15,517	15,517
Water:				
Water service connections	14,344	14,344	15,192	15,292
Average daily consumption (thousands of gallons)	3,869,000,000	3,869,000,000	4,638,000,000	4,594,000,000
Solid Waste:				
Tons of solid waste generated	67,697	67,697	75,158	74,353
Tons of solid waste diverted from landfill	34,268	34,268	33,108	32,303

Source: City of Davis

Note: (A) Information not available.

Fiscal Year					
2002	2003	2004	2005	2006	2007
305	316	316	240	216	216
1,547	1,859	1,859	2,010	2,036	2,036
1,428	1,356	1,356	1,254	1,402	1,402
991	1,192	1,192	1,247	1,590	1,590
\$1,403,080	\$827,250	\$827,250	\$792,863	\$792,863	\$905,185
8,664	8,664	8,664	8,054	21,602	21,602
49,386	51,005	51,005	58,256	61,646	61,646
2,540	2,154	2,154	2,527	2,368	2,368
1,261	832	832	877	1,083	1,083
160	211	211	230	305	305
\$2,927,592	\$2,957,154	\$2,957,154	\$3,079,862	\$2,815,926	\$2,815,926
\$1,390,769	\$1,371,897	\$1,371,897	\$1,160,869	\$69,142	\$691,422
7,613	7,174	7,174	7,902	7,430	7,430
62	(A)	(A)	(A)	(A)	
8	(A)	(A)	(A)	(A)	
767	449	449	471	217	217
17	11	11	23	34	34
3,158	2,862	2,862	3,526	3,288	3,288
3,643	3,472	3,472	3,526	6,698	6,698
22,866	25,372	25,372	25,466	26,445	26,445
\$27,207	\$72,000	\$72,000	\$72,000	\$72,000	\$17,744
18,913	29,737	29,737	16,270	33,640	24,152
15,806	15,806	15,806	15,371	16,229	16,229
4,850,000,000	4,900,000,000	4,900,000,000	4,900,000,000	4,700,000,000	4,700,000,000
74,353	80,418	80,418	80,999	80,999	80,999
32,303	38,669	38,669	38,317	38,317	38,317

CITY OF DAVIS
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year			
	1998	1999	2000	2001
Function/Program				
Public safety:				
Fire stations	3	3	3	3
Number of firefighters and officers	39	45	45	45
Number of chief officers	4	4	4	4
Police stations	1	1	1	1
Number of sworn personnel	53	53	53	54
Public works:				
Miles of streets	150	150	156	155
Street lights	1,903	4,903	4,969	4,983
Traffic signals	53	55	56	54
Culture and recreation:				
Community services:				
City parks	29	30	31	30
City trees	13,900	25,000	25,000	30,000
Miles of on-street bike lanes	47	47	47	48
Miles of off-street bike paths	41	41	47	48
Swimming pools	4	4	4	5
Tennis courts	28	28	28	25
City buildings maintained	78	78	79	83
Square footage of City buildings	23,701	23,701	239,478	287,092
Water:				
Miles of water mains	166	166	170	170
Number of wells	21	21	21	22
Fire hydrants	1,597	1,597	1,644	1,644
Wastewater:				
Miles of sewer mains	151	152	153	154
Miles of storm sewers	88	88	92	92
Treatment capacity (thousands of gallons)	2,116,000,000	2,116,000,000	2,750,000,000	1,330,000,000

Source: City of Davis

Fiscal Year						
2002	2003	2004	2005	2006	2007	
3	3	3	3	3	3	
45	46	46	46	46	46	
4	4	4	4	4	4	
1	1	1	1	1	1	
54	55	55	60	60	60	
156	155	155	157	257	157	
5,095	5,101	5,101	5,494	5,494	5,494	
56	54	54	54	59	59	
31	31	31	31	31	31	
30,000	30,000	30,000	30,000	30,000	30,000	
49	48	48	51	51	51	
49	48	48	51	51	51	
4	4	4	4	4	4	
25	33	33	32	33	33	
83	84	84	88	87	87	
287,092	287,631	287,631	29,700	296,694	296,694	
175	179	179	179	180	180	
20	20	20	23	23	23	
1,667	1,667	1,667	1,938	1,942	1,942	
162	173	173	162	162	162	
94	124	124	95	95	95	
2,220,000,000	2,101,000,000	2,101,000,000	2,141,000,000	2,141,000,000	2,141,000,000	