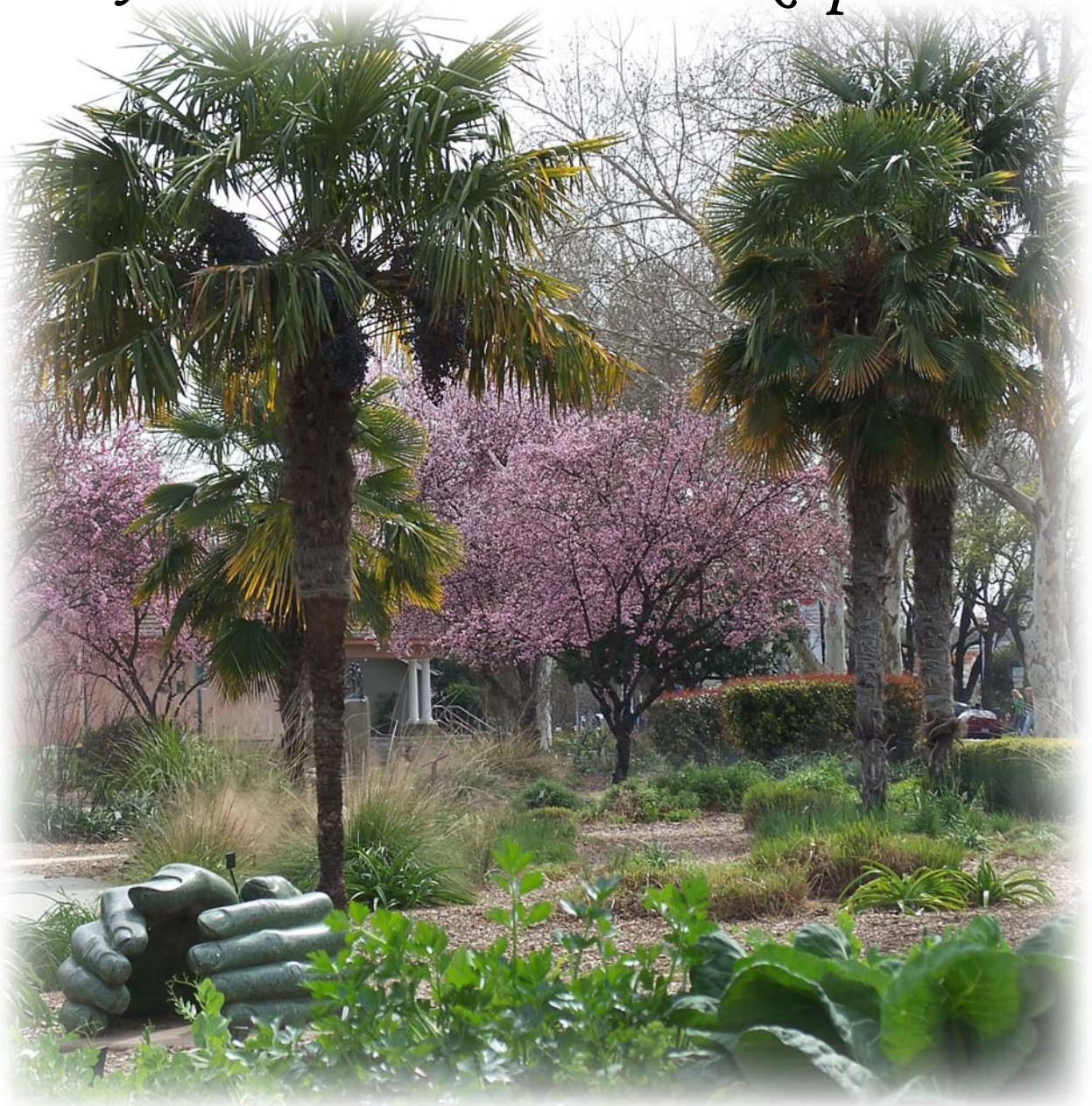


City of Davis California

Comprehensive Annual Financial Report



*For the Fiscal Year Ended
June 30, 2012*



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
CITY OF DAVIS, CALIFORNIA**

Prepared by the Department of Finance

**CITY OF DAVIS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Principal Officials	ix
Organizational Chart	x
Location Map	xi
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government - Wide Financial Statements	
Statement of Net Assets	25
Statement of Activities	26
Fund Financial Statements:	
Major Governmental Funds:	
Balance Sheet	28
Reconciliation of the Governmental Funds Balance Sheet	
To the Government-Wide Statement of Net Assets	30
Statement of Revenues, Expenditures, and Changes in Fund Balances	31
Reconciliation of the Net Change in Fund Balances –	
Total Governmental Funds with the Statement of Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual:	
General Fund	34
Child Care Grant	36
Redevelopment Agency Fund	37
Redevelopment Agency Low Income Housing Fund	38
Development Deferred Improvement Fund	39
Low/Mod Housing Fund	40
Open Space Fund	41
Proprietary Funds:	
Statement of Net Assets	42
Statement of Revenues, Expenses, and Changes in Fund Net Assets	44
Statement of Cash Flows	46
Fiduciary Funds:	
Statement of Fiduciary Net Position	47
Statement of Changes in Fiduciary Net Assets	48
Notes to Financial Statements	49

**CITY OF DAVIS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

TABLE OF CONTENTS

Required Supplementary Information (other than MD & A)

Schedule of Funding Progress for Employees Retirement Plan	97
Schedule of Funding Progress for Other Postemployment Benefits (OPEB)	98

Supplementary Information

Non-Major Governmental Funds

Combining Balance Sheet	99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	100
Special Revenue Funds	101
Combining Balance Sheet	103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	106
Budgetary Comparison Schedules:	
Gas Tax Fund – Special Revenue Fund	109
TDA Non Transit Fund – Special Revenue Fund	110
Park Maintenance Tax Fund – Special Revenue Fund	111
Cable Television Fund – Special Revenue Fund	112
Public Safety – Special Revenue Fund	113
Municipal Arts – Special Revenue Fund	114
Subdivision In-Lieu of Parking Fees – Special Revenue Fund	115
In-Lieu of Parking Payments – Special Revenue Fund	116
Parking – Special Revenue Fund	117
Federal/State Highway Grants – Special Revenue Fund	118
Community Development Block Grant – Special Revenue Fund	119
Operational Grants – Special Revenue Fund	120
Economic (ARRA) Stimulus – Special Revenue Fund	121
Agriculture Land Acquisition – Special Revenue Fund	122
Building Permits and Fees – Special Revenue Fund	123
Davisville Book Fund – Special Revenue Fund	124
Historical Fund – Special Revenue Fund	125
Brinley-Hattie Weber – Special Revenue Fund	126
Debt Service Funds	127
Combining Balance Sheet	128
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	129
Budgetary Comparison Schedules:	
Association of Bay Area Government COPs – Debt Service Fund	130
Redevelopment Agency – Debt Service Fund	131

**CITY OF DAVIS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

TABLE OF CONTENTS

Supplementary Information (Continued)

Capital Projects Fund	132
Combining Balance Sheet	133
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	135
Budgetary Comparison Schedules:	
Davis Research Park – Capital Projects Fund	137
Arlington Park Benefit Area – Capital Projects Fund	138
Capital Grants – Capital Projects Fund	139
Davis Land Acquisition – Capital Projects Fund	140
Public Facilities Financing Authority – Capital Projects Fund	141
Redevelopment Agency – Capital Projects Fund	142
Oxford Circle Park and Parking Lot – Capital Projects Fund	143
Downtown Area Capital Revitalization – Capital Projects Fund	144
Internal Service Funds:	145
Combining Statement of Net Assets	146
Combining Statement of Revenues, Expenses, and Changes in Net Assets	147
Combining Statement of Cash Flow	148
Agency Funds:	149
Statement of Changes in Assets and Liabilities	150

STATISTICAL SECTION

Net Assets by Component – Last Ten Fiscal Years	152
Changes in Net Assets – Last Ten Fiscal Years	153
Fund Balances of Governmental Funds – Last Ten Fiscal Years	155
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years	156
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	157
Property Tax Rates All Overlapping Governments – Last Ten Fiscal Years	158
Property Tax Levies and Collections – Last Ten Fiscal Years	159
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	160
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	161
Computation of Direct and Overlapping Debt	162
Computation of Legal Bonded Debt Margin	163
Demographic and Economic Statistics – Last Ten Fiscal Years	164
Principal Employers Current Year and Five Years Ago	165
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	166
Operating Indicators by Function/Program – Last Ten Fiscal Years	167
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	168

Finance Department
23 Russell Boulevard – Davis, California 95616
Accounts Payable & Payroll: 530/757-5615 – City Hall FAX: 530/758-0204
Utilities, Citations & Business Licenses: 530/757-5651 – TDD 530/757-5666



February 28, 2013

Honorable Mayor, Members of the City Council and Citizens of Davis

Herein is transmitted the Comprehensive Annual Financial Report (CAFR) of the City of Davis for the Fiscal Year ended June 30, 2012. This report was prepared by the Finance Division in the Administrative Services 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 Comprehensive Annual Financial Report is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). State statutes require an annual audit by independent certified public accountants. It is a prudent business practice to change the independent audit firm periodically to ensure a fresh look at internal controls and financial statements. To ensure that fresh look, the City changed audit firms for fiscal year 2011/12 and selected the firm Vavrinek, Trine, Day and Co., LLP to audit the City's financial records. The auditor's report on the basic financial statement is included in the financial section of this report.

In conjunction with the annual CAFR, the City is also 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 (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The City's Single Audit for Fiscal Year 2011-2012 will be completed in February of 2013 and a separate Single Audit Report will be issued. The auditor's report related specifically to the single audit will be presented as a separate document.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Davis' MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The enclosed report includes information for all funds of the City of Davis supporting the provision of services to its citizens in the areas of public safety; community development, planning and sustainability; recreation, parks, cultural and social assistance; transportation and infrastructure support; water, waste water, sanitation utilities, and transit, as well as general government activities.

The City Council of the City of Davis also has financial responsibility and accountability for the following legally separate entities: Redevelopment Agency of the City of Davis (through January 31, 2012), City of Davis Redevelopment Successor Agency (as of February 1, 2012), 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.

The financial information provided in this report combines the financial activity of the Redevelopment Agency of the City of Davis through January 31, 2012. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provides for the dissolution of all redevelopment agencies in the State of California. The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency”. On January 10, 2012 the City Council elected the City to become the Successor Agency. The Successor Agency is a separate legal entity, which was formed to hold and properly dispose of the assets of the former Redevelopment Agency. The activity of the Successor Agency is overseen by an Oversight Board and comprised of individuals appointed by various governmental agencies.

Enactment of the law occurred on June 28, 2011, which provided that redevelopment agencies could not enter into new projects, obligations or commitments. And, subject to the control of a newly established Oversight Board, remaining assets could only be used to pay enforceable obligations in existence at the time of dissolution.

The Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual payments on the established enforceable obligations until all the obligations have been paid and all assets have been liquidated. The Bill directs the California State Controller to review the legality of any transfers of assets between the redevelopment agencies and other public bodies that occurred after January 1, 2011.

Prior to the January 31, 2012 dissolution of the Redevelopment Agency, seven months of activity of the Redevelopment Agency continued to be reported in the Governmental Funds of the City. After the date of dissolution, the assets, liabilities and activities of the Successor Agency are reported in a Fiduciary Fund (trust fund) in the financial statements of the City. The transfer of assets and liabilities of the former Redevelopment Agency as of February 1, 2012 from the Governmental Funds of the City to Fiduciary Funds was reported in the Governmental

Funds as an extraordinary gain. The information provided in the Management's Discussion and Analysis and Financial Statements reflect some significant financial changes from the year ended June 30, 2011. These changes are a result of the dissolution of the Redevelopment Agency and the subsequent transfer of assets and liabilities to the Successor Agency.

The extraordinary change in accounting for the Redevelopment Agency due the dissolution on January 31, 2012, resulted in a significant amount of time and resources being devoted to the numerous changes, questions, due diligence audits and additional reports to the County and State Department of Finance. In addition, the unwinding of the Redevelopment Agency continues to be difficult due to the uncertainties that exist in the interpretation of the law.

PROFILE OF THE GOVERNMENT

The City of Davis was founded in 1868, and was originally named Davisville for Jerome C. Davis, a prominent local farmer. The Davisville post office shortened the town name in 1907 and the change was official when the city incorporated in March 1917. The City of Davis is a full-service city and the fiscal year 2011/12 budget included 482.27 full-time equivalent employees (405 full-time and part-time employees and 77.27 full-time equivalent seasonal employees). The City of Davis is a university and residential community internationally known for its commitment to implementing progressive and innovative programs. Located in Yolo County just 13 miles west of the State Capital in Sacramento, the center of State government operations, and home to UC 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 11,500 full-time and part-time faculty and staff on-campus employees. The University has approximately 30,300 students enrolled. In part to respond to continued reductions in State funding, University officials have recently announced plans to increase enrollment by 5,000 students over the next few years. A number of significant infrastructure projects are being undertaken on the campus to prepare for this growth. Joint planning efforts between University and City continue to receive greater emphasis with the goal of ensuring that the campus and the community can accommodate a growing student population, as well as capitalizing on economic development opportunities from leveraging university and community assets.

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 members 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.

Dedicated to citizen participation, the city has 16 council-appointed commissions that are devoted to various aspects of community life including such elements as planning, recreation, finance/business and economics, natural resources and university student relations.

The development of the Fiscal Annual Operating Budget begins in January with the dissemination of the budget preparation guidelines. The city departments prepare their budgets and submit them to Administrative Services for review and analysis prior to submission to the City Manager. The City Manager and Administrative Services staff meet with department heads to discuss budget changes and requests and to obtain additional information to assist in the assessment of the requests. The proposed budget is then submitted to the City Council for consideration in June and must be adopted by the Council before the start of the new fiscal year.

The City's budget policy is that all appropriations lapse at fiscal year end. Budget reports are presented to the City Council at first quarter and mid-year. The reports provide Council with pre-audit and post-audit prior year financial information, current year-to-date analysis and updated current year estimates and projections. The City Manager may administratively authorize a new appropriation of no more than \$10,000 with a limit of \$50,000 in total per quarter. Quarterly reports are submitted to Council which disclose the administratively approved budget adjustments.

The following elements of the long-range budget-balancing framework were incorporated into the FY2011/12 Budget:

- Address General Fund Structural Deficit
- Redirect additional funding in support of priority needs, including deferred maintenance and infrastructure investments through reprioritization of existing resources
- Establish strategy to mitigate impacts in projected increases in employee benefit costs related to health insurance, retiree medical and pension benefits
- Develop appropriate contingencies commensurate with the degree of uncertainty surrounding economic outlook, State and Federal budgets
- Take steps to plan for scheduled renewal of the Parks Maintenance Tax, subject to voter-approval

FINANCIAL CONTROLS

Management of the City of Davis is responsible for establishing and maintaining internal controls designed to ensure that the assets of 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 accounting principles generally accepted in the United States of America. Responsibility for the City's financial management is located in the Finance Division of the Administrative Services Department. The internal controls are 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. Management asserts that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The objective of established budgetary 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 maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Purchase orders and contract commitments for the expenditure of funds reserve (encumber) a portion of the applicable appropriation. Outstanding encumbrance balances at fiscal year end require re-approval and appropriation by the City Council at the beginning of the new fiscal year.

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 Division, 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 FY 2011-12, a significant portion of the City's pooled cash remained invested in the Local Agency Investment Fund (LAIF), 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 year-end investment earnings for all funds held in the City treasury totaled \$484,949, a return of 0.466 percent compared to the prior fiscal year of \$660,422 a return of 0.654 percent.

RISK MANAGEMENT

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

ECONOMIC PROFILE

The City of Davis is located in Yolo County which is part of the six-county Sacramento Region. This area comprises the counties of El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba. The total employment for the region is currently at 850,000 with a net increase of 4,300 jobs from November 2011 to November 2012. The current forecast for the coming year is for job growth to average 2.2 percent. Regional unemployment currently stands at 11.0 percent - a drop of 1.4 percent for the year. November 2012 unemployment numbers for the City of Davis stood at 6.8 percent - a drop of 3 percent from the high of 9.8 percent in January 2011.

The region's residential real estate market has seen a reduction in the median home price over the last several years. This trend has finally seen a rebound with an 18 percent increase in home prices in the area for calendar year 2012. Davis had a more muted reduction in home sale prices than the region as a whole. For calendar year 2012 Davis home prices saw a year on year increase of 13.5 percent. Fourth Quarter median home sale price in Davis was \$494,500.

The Consumer Price index for the West Region increased 1.6 percent in 2012. In FY 2012/13, sales tax revenues for the City of Davis are anticipated to rise 2.1 percent over FY 2011/12 actual, to \$8,451,760 but are still well below the 2008 revenue of \$9,117,999.

The economy continues to be fighting headwinds as it moves towards recovery from the severe economic downturn of the past few years. Precipitated by the bursting of the residential housing "bubble" and quickly spreading through the banking sector it continues to affect global financial markets, most recently in the European Union. And, the highly debated "Fiscal Cliff" could severely impact the U.S. economy starting in 2013. Locally, the recession has had a direct impact on local property and sales tax revenues, which represent over 60 percent of General Fund revenues. The State continues to wrestle with an unprecedented budget crisis, triggered by the recession.

LONG-RANGE PLANNING

In November 2012, the Davis City Council adopted its Goals for the next two years. Seven goal areas were adopted and included guiding principles and a corresponding action plan for each goal. Following are the goal areas and brief description of each goal.

Fiscal Stability: Ensure short and long-term expenditures and revenues are equivalent, matching community resources to needs without reliance on growth.

Economic Development: Promote economic development consistent with our community values and niche as home of a world-class university.

Downtown Davis: Ensure downtown Davis remains the vibrant economic, cultural, and social center of the community.

Sustainability: Enact policies that strive to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Community Strength and Effectiveness: Create an environment at all levels of the city that encourages effective engagement and results in quality customer service and service delivery.

Infrastructure: Maintain and improve current infrastructure to meet community needs now and into the future.

Public Safety: Keep Davis a safe and secure place for residents, visitors and neighborhoods.

City staff is assigned the corresponding action plan to implement these goals and will report back to Council within 12 months to report the progress.

ACCOMPLISHMENTS

Following are the highlights and accomplishments for Fiscal Year 2011/2012

- Restructured budget to reflect full funding of retiree medical and increase in PERS funding, allowing for better and more accurate long-range planning.
- Continued to build on prior year reorganization efforts to consolidate and streamline services.
- Based on the results of a management study of Public Works, reorganized the Department to provide better customer service by co-locating development services. Also reorganized Community Services to reduce costs while maintaining level of service.
- Created Oversight Board and Successor Agency to respond to State's dissolution of redevelopment agencies.
- Actively partnering with UC Davis on land use planning and economic development initiatives, including iGATE, Downtown/University Innovation District and others.
- Considered uses for the former Hunt Wesson site, and worked with the resulting Cannery Park application. The EIR for the proposed project is underway.
- Made progress to implement Year 1 of the City's Climate Action and Adaptation Plan
- Ensured that 872 acres of open space would remain undeveloped through open space acquisitions and agreements as part of the City's open space program.
- Enhanced downtown atmosphere with facilitating opening of Paesanos, DeVeres; approval and installation of on-street bike parking; improvements on Third Street and more.
- 69-unit New Harmony affordable housing complex in south Davis under construction.
- Created Water Advisory Committee to review water rates and water options.
- Awarded contract for integrated waste management plan.
- Furthered the Wastewater Treatment Plant project and supported the efforts of the Woodland Davis Clean water agency.
- Updated Parks/Facilities Master Plan
- Renewed special revenue Park Tax in June 2012

ACKNOWLEDGEMENTS

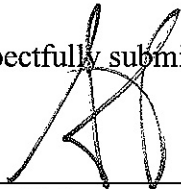
We would like to express our appreciation to the entire Finance staff who work throughout the year to strive to improve the quality of service and financial information provided to the citizens of Davis. And, we thank and acknowledge the staff who dedicated long hours in order to prepare this Comprehensive Annual Financial Report.

The financial operations of the City of Davis are a coordinated partnership with all City departments, and we acknowledge and thank City staff for their efforts to work with Finance throughout the year, and especially during the annual audit and preparation of the CAFR.

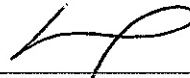
We wish to acknowledge the professional manner in which Vavrinek, Trine, Day and Co., LLP conducted the audit and to express appreciation for their assistance.

The Mayor and Council should also be acknowledged for their leadership, strategic planning efforts, support and continuing efforts to maintain strong fiscal health for the City of Davis.

Respectfully submitted,



Steve Pinkerton
City Manager



Yvonne Quiring
Assistant City Manager/
Administrative Services Director

PRINCIPAL OFFICIALS

CITY OF DAVIS

JUNE 30, 2012

CITY COUNCIL

Mayor	Joe Krovoza
Mayor Pro-Tern	Rochelle Swanson
Councilmember	Dan Wolk
Councilmember	Stephen Souza (Term expired 6/30/12)
Councilmember	Sue Greenwald (Term expired 6/30/12)
Councilmember	Lucas Frerichs (Appointment 7/1/12)
Councilmember	Brett Lee (Appointment 7/1/12)

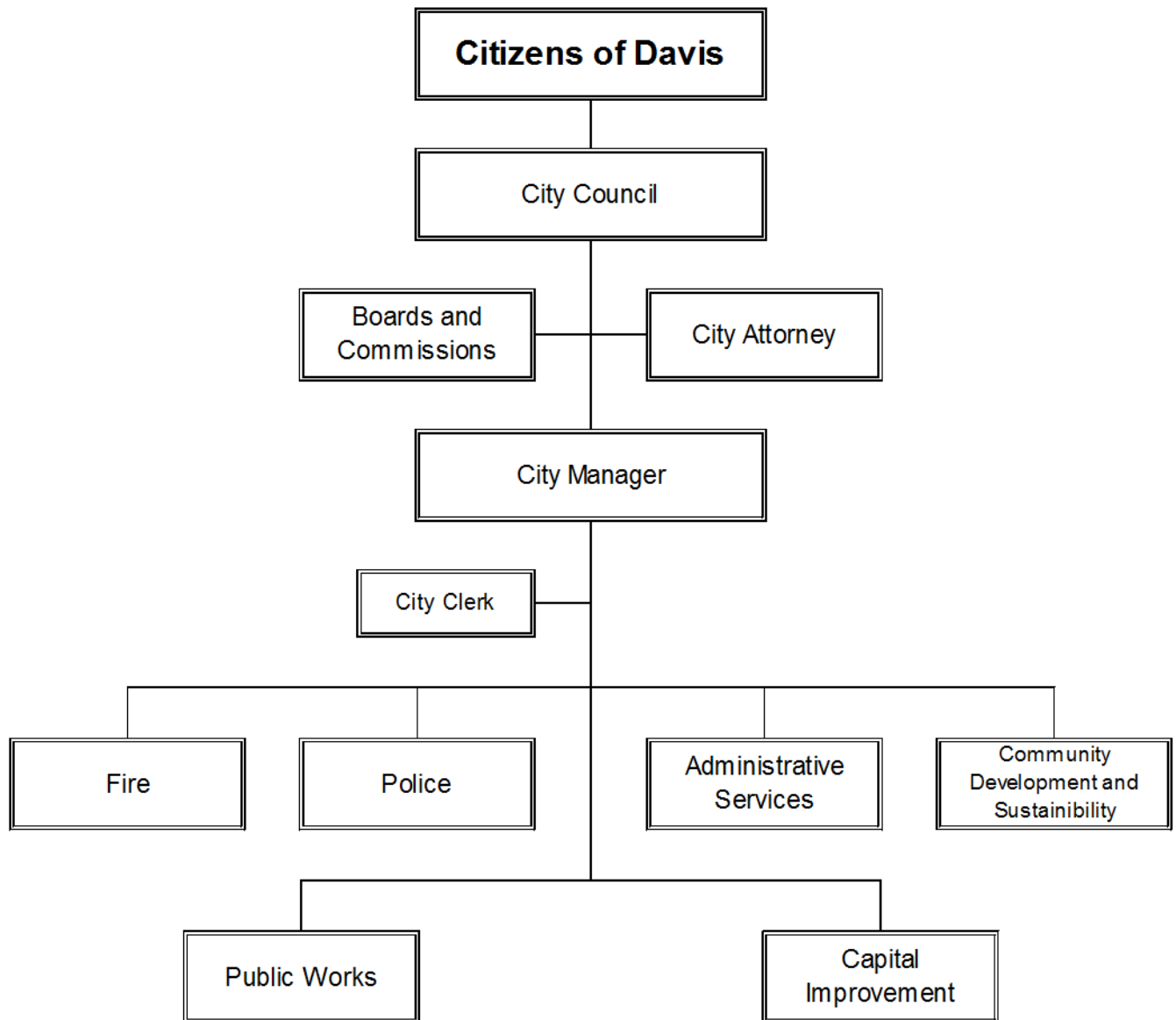
ADMINISTRATIVE OFFICIALS

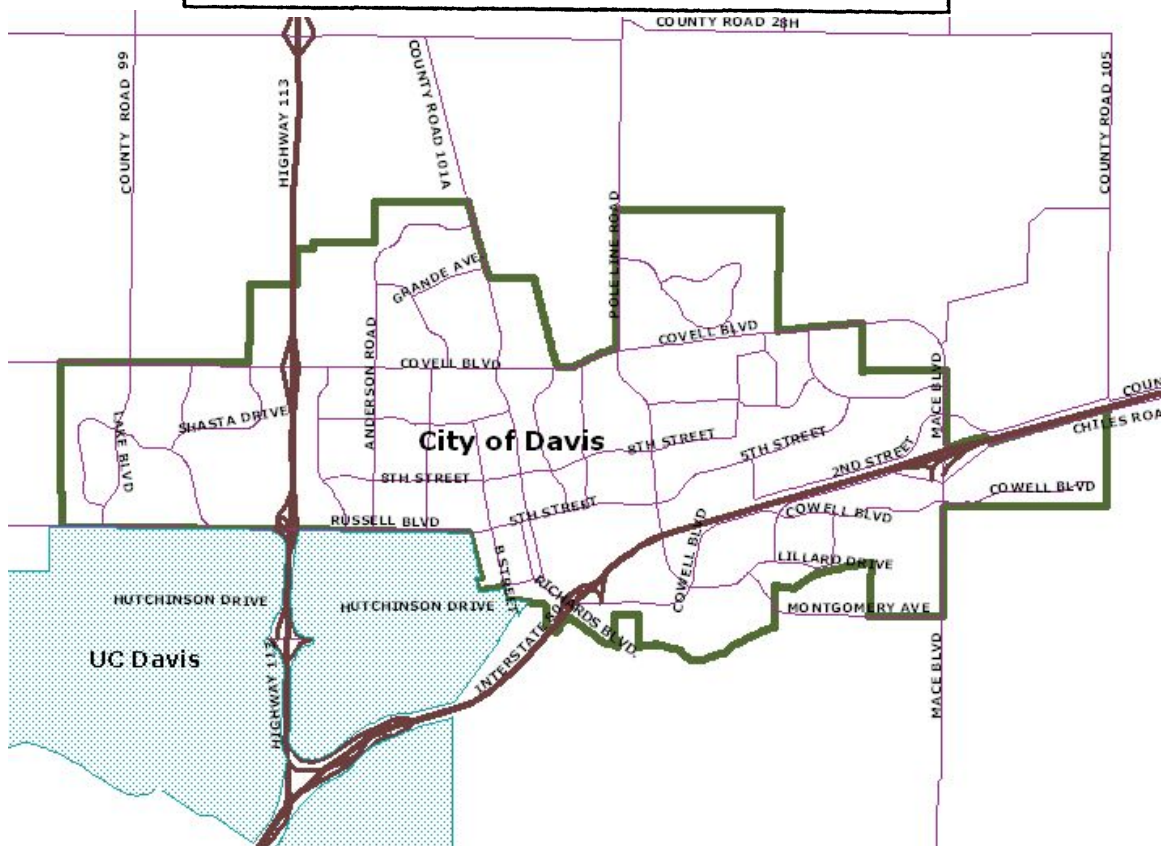
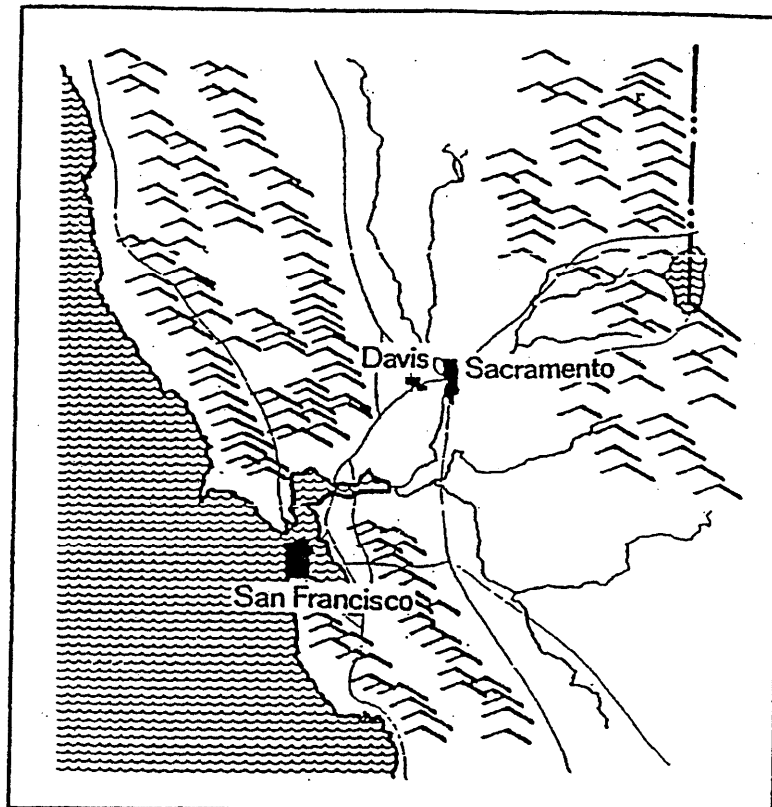
City Manager	Steve Pinkerton
City Attorney	Harriet Steiner
Assistant City Manager/ Administrative Services Director	Vacant
General Manager of Utilities, Development & Operations	Herb Niederberger
City Clerk	Zoe Mirabile
Chief of Police	Landy Black
Community Development Director	Ken Hiatt
Interim Fire Chief	Scott Kenley
Interim Public Works Director	Bob Clarke

ADMINISTRATIVE STAFF

Budget Manager	Kelly Fletcher
Accountant	Pam Day
Financial Supervisor	Kellie Bruton
Financial Associate	Karen Bordigon

City of Davis Organizational Chart







INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, California (the City), as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, California, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the City restated the July 1, 2011 beginning net assets and fund balances, as applicable, of the governmental activities, business-type activities, General Fund, Child Care Grant Special Revenue Fund, Water Enterprise Fund and Sewer Enterprise Fund for the correction of errors to properly state unamortized bond issuance costs, unamortized bond discounts, deferred revenue, and capitalized interest.

As described in Note 18, Assembly Bill 1X 26 was upheld and declared constitutional by the California Supreme Court on December 29, 2011. As part of its decision, the Supreme Court established the date of dissolution as of February 1, 2012. The redevelopment agencies in California, including the City of Davis Redevelopment Agency (the Agency), were terminated and successor agencies were appointed to wind down the affairs of the former redevelopment agencies in accordance with the provisions of Assembly Bill 1X 26. The City of Davis has elected to be appointed as Successor Agency for purposes of winding down the affairs of the Agency. As a result, the fund balances of the former Davis Redevelopment Agency funds were transferred to a private-purpose trust fund on February 1, 2012. Additionally, certain assets were transferred to the City of Davis Low/Mod Housing Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 24 and the schedules of funding progress on pages 97 through 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California

February 28, 2013

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

As management of the City of Davis (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section on pages i through xi of this report.

FINANCIAL HIGHLIGHTS

Financial highlights for the 2011-2012 fiscal year include the following:

Government-Wide Level

- The City's total net assets increased \$26.6 million to \$598.0 million at June 30, 2012 from \$571.4 million on June 30, 2011 (restated).
- A restatement of the beginning net assets was made in fiscal year 2012, increasing beginning net assets in Governmental Activities by \$2.11 million and Business-type Activities by \$1.83 million. Refer to Note 2 for further detail on these restatements.
- Total Government-wide revenues, including program and general revenues were \$101.9 million, which was a decrease of \$6.7 million from the prior year's \$108.6 million.
- Total Government-wide expenses were \$101.1 million, a decrease of \$20.4 million from the prior year's \$121.5 million.
- Net assets of Governmental Activities increased \$21.9 million, while net assets in Business-type Activities increased \$4.7 million.
- Governmental Activities program revenues increased \$2.5 million from fiscal year 2010-2011's \$26.2 million.
- Governmental Activities program expenses decreased \$20.4 million from \$86.0 million in fiscal 2010-2011.
- Revenues from Business-type Activities increased \$2.2 million in fiscal 2011-2012 from \$37.9 million in fiscal 2010-2011.
- Expenses of Business-type Activities decreased \$0.04 million in fiscal 2011-2012 from \$35.5 million in fiscal 2010-2011.

Fund Level

- Total Governmental Fund balances decreased to \$79.6 million in fiscal 2011-2012 from the prior year's \$103.3 million.
- Total Governmental Fund revenues decreased \$10.6 million in fiscal 2011-2012 from the prior year's \$70.6 million.
- Total Governmental Fund expenditures decreased to \$66.6 million in fiscal 2011-2012, down \$12.6 million from the prior year's \$79.2 million.
- General Fund balance of \$6.3 million in fiscal 2011-2012 is up \$0.7 million from the prior year's \$5.6 million (as restated).
- General Fund revenues increased to \$41.0 million, up \$3.1 million from the prior year's \$37.9 million and expenditures increased \$2.6 million from prior year's \$37.7 million.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, parks and recreation and public safety. The business-type activities of the City include water, sewer, sanitation, storm sewer, and public transit.

The government-wide financial statements include not only the City itself (known as the primary government), but also its legally separate component units, including the Public Facilities Financing Authority and the City of Davis Redevelopment Agency (the Agency). The Agency was dissolved as of January 1, 2012 and its net assets were transferred to a private-purpose trust fund effective February 1, 2012. The City is designated as the Successor Agency to the former Redevelopment Agency and is responsible for winding down the financial activities of the former Redevelopment Agency.

The government-wide financial statements can be found on pages 25-27 of this report.

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

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The City maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Child Care Grant special revenue fund, the Redevelopment Agency special revenue fund, the Redevelopment Agency Low and Moderate Income Housing special revenue fund, the Development Deferred Improvement special revenue fund, the Low/Mod Housing special revenue fund, and the Open Space special revenue fund, which are considered to be major funds. Data from the other 30 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 28-41 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprises funds to account for its water, sewer, sanitation, storm sewer, and public transit operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks and other central service costs. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, sanitation, storm sewer, and public transit operation, each of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 42-46 of this report.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 47-48 of this report.

Notes to the Financial Statements – The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-96 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Required supplementary information can be found on page 97-98 of this report.

The combining statements and individual fund statements and schedules referred to earlier in connection with non-major governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 99-151 of this report.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

This section focuses on the net assets and changes in net assets of the City's governmental activities and business-type activities presented in the Government-wide Statement of Net Assets and Statement of Activities.

Government-wide Statement of Net Assets

Table 1 provides a summary of the Net Assets for the governmental and business-type activities for the year ended June 30, 2012, and compares the activities to the prior fiscal year. Following Table 1 is an analysis of the activities.

Table 1
Net Assets - June 30, 2012 and 2011
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Cash and investments	\$ 55.085	\$ 84.509	\$ 46.659	\$ 39.840	\$ 101.744	\$ 124.349
Other assets	45.774	38.189	5.496	5.122	51.270	43.311
Capital assets	250.696	249.922	247.934	245.181	498.630	495.103
Total Assets	<u>351.555</u>	<u>372.620</u>	<u>300.089</u>	<u>290.143</u>	<u>651.644</u>	<u>662.763</u>
Other liabilities	6.852	9.149	5.612	6.029	12.464	15.178
Long-term debt outstanding	14.264	57.053	26.890	23.015	41.154	80.068
Total Liabilities	<u>21.116</u>	<u>66.202</u>	<u>32.502</u>	<u>29.044</u>	<u>53.618</u>	<u>95.246</u>
Net assets:						
Invested in capital assets, net of related debt	250.696	219.145	222.630	223.255	473.326	442.400
Restricted	66.228	95.845	-	0.070	66.228	95.915
Unrestricted	13.515	(8.572)	44.957	37.774	58.472	29.202
Total Net Assets	<u>\$ 330.439</u>	<u>\$ 306.418</u>	<u>\$ 267.587</u>	<u>\$ 261.099</u>	<u>\$ 598.026</u>	<u>\$ 567.517</u>

This table shows all prior year net assets before restatements. Restated net assets at June 30, 2011 for Governmental Activities and Business-type Activities are \$308.526 and \$262.933 million respectively. Refer to Note 2 to the basic financial statements for further details on all restatements.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Analysis of Governmental Activities Statement of Net Assets

The City's governmental activities net assets increased \$21.9 million in fiscal year 2011-2012 over the prior year. This increase, also noted in the Change in Net Assets shown in Table 2, is explained below:

- Cash and investments decreased \$29.4 million to \$55.1 million from \$84.5 million on June 30, 2011. At June 30, 2012, approximately \$54.37 million pertains to cash and investments held by the city and \$0.73 million is cash with fiscal agents. The decrease in cash is primarily due to the dissolution of the Redevelopment Agency.
- Capital assets increased \$0.7 million mainly due to the addition of certain assets, which for this year exceeded the value of depreciation of assets.
- Other assets consist primarily of accounts receivables, loans, and other receivables, and increased \$7.6 million from \$38.2 million on June 30, 2011. This increase is primarily due to an increase in loan receivables for low/moderate income housing.
- Long-term debt decreased \$42.8 million from \$57.1 million on June 30, 2011 due primarily to transfer of debt from the Redevelopment Agency of the City of Davis to the Successor Agency Trust Fund; and secondarily, to the normal, scheduled retirement of existing obligations.
- Other liabilities consist primarily of accounts and claims payable, as well as the City's compensated absences liability. Other liabilities decreased \$2.2 million from \$9.1 million on June 30, 2011. This decrease is primarily due to the elimination of the current portion of Redevelopment Agency debt and decreased wages payable.
- Net assets invested in capital assets net of related debt represents the net value of capital assets financed through borrowing, and increased to \$250.7 million from \$219.1 on June 30, 2011. This \$31.6 million increase is due to an increase in capital assets with an offsetting decrease in long-term debt, due to the dissolution of the Redevelopment Agency.
- Restricted net assets consist of net assets that are legally restricted to be spent on capital projects, special revenue funded projects, and debt service reserves. Restricted net assets decreased from \$95.8 million on June 30, 2011 to \$66.2 million on June 30, 2012. This \$29.6 million decrease is primarily due to the dissolution of the Redevelopment Agency.
- Unrestricted net assets are 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 increased \$22.1 million to \$13.5 million, which is available to finance day-to-day operations and other expenses approved by City Council. This \$22.1 million increase is due to the dissolution of the Redevelopment Agency.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Analysis of Business-Type Activities Statement of Net Assets

The net assets of business-type activities consist primarily of capital assets used in operations. The City's Business-Type Activities net assets increased \$4.7 million from \$262.9 million on June 30, 2011.

- Cash and Investments increased \$6.8 million to \$46.7 million from \$39.8 million on June 30, 2011. At June 30, 2012, approximately \$46.3 million pertains to cash and investments held by the city and \$0.3 million is cash with fiscal agents.
- Capital assets increased \$2.7 million primarily due to contributed capital from new development and an increase in work in progress for sewer and water infrastructure improvements.
- Long-term debt increased \$4.9 million from \$22.0 million on June 30, 2011 due primarily to an increase in the loan for the East Area storage tank, an increase in the Line of Credit for the Water fund, and to normal, scheduled retirement of existing obligations.
- Net assets invested in capital assets net of related debt represents the net value of capital assets financed through borrowing, and decreased to \$222.6 million from \$223.3 on June 30, 2011. This \$0.7 million decrease is due to an increase in capital assets with an offset of an increase in accumulated depreciation.
- Unrestricted net assets are 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 increased \$7.2 million to \$45.0 million, which is available to finance day-to-day operations and other expenses approved by City Council. The change in unrestricted net assets was primarily due to contributed capital from development of \$1.2 million, a combined total operating income for water, sanitation, sewer and storm sewer of \$3.2 million and \$1.8 million in capitalized interest.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Government-wide Statement of Activities

The Statement of Activities shows the revenues, expenses and changes in net assets for governmental and business-type activities. The following table summarizes this information.

Table 2
Changes in Net Assets
For the Year Ended June 30, 2012 and 2011
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Expenses						
General government:						
City Council	\$ 0.171	\$ 0.174	\$ -	\$ -	\$ 0.171	\$ 0.174
City Attorney	0.348	0.308	-	-	0.348	0.308
City Manager	2.655	2.465	-	-	2.655	2.465
Finance	2.008	2.207	-	-	2.008	2.207
Community Development	3.145	3.307	-	-	3.145	3.307
Public Works	9.894	11.608	-	-	9.894	11.608
Special Projects	1.836	16.767	-	-	1.836	16.767
Parks and community services:						
Parks and Community Services	19.845	21.142	-	-	19.845	21.142
Public safety:						
Fire	9.330	9.364	-	-	9.330	9.364
Police	14.786	15.861	-	-	14.786	15.861
Interest on Long-Term Debt	1.612	2.798	-	-	1.612	2.798
Water	-	-	9.918	9.946	9.918	9.946
Sanitation	-	-	9.313	9.169	9.313	9.169
Sewer	-	-	8.554	8.248	8.554	8.248
Storm Sewer	-	-	3.530	3.868	3.530	3.868
Public transit	-	-	4.183	4.307	4.183	4.307
Total Expenses	<u>65.630</u>	<u>86.001</u>	<u>35.498</u>	<u>35.538</u>	<u>101.128</u>	<u>121.539</u>
Revenues						
Program Revenues:						
Charges for Services	11.163	10.237	34.370	33.314	45.533	43.551
Operating Contributions and Grants	13.784	15.277	4.104	3.999	17.888	19.276
Capital Grants and Contributions	3.801	0.656	1.205	-	5.006	0.656
General Revenues:						
Taxes	27.195	36.574	-	-	27.195	36.574
Motor vehicle in-lieu	4.879	5.213	-	-	4.879	5.213
Investment income	0.281	0.236	0.174	0.299	0.455	0.535
Miscellaneous	0.720	2.496	0.251	0.339	0.971	2.835
Total Revenues	<u>61.823</u>	<u>70.689</u>	<u>40.104</u>	<u>37.951</u>	<u>101.927</u>	<u>108.640</u>
Transfers, net	<u>(0.048)</u>	<u>-</u>	<u>0.048</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special and Extraordinary Items:						
Special Item: Transfer of Loan from RDA Successor Agency	1.685	-	-	-	1.685	-
Change in Accounting Measurement	-	(6.951)	-	1.555	-	(5.396)
Extraordinary item: Dissolution of RDA	24.083	-	-	-	24.083	-
Total Transfers, Special and Extraordinary Items:	<u>25.720</u>	<u>(6.951)</u>	<u>0.048</u>	<u>1.555</u>	<u>25.768</u>	<u>(5.396)</u>
Changes in Net Assets	<u>21.913</u>	<u>(22.263)</u>	<u>4.654</u>	<u>3.968</u>	<u>26.567</u>	<u>(18.295)</u>
Net Assets - Beginning (as restated)	<u>308.526</u>	<u>328.681</u>	<u>262.933</u>	<u>257.131</u>	<u>571.459</u>	<u>585.812</u>
Net Assets - Ending	<u>\$ 330.439</u>	<u>\$ 306.418</u>	<u>\$ 267.587</u>	<u>\$ 261.099</u>	<u>\$ 598.026</u>	<u>\$ 567.517</u>

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Analysis of Governmental Activities Statement of Activities

Revenues

The City's governmental activities rely on several sources of revenue to finance ongoing operations. Property Tax (\$9.95 million), Sales Tax (\$8.3 million), Operating Grants & Contributions (\$13.8 million), and Charges for Services (\$11.2 million) comprise the largest sources of revenue. Operating Grants & Contributions include revenues such as gas tax revenue passed through from the State for maintenance of the streets, Federal and State Child Care grants, HOME Federal Grant funding for the housing program, and HUD/CDBG Federal Grant funding. Charges for Services are revenues that arise from charges to customers who purchase, use, or directly benefit from goods or services. Examples of the types of services that fall under this category include building permits, business licenses, and park and recreation fees. Also included in Charges for Service is an internal administrative overhead charge to departments within the city for services provided to them by the City Manager's, City Attorney's and City Clerk's offices, Human Resources, and Finance services.

At the end of fiscal year 2011/12, total governmental activities revenue was \$61.8 million, a decrease of \$8.9 million compared to the prior year due to a decrease in Tax Revenues from the dissolution of the Redevelopment Agency.

Program Revenues had an overall increase of \$2.6 million from \$26.2 million in fiscal year 2010/11 to \$28.8 million in fiscal year 2011/12. This increase was primarily due to an increase in capital grants and contributions from development impact fees and Quimby fees.

General Revenues decreased from \$44.5 million in fiscal year 2010/11 to \$33.1 million in fiscal year 2011/12. The \$9.3 decrease in Tax Revenue is due to the dissolution of the Redevelopment Agency (RDA). The dissolution of the Redevelopment Agency was also responsible for the extraordinary gain of \$24.1 million, which resulted from the transfer of assets from the Redevelopment Agency to the City's housing function and the Successor Agency. Miscellaneous Revenue decreased \$1.9 million due to a reimbursement of developer fees in the prior fiscal year and a one-time adjustment to revenue that also occurred in the prior fiscal year.

Expenses

Total Governmental Activities Expenses decreased \$20.4 million from \$86.0 million in the prior year. Special projects expenses decreased \$15.0 million due primary to a decrease in Redevelopment Agency project expenses in the current fiscal year and a one-time expenditure in the prior fiscal year for the foreclosure of the Pacifico and DACHA housing developments, with smaller operational decreases occurring in other operating departments.

Analysis of Business-Type Activities Statement of Activities

The City has five business-type activities: Water, Sanitation, Sewer, Storm Sewer and Public Transit. Business-type activities report Charges for Services as their largest source of revenue, with Public Transit showing operating grants as the largest source of revenue.

The change in net assets for fiscal year ended June 30, 2012 is \$4.654 million. The change in net assets was primarily due to contributed capital from development of \$1.2 million and a combined total operating income for water, sanitation, sewer and storm sewer of \$3.2 million.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows and outflows and balances of resources that are available for spending. This information is useful in evaluating the City's financial requirements.

The City maintains 37 individual governmental funds, which include seven Major Funds (General Fund, Child Care Grant special revenue fund, the Redevelopment Agency special revenue fund, the Redevelopment Agency Low and Moderate Income Housing special revenue fund, the Development Deferred Improvement special revenue fund, the Low/Mod Housing Fund special revenue fund, and the Open Space special revenue fund. In the financial statements, these Major Funds are reported separately, with the data from the other 30 governmental funds combined into a single aggregated presentation.

At June 30, 2012, the City's governmental funds reported combined fund balances of \$79.6 million, which is a decrease of \$24.3 million compared with last year. Governmental funds assets decreased \$22.0 million due primarily to the dissolution of the Redevelopment Agency and subsequent transfer of assets to the Successor Agency. However, there was a \$7.5 million increase in loan receivables due to the New Harmony low/moderate income housing project. Governmental funds liabilities increased \$2.4 million due primarily to an increase in deferred revenue and bonds payable.

Governmental funds revenues decreased \$10.5 million from \$70.5 in the prior year to \$60.0 million. While General Fund and Development Deferred Improvement Fund revenues increased by \$3.1 million and \$1.6 million, respectively, the revenue of the Redevelopment and Child Care Grant Funds decreased by \$10.7 million and \$1.4 million, respectively. The decrease in the Non-Major Funds totaled \$3.5 million.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Table 3 provides a summary of the governmental fund revenues for the year ended June 30, 2012, and compares the revenues to the prior fiscal year. Following Table 3 is an analysis of the revenues.

Table 3
Revenues in the Governmental Funds
For the Year Ended June 30, 2012 and 2011

Revenue Sources:	2012		2011		Changes	
	Amount	% of Total	Amount	% of Total	Amount	%
Taxes	\$ 32,472,106	54.1%	\$ 41,786,803	59.2%	\$ (9,314,697)	-22.3%
License and permits	317	0.0%	182	0.0%	135	74.2%
Fines and forfeitures	961,642	1.6%	1,004,144	1.4%	(42,502)	-4.2%
Use of money and property	715,761	1.2%	1,031,044	1.5%	(315,283)	-30.6%
Intergovernmental	10,975,947	18.3%	13,442,401	19.1%	(2,466,454)	-18.3%
Charges for current services	9,541,440	15.9%	8,698,620	12.3%	842,820	9.7%
Development fees	2,583,790	4.3%	494,460	0.7%	2,089,330	422.5%
Administrative fees	2,523,552	4.2%	2,296,790	3.3%	226,762	9.9%
Other	254,482	0.4%	1,795,965	2.5%	(1,541,483)	-85.8%
Totals	<u>\$ 60,029,037</u>	<u>100.0%</u>	<u>\$ 70,550,409</u>	<u>100.0%</u>	<u>\$ (10,521,372)</u>	<u>-14.9%</u>

Significant changes for major revenue sources are explained below.

The decrease in Taxes and Use of Money and Property is due primarily to the dissolution of the Redevelopment Agency. The \$2.5 million decrease in Intergovernmental revenue is due to a decrease in Child Care grant and Economic (ARRA) Stimulus funding. The increase in Development Fees is due to new residential and commercial development. Other revenue decreased \$1.5 million due primarily to a one-time adjustment for the Eleanor Roosevelt senior housing project in the prior fiscal year.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Table 4 provides a summary of the governmental fund expenditures for the year ended June 30, 2012, and compares the expenditures to the prior fiscal year. Following Table 4 is an analysis of the expenditures.

Table 4
Expenditures in the Governmental Funds
For the Year Ended June 30, 2012 and 2011

Function:	2012		2011		Change	
	Amount	% of Total	Amount	% of Total	Amount	%
General government:						
City Council	\$ 146,932	0.2%	\$ 161,532	0.2%	\$ (14,600)	-9.0%
City Attorney	362,967	0.5%	307,893	0.4%	55,074	17.9%
City Manager	2,607,106	3.9%	2,322,778	2.9%	284,328	12.2%
Finance	2,051,852	3.1%	2,119,014	2.7%	(67,162)	-3.2%
Community development	3,178,808	4.8%	3,181,665	4.0%	(2,857)	-0.1%
Public works	5,103,770	7.7%	4,210,546	5.3%	893,224	21.2%
Special Projects	1,916,055	2.9%	16,750,622	21.1%	(14,834,567)	-88.6%
Public safety	24,227,418	36.4%	24,168,701	30.5%	58,717	0.2%
Parks and Community Services	18,077,634	27.2%	18,663,508	23.6%	(585,874)	-3.1%
Capital Outlay	5,241,669	7.9%	3,118,144	3.9%	2,123,525	68.1%
Debt Service	3,668,412	5.5%	4,207,320	5.3%	(538,908)	-12.8%
Totals	<u>\$ 66,582,623</u>	<u>100.0%</u>	<u>\$ 79,211,723</u>	<u>100.0%</u>	<u>\$ (12,629,100)</u>	<u>-15.94%</u>

Significant changes for major expenditures are explained below.

Governmental funds expenditures decreased \$12.6 million to \$66.6 million due primarily to a decrease in expenditures for Redevelopment Agency projects and the foreclosure of the Pacifico and DACHA housing developments in the prior fiscal year. The \$2.1 million increase in Capital Outlay is due to the land easement purchase, which occurred in the Open Space Fund.

Analysis of Major Governmental Funds

General Fund

At June 30, 2012, the General Fund Balance held \$6.3 million in fund balance, with \$6.1 million classified as Unassigned and \$0.2 million classified as Nonspendable. The \$6.1 million unassigned fund balance represents available liquid resources. The fund balance increased \$0.6 million from the prior fiscal year.

General Fund revenues consist primarily of property taxes and other taxes, which increased \$1.0 million to \$29.6 million or 72.0% of total fund revenue, for the year ended June 30, 2012. Construction Tax increased \$582,871 due to new residential and commercial development. Transient Occupancy decreased \$218,277 due to the receipt and recognition of the tax revenue in fiscal 2012-13. Intergovernmental revenues decreased \$301,816 due to elimination of the State Motor Vehicle In-Lieu tax and Charges for current services increased \$2.1 million due

CITY OF DAVIS, CALIFORNIA**MANAGEMENT'S DISCUSSION AND ANALYSIS****FOR THE YEAR ENDED JUNE 30, 2012**

primarily to the consolidation of the Building Fees and Permits fund into the General Fund for financial reporting purposes in accordance with GASB Statement No. 54.

Table 5 provides a summary of the General Fund revenues for the year ended June 30, 2012, and compares the revenues to the prior fiscal year.

Table 5
Revenues in the General Fund
For the Year Ended June 30, 2012 and 2011

<u>General Fund Revenues:</u>	2012	2011	\$ Change	% Change
Taxes				
Property Tax	\$ 9,953,799	\$ 9,894,662	\$ 59,137	0.6%
Sales tax	8,279,385	7,894,939	384,446	4.9%
Real Property Transfer	185,320	125,638	59,682	47.5%
Municipal Services	2,492,849	2,417,072	75,777	3.1%
Business License	1,556,797	1,466,725	90,072	6.1%
Construction Tax	925,461	342,590	582,871	170.1%
Franchise	545,547	533,536	12,011	2.3%
Transient Occupancy	740,157	958,434	(218,277)	-22.8%
Motor Vehicle in-lieu	4,879,324	4,881,091	(1,767)	0.0%
Sub-total Taxes	29,558,639	28,514,687	1,043,952	3.7%
Licenses and permits	317	182	135	74.2%
Fines and Forfeitures	961,642	1,004,144	(42,502)	-4.2%
Use of money and property	221,212	234,750	(13,538)	-5.8%
Intergovernmental	354,567	656,383	(301,816)	-46.0%
Charges for current services	7,167,027	5,046,761	2,120,266	42.0%
Administrative fee - other funds	2,523,552	2,296,790	226,762	9.9%
Other	252,557	186,914	65,643	35.1%
Totals	\$ 41,039,513	\$ 37,940,611	\$ 3,098,902	8.2%

General Fund expenditures increased \$2.6 million with a majority of the expenditures in parks and community services (24.9%), police (33.5%), and fire (20.3%) for the year ended June 30, 2012. The increase in City Attorney is due to an increase in litigation. The \$1.4 million increase in Community Development is due to a shift in resources and funding from the dissolution of the Redevelopment Agency and the incorporation of the Building Fees and Permits fund into the General Fund for financial reporting purposes.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Table 6 provides a summary of the General Fund expenditures for the year ended June 30, 2012, and compares the expenditures to the prior fiscal year.

Table 6
Expenditures in the General Fund
For the Year Ended June 30, 2012 and 2011

General Fund Expenditures	2012	2011	\$ Change	% Change
City Council	\$ 146,932	\$ 161,532	\$ (14,600)	-9.0%
City Attorney	362,967	307,893	55,074	17.9%
City Manager	1,837,850	1,749,825	88,025	5.0%
Finance	1,956,122	1,963,212	(7,090)	-0.4%
Community Development	3,063,773	1,653,177	1,410,596	85.3%
Public Works	924,883	1,191,572	(266,689)	-22.4%
Special Projects	67,214	31,579	35,635	112.8%
Parks & Community Services	10,026,812	9,274,878	751,934	8.1%
Fire	8,185,940	7,805,320	380,620	4.9%
Police	13,479,505	13,307,560	171,945	1.3%
Capital Outlay	22,044	58,760	(36,716)	-62.5%
Debt Service	196,295	205,559	(9,264)	-4.5%
Totals	<u>\$ 40,270,337</u>	<u>\$ 37,710,867</u>	<u>\$ 2,559,470</u>	<u>6.8%</u>

Child Care Grant Fund

Child Care Grant Fund revenues consist primarily of grant revenue, which decreased \$1.4 million and totaled \$6.3 million, or 97.7% of total fund revenue, for the year ended June 30, 2012.

Expenditures of these funds occurred within Parks and Community Services. The primary expenditures in this fund are salaries, benefits, and provider payments.

At June 30, 2012, the Child Care Grant Fund balance held \$347,273 in fund balance, with the total classified as restricted.

Redevelopment Agency

The Redevelopment Agency (RDA) was dissolved as of January 31, 2012. The activity in the RDA governmental funds reflects only activity through January 31, 2012. Types of Redevelopment governmental funds reported include Operating and Low/Moderate Income Housing.

Because the Redevelopment Agency did not receive any property tax revenue in fiscal year 2011/12, the operating fund ended the year with expenditures in excess of revenue of \$980,284.

The Redevelopment Agency operating fund ended the year with a fund balance of \$0 due to transfers to the Redevelopment Obligation Retirement Trust Fund.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Redevelopment Agency Low/Moderate Income Housing

The Redevelopment Agency Low/Moderate Income Housing fund ended the year with expenditures in excess of revenue of \$759,878 due to ongoing housing expenditures and debt service payments with no tax revenue increment in fiscal year 2011/12.

The Housing fund ended the year with a fund balance of \$0 due the dissolution on January 31, 2012 and subsequent transfer of net assets.

Development Deferred Improvement Fund

The Development Deferred Improvement Fund revenues increased \$1.6 million and consist of development impact fees in the amount of \$1.9 million (92.2% of total fund revenues), interest income in the amount of \$88,703 (4.3% of total fund revenues), and intergovernmental income in the amount of \$72,612 (3.5% of total) for the year ended June 30, 2012. Development impact fees are wholly dependent on new development and can fluctuate from year to year.

Primary expenditures for the Development Deferred Improvement Fund are for capital projects. Capital outlay expenditures decreased \$0.4 million and comprise \$1.0 million, or 62.5% of total expenditures.

At June 30, 2012, the Development Deferred Improvement Fund held \$24.3 million in restricted fund balance. The fund balance in this fund is restricted for capital projects through enabling legislation.

Low/Mod Housing Fund

The Low/Mod Housing Fund revenues decreased \$0.2 million and consist primarily of investment income in the amount of \$0.3 million, or 76% of total fund revenues, for the year ended June 30, 2012.

Primary expenditures for the Low/Mod Housing fund are for special projects. Special projects expenditures decreased \$6.7 million and comprise 100% of total expenditures.

At June 30, 2012 the Low/Mod Housing Fund held \$24.7 million in restricted fund balance.

As part of the dissolution of the Redevelopment Agency (RDA), the City of Davis elected to be the Successor Agency for the housing activities of the RDA. During fiscal year 2011/12 subsequent to the dissolution of the City RDA, the Successor Agency transferred housing activity related loans to the City Low/Mod Housing fund totaling \$1,684,904.

Open Space Fund

The Open Space Fund revenues remained flat from the prior fiscal year, increasing only \$4,595. However, expenditures increased from the prior fiscal year by \$3,451,394 due to the purchase of open space land easements. The net change in fund balance was a negative \$3,249,605 due to the purchase, and left the fund with an ending fund balance of \$838,675 at June 30, 2012.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Proprietary Funds

The City maintains two different types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprises funds account for water, sewer, sanitation, storm sewer, and public transit operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Analysis of Major Enterprise Funds

Net Assets for the Enterprise Funds increased \$4.7 million due to positive and negative changes in the five major funds. The Water (\$1,218,324) and Sewer (\$5,148,451) Funds had a positive change in net assets, with a combined total negative change in net asset in the Sanitation, Storm Sewer and Public Transit funds totaling \$1,712,295.

Water Fund

Water Fund operating revenues, which are charges for services to the residents of Davis and some residents in the County, total \$10.5 million. This is a \$0.3 million increase from the prior fiscal year. Operating revenues represent 94% of total fund revenue. The increase is due to an increase in consumption.

Operating expenses for the Water Fund totaled \$9.9 million, with the primary expenses for water production, distribution, and system maintenance totaling \$6.4 million. There was a \$0.4 million increase in operating expenses from the prior year. The increase was primarily due to additional capital project costs in water distribution, with a minor decrease in water production due to two staff vacancies.

The Water Operating Fund also received one-time non-operating revenue of \$608,477 of contributed capital from new development. Although the Water Operating Fund ended the year with positive net income, the Water Replacement Fund ended the year with a net loss due to insufficient water rate charges covering the costs of infrastructure replacement.

The additions to long-term debt for the Water Fund totaled \$5.8 million, which included an additional \$2.5 million for the East Area Water Storage Tank and \$3.3 million for the investment in Joint Powers Authority (JPA) Facilities.

The long-term debt balance of the East Area Water Storage Tank at June 30, 2012 is \$9.6 million. This project has been completed and was funded by a California Infrastructure and Economic Development Bank (I-Bank) loan.

The long-term debt balance of the JPA Facilities at June 30, 2012 is \$6.7 million, and has been funded by a Wells Fargo Line of Credit. The JPA was formed in 2009 by the cities of Davis and Woodland to jointly fund and construct a major surface water supply project. The name of the JPA is the Woodland Davis Clean Water Agency (WDCWA). The WDCWA has done extensive planning and design for the surface water project, as well as acquire surface water rights since its inception. The city's share of the project is expected to cost \$117 million, and the city is currently in the process of evaluating debt financing options.

The city is currently in the process of implementing a Prop 218 process for a multi-year water rate increase sufficient to cover the cost of on-going operations, capital infrastructure replacement, and the debt repayment for the surface water project.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Sanitation Fund

Sanitation Fund operating revenues consist of charges for services to the residents of Davis and totaled \$9.1 million, or 99.2% of total fund revenues. Operating revenues increased \$158,974 from the prior year.

Primary expenses are for waste removal, solid waste management and street sweeping totaling \$8.8 million. Fund operating expenses increased \$143,233 from the prior year primarily due to the increased costs in waste removal.

Overall, the Sanitation Fund had a negative change in net assets of \$100,766, compared to a negative change in net assets of \$121,930 in the previous fiscal year.

Sewer Fund

Sewer Fund operating revenues, which are charges for services to the residents of Davis and some residents in the County, total \$13.1 million, or 95.8% of total fund revenues. Sewer fund operating revenue increased \$0.5 million from the prior year. The Sewer Fund also received one-time non-operating revenue of \$317,181 for contributed capital for new development.

Primary operating expenses are for sewage collection and treatment totaling \$5.5 million. The Sewer Fund operating expenses increased from \$7.95 million to \$8.55 million due to increased costs in sewage collection and treatment.

The Sewer Fund ended the year with net income of \$5,148,451. Operating revenues in excess of operating expenses is due to the increase in sewer rates, but a delay in renovation and replacement of capital infrastructure, such as the sewer treatment plant.

Storm Sewer Fund

Storm Sewer Fund operating revenues consist of charges for services to the residents of Davis and totaled \$1.6 million, or 82.4% of total fund revenues. Charges for service increased \$44,446 from the prior year. The Storm Sewer Fund received one-time non-operating revenue of \$279,427 of contributed capital from new development.

Primary operating expenses are for maintenance of the storm drainage system totaling \$1.2 million. Total operating expenses decreased \$322,726 from the prior year primarily due to a one-time adjustment to expenses in fiscal year 2010/11 and a decrease in expenses for the maintenance of the storm drainage system in fiscal year 2011/12.

The Storm Sewer Fund ended the year with a net loss of \$1.5 million due to insufficient storm sewer rate charges covering the cost of system operations and maintenance. The City is currently in the process of evaluating the rate structure; however, a rate increase is not currently scheduled for fiscal year 2012/13.

Public Transit Fund

Public Transit Fund revenues consist primarily of operating grants and contributions in the amount of \$4.1 million, or 98.8% of total fund revenues. Grants and contributions increased \$108,137 from the prior year.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Primary operating expenses are for the provision of public transportation services totaling \$3.6 million. This reflects a decrease in expenses of \$113,877 from the previous year. The Public Transit Fund ended the year with a net loss of \$78,548.

Fiduciary Funds

The City maintains two different types of fiduciary funds. The Private-purpose trust fund is used to report resources held in trust related to the dissolution of the former RDA. The Agency fund reports resources held by the City in a custodial capacity for individuals, private organizations and other governments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council adopts the budget in June for the following fiscal year. Over the course of the fiscal year, revisions to the budget may be necessary. The City Manager is authorized to administratively approve a new appropriation of no more than \$10,000 with a limit of \$50,000 in total per fiscal year. Appropriation requests in excess of the City Manager's authorization go to the City Council for approval.

The major changes from the adopted budget were primarily due to the dissolution of the Redevelopment Agency on January 31, 2012, which resulted in a shifting of resources and a change in source of funding. Other changes from the adopted budget included shifting of resources as a result of reprioritization of projects and new appropriations for one-time projects

City of Davis through its appropriation ordinance is obligated to manage its annual budget to actual appropriations on a cumulative fund level. Final Appropriations for the General Fund were \$39,582,963 and Actual Expenditures \$38,261,901, resulting in a positive variance of unspent funds of \$1,321,062.

Although the General Fund expenditures were well within the authorized appropriations on a total fund basis, there were functions with both positive and negative variances.

- City Council \$21,514, 14.64% savings – City Council experienced a mid-year vacancy in fiscal year 2011/12. The combination of salary savings during the three-month vacancy period changes in benefits, and unspent travel stipends, generated the savings in the City Council budget.
- City Attorney (\$8,409), 2.31% deficit – Contractual Attorney Services over expended due to additional services received in conjunction with pending contract negotiations.
- City Manager's Office (\$49,474), 2.77% deficit – Personnel costs over expended due to shift in staffing priorities moving from the Finance to the City Manager's Office. Offsetting Personnel expenditure savings were realized in Finance Department.
- Finance \$49,590, 2.48% savings - Personnel costs experienced savings due to several vacant positions, as well as shifting staffing priorities from Finance to the City Manager's Office.
- Community Development (\$40,073), 2.66% deficit – The planning division experienced a shift in staffing from the former Redevelopment Agency into the planning division to move forward community planning projects.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

- Public Works Department \$1,269,603, 47.66% savings – Public Works department budgets for an annual service contract to perform street maintenance. This year the contract work was delayed and funding re-appropriated into FY 12/13 so the increased pool of funds can better leverage a larger overlay/repair project.
- Special Projects \$14,767, 21.97% savings – Over the past two years, the City has taken on a reorganization and remodel project to consolidate departments, as well as develop a centralized customer service function for development. The final stages of this project were completed this year ending with a small surplus from the project.
- The Public Safety - Fire Department - Overtime appropriations over expended by \$177,019, due to related overtime costs and acting battalion chief premium pay backfilling for three vacant Fire Division Chief positions.
- Public Safety – Police Department - \$10,193, .08% savings – Other resources in the Police Department experiences savings throughout various categories including Materials, Supplies, Minor Equipment and Internal Support Services.

Total General Fund revenues for the year ended June 30, 2012 showed \$268,528 in additional revenue compared to the Final Budget. Major areas accounting for the change are as follows:

- Taxes \$292,917, 1.03% increase – The overall revenue received for taxes in most areas was consistent with budget, with the exception of Sales Tax experiencing a 3.35% increase.
- Fines and Forfeitures \$116,042, 13.72% increase – The areas of Parking Citations, Moving Violations, and associated late fees experienced an increase in revenues.
- Intergovernmental (\$73,793), 17.23% shortfall – The July 1, 2011 State Legislative shift in Motor Vehicle In-Lieu fees from Cities to fund law enforcement grants, left a \$177,300 shortfall in Intergovernmental revenues. This was partially offset by unanticipated SB90 mandate reimbursements.
- Charges for Current Services (\$67,128), 1.21% shortfall – The more recent economic downturn continues to impact our current services provided in the areas related to development. Projects continue to be delayed and thus resulting in revenue shortfalls in the areas of Subdivision Final Maps and Development Review.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the City's investment in capital assets totaled \$498.6 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 5 below (further detail can be found in Note 8 to the financial statements):

Table 7
Capital Assets at June 30, 2012 and 2011
(in Millions)

	2012	2011	Net Change
Governmental Activities:			
Land	\$ 57.920	\$ 53.858	\$ 4.062
Construction in progress	5.604	3.733	1.871
Buildings and improvements	42.278	42.278	-
Equipment	8.940	7.791	1.149
Infrastructure - Streets	255.393	254.032	1.361
Infrastructure - Parks	62.815	62.815	-
Infrastructure - Bike/Ped Paths	13.664	13.664	-
Less accumulated depreciation	(195.918)	(188.249)	(7.669)
Total	<u>\$ 250.696</u>	<u>\$ 249.922</u>	<u>\$ 0.774</u>
Business-Type Activities:			
Land	\$ 21.783	\$ 21.783	\$ -
Construction in progress	23.185	20.368	2.817
Buildings	176.926	173.096	3.830
Pipes and Lines	137.561	136.965	0.596
Equipment	10.706	10.706	-
Less accumulated depreciation	(122.228)	(115.902)	(6.326)
Total	<u>\$ 247.933</u>	<u>\$ 247.016</u>	<u>\$ 0.917</u>

The increase in Land for the Governmental Activities is due to the purchase of open space land easements. The increase in capital assets for the Business-Type Activities is due to the addition of a water well and an increase in work in progress for Alternative Water Supply System.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

Debt Administration

Each of the City's debt issues is discussed in detail in Note 9 to the financial statements. At June 30, 2012, the City's debt comprised:

Table 8
Outstanding Debt at June 30, 2012 and 2011
(in Millions)

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>
Governmental activities:	\$ 14.722	\$ 59.152	\$ (44.430)
Business-type activities:	<u>28.539</u>	<u>24.964</u>	<u>3.575</u>
Total	<u>\$ 43.261</u>	<u>\$ 84.116</u>	<u>\$ (40.855)</u>

The Governmental activities debt decreased by \$44.4 million primarily due to the dissolution of the Redevelopment Agency, which transferred \$44.5 million in bonds and related unamortized discounts to the Successor Agency. Other changes included a \$4.7 million increase for compensated absences and post-employment benefits and debt retirement of \$4.6 million. The Business-type activities debt increased \$3.6 million due to a \$2.6 million increase in the loan for the East Area storage water tank, \$3.3 million increase in the Line of Credit for the Water Fund, \$0.87 million increase for compensated absences and post-employment benefits, and debt retirement of \$3.1 million.

Private-Purpose Trust Fund

The private-purpose trust fund is used to report resources held in trust related to the dissolution of the former Redevelopment Agency. Tax allocation bonds in the amount of \$43,875,000 and related unamortized discounts of \$622,118 were transferred to the Successor Agency and are now accounted for in the Redevelopment Obligation Retirement Trust Fund.

Special Assessment District Debt

At June 30, 2012, a total of \$29.8 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.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The City of Davis has not experienced the same level of recessionary impacts as seen in many other communities; however, the continued uncertainty over the general economy and prolonged State budget crisis pose significant threats to the City's ability to sustain the level of service to which our community is accustomed.

The current forecast for the coming year is for job growth to average 2.2 percent. November unemployment numbers for the City of Davis stood at 6.8 percent, a drop of 3 percent from the high of 9.8 percent in January 2011. Current economic projections continue to project gradual improvement in economic growth. The City's General Fund revenues are projected to increase slightly for the second year in a row, and projected to grow at an average annual rate of 2.5% a year through fiscal year 2017/18. In fiscal year 2012/13, sales tax revenues for the City of Davis are anticipated to rise 2.1 percent over fiscal year 2011/12 actual, but still well below the 2008 sale tax revenues.

The fiscal year 2012/13 budget continues budget balancing efforts by:

- Reorganizing City Departments
- Consolidating complementary services
- Improving efficiency and structure of management and administrative functions
- Managing impacts of workforce reductions by mitigating impacts on priority services, efficiency of City operations and staff reductions/layoffs

The budget addresses some of the long-term unfunded liabilities accrued over the past decades by proactively addressing changes to the PERS investment assumptions and funding the full 20% of salaries for retiree medical as indicated by the actuaries, as well as continues to address the ongoing costs of maintaining and replacing city infrastructure.

It is clear that regardless of the extent of any pending economic recovery, local governments must adapt to a new reality - secure and strengthen a reliable base of revenues, improve management of program and personnel expenditures, and look for new ways to provide for basic, core services.

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 Administrative Services Department, at 23 Russell Blvd., Davis, California 95616 or visit the City's website at www.cityofdavis.org.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF DAVIS, CALIFORNIA

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 54,347,530	\$ 46,325,383	\$ 100,672,913
Cash and investments with fiscal agent	737,891	334,196	1,072,087
Accrued interest	69,600	54,106	123,706
Receivables:			
General accounts	3,395,079	2,861,223	6,256,302
Grants	3,248,699	2,776,066	6,024,765
Utility accounts	480,679	3,662,058	4,142,737
Loans	33,933,553	-	33,933,553
Mortgages	422,950	-	422,950
Inventory	366,351	-	366,351
Internal balances	3,856,806	(3,856,806)	-
Capital assets:			
Non-depreciable	63,524,188	44,968,615	108,492,803
Depreciable, net of depreciation	187,171,552	202,964,718	390,136,270
Total Assets	<u>351,554,878</u>	<u>300,089,559</u>	<u>651,644,437</u>
LIABILITIES			
Payables:			
Accounts	3,015,444	1,650,960	4,666,404
Grants	20,533	-	20,533
Interest	-	185,644	185,644
Deposits	1,466,197	53,225	1,519,422
Unearned revenue	1,370,131	2,073,324	3,443,455
Current portion of long-term obligations:			
Claims payable	151,209	-	151,209
Compensated absences	107,894	375,388	483,282
Other long-term obligations	720,000	1,273,234	1,993,234
Noncurrent portion of long-term obligations:			
Claims payable	370,791	-	370,791
Compensated absences	2,469,598	-	2,469,598
Other long-term obligations	-	23,844,162	23,844,162
Other post employment benefits	11,424,029	3,045,971	14,470,000
Total Liabilities	<u>21,115,826</u>	<u>32,501,908</u>	<u>53,617,734</u>
NET ASSETS			
Invested in capital assets, net of related debt	250,695,740	222,630,293	473,326,033
Restricted for:			
Capital projects	26,166,547	-	26,166,547
Debt service	381,929	-	381,929
Low and moderate income housing	24,699,660	-	24,699,660
Other specific projects and programs	14,979,722	-	14,979,722
Unrestricted	13,515,454	44,957,358	58,472,812
Total Net Assets	<u>\$ 330,439,052</u>	<u>\$ 267,587,651</u>	<u>\$ 598,026,703</u>

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government:				
City council	\$ 171,419	\$ 100,942	\$ -	\$ -
City attorney	347,920	208,453	-	-
City manager	2,655,486	1,174,427	-	-
Finance	2,007,813	1,331,101	-	-
Community development	3,145,307	2,675,128	347	-
Public works	9,893,457	376,451	2,125,364	2,598,264
Special projects	1,835,801	-	-	-
Parks and recreation:				
Parks and community services	19,844,557	3,123,734	8,815,325	1,202,234
Public safety:				
Fire	9,330,048	915,499	1,509,451	-
Police	14,786,263	1,257,613	1,333,847	-
Interest on long-term debt	1,612,400	-	-	-
Total Governmental Activities	<u>65,630,471</u>	<u>11,163,348</u>	<u>13,784,334</u>	<u>3,800,498</u>
Business-Type Activities:				
Water	9,918,275	10,479,767	2,855	608,477
Sanitation	9,312,527	9,134,378	39,554	-
Sewer	8,554,364	13,120,690	-	317,181
Storm sewer	3,529,576	1,605,903	-	279,427
Public transit	4,183,327	30,012	4,061,282	-
Total Business-Type Activities	<u>35,498,069</u>	<u>34,370,750</u>	<u>4,103,691</u>	<u>1,205,085</u>
Total	<u>\$ 101,128,540</u>	<u>\$ 45,534,098</u>	<u>\$ 17,888,025</u>	<u>\$ 5,005,583</u>

General Revenues:

Taxes:

Property taxes

Sales taxes

Municipal services

Business license

Park maintenance

Construction

Open space protection

Franchise

Transfer

Transient occupancy

Intergovernmental, unrestricted:

Motor vehicle in-lieu

Investment earnings

Miscellaneous

Transfers

Special and Extraordinary Items:

Special item:

Transfer of loan from RDA Successor Agency

Extraordinary item:

Dissolution of City RDA

Total General Revenues, Transfers, Special Items,
and Extraordinary Items

Change in Net Assets

Net Assets, Beginning of Year (as restated)

Net Assets, End of Year

See accompanying notes to financial statements.

Net Revenue (Expense) and Change in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (70,477)	\$ -	\$ (70,477)
(139,467)	-	(139,467)
(1,481,059)	-	(1,481,059)
(676,712)	-	(676,712)
(469,832)	-	(469,832)
(4,793,378)	-	(4,793,378)
(1,835,801)	-	(1,835,801)
(6,703,264)	-	(6,703,264)
(6,905,098)	-	(6,905,098)
(12,194,803)	-	(12,194,803)
(1,612,400)	-	(1,612,400)
(36,882,291)	-	(36,882,291)
-	1,172,824	1,172,824
-	(138,595)	(138,595)
-	4,883,507	4,883,507
-	(1,644,246)	(1,644,246)
-	(92,033)	(92,033)
-	4,181,457	4,181,457
(36,882,291)	4,181,457	(32,700,834)
9,953,799	-	9,953,799
8,279,385	-	8,279,385
2,492,849	-	2,492,849
1,556,797	-	1,556,797
1,334,629	-	1,334,629
925,461	-	925,461
637,161	-	637,161
1,089,210	-	1,089,210
185,320	-	185,320
740,157	-	740,157
4,879,324	-	4,879,324
281,322	174,215	455,537
719,611	250,278	969,889
(48,530)	48,530	-
1,684,904	-	1,684,904
24,083,029	-	24,083,029
58,794,428	473,023	59,267,451
21,912,137	4,654,480	26,566,617
308,526,915	262,933,171	571,460,086
330,439,052	\$ 267,587,651	\$ 598,026,703

FUND FINANCIAL STATEMENTS

CITY OF DAVIS, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2012

	General	Child Care Grant	Redevelopment Agency	Redevelopment Agency Low Income Housing
ASSETS				
Cash and investments	\$ 6,430,415	\$ 692,589	\$ -	\$ -
Cash with fiscal agents	-	-	-	-
Accrued interest	6,241	-	-	-
Receivables:				
General accounts	2,718,940	-	-	-
Grants	1,049,951	182,662	-	-
Utility accounts	256,355	-	-	-
Loans	153,020	-	-	-
Mortgages	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	<u>\$ 10,614,922</u>	<u>\$ 875,251</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts	1,413,650	\$ 409,182	\$ -	\$ -
Grants	-	20,533	-	-
Leave benefits	2,081	-	-	-
Bonds payable	-	-	-	-
Deposits	1,268,077	-	-	-
Deferred revenue	1,676,216	98,263	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>4,360,024</u>	<u>527,978</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	153,020	-	-	-
Restricted	-	347,273	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	6,101,878	-	-	-
Total Fund Balance	<u>6,254,898</u>	<u>347,273</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 10,614,922</u>	<u>\$ 875,251</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Development Deferred Improvement	Low / Mod Housing Fund	Open Space Fund	Other Governmental Funds	Total Governmental Funds
\$ 15,919,752	\$ 541,634	\$ 3,293,820	\$ 12,911,578	\$ 39,789,788
-	-	-	737,891	737,891
27,736	785	1,644	17,884	54,290
65,141	50,690	34,023	372,403	3,241,197
57,262	-	-	1,958,824	3,248,699
-	-	-	224,324	480,679
-	24,156,493	-	9,624,040	33,933,553
-	243,962	-	178,988	422,950
8,508,151	-	-	-	8,508,151
<u>\$ 24,578,042</u>	<u>\$ 24,993,564</u>	<u>\$ 3,329,487</u>	<u>\$ 26,025,932</u>	<u>\$ 90,417,198</u>

\$ 52,496	\$ 38,136	\$ 2,487	\$ 165,509	\$ 2,081,460
-	-	-	-	20,533
-	-	-	11	2,092
-	-	-	720,000	720,000
172,989	11,806	13,325	-	1,466,197
-	243,962	-	1,654,654	3,673,095
-	-	2,475,000	420,593	2,895,593
<u>225,485</u>	<u>293,904</u>	<u>2,490,812</u>	<u>2,960,767</u>	<u>10,858,970</u>
-	-	-	9,796,202	9,949,222
24,352,557	24,699,660	838,675	4,048,440	54,286,605
-	-	-	7,866,126	7,866,126
-	-	-	1,555,674	1,555,674
-	-	-	(201,277)	5,900,601
<u>24,352,557</u>	<u>24,699,660</u>	<u>838,675</u>	<u>23,065,165</u>	<u>79,558,228</u>
<u>\$ 24,578,042</u>	<u>\$ 24,993,564</u>	<u>\$ 3,329,487</u>	<u>\$ 26,025,932</u>	<u>\$ 90,417,198</u>

CITY OF DAVIS, CALIFORNIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

JUNE 30, 2012

Fund Balance of Governmental Funds	\$ 79,558,228
------------------------------------	---------------

Amounts reported for *governmental activities* in the Statement of Net Assets
are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	245,715,027
--	-------------

Revenues that are earned but are not available or received within 60 days after the end of the fiscal year, are not recognized as revenues in the fund statements, but are reported as revenue in the government-wide Statement of Activities.	2,302,964
--	-----------

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.	16,756,460
--	------------

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

Net other postemployment benefits obligation, due in more than one year	(11,424,029)
Noncurrent portion of compensated absences	<u>(2,469,598)</u>

Net Assets of Governmental Activities (page 25)	<u><u>\$ 330,439,052</u></u>
---	------------------------------

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2012

	General	Child Care Grant	Redevelopment Agency	Redevelopment Agency Low Income Housing
REVENUES				
Taxes	\$ 29,558,639	\$ -	\$ -	\$ -
Licenses and permits	317	-	-	-
Fines and forfeitures	961,642	-	-	-
Use of money and property	221,212	2,582	2,328	9,843
Intergovernmental	354,567	6,162,870	-	-
Charges for current services	7,167,027	133,354	-	-
Development fees	-	-	-	-
Administrative fee - other funds	2,523,552	-	-	-
Other	252,557	-	11	-
Total Revenues	<u>41,039,513</u>	<u>6,298,806</u>	<u>2,339</u>	<u>9,843</u>
EXPENDITURES				
Current:				
General government:				
City council	146,932	-	-	-
City attorney	362,967	-	-	-
City manager	1,837,850	-	-	-
Finance	1,956,122	-	-	-
Community development	3,063,773	-	76,574	-
Public works	924,883	-	-	-
Special projects	67,214	-	906,049	415,843
Parks and recreation:				
Parks and community services	10,026,812	6,397,263	-	-
Public Safety:				
Fire	8,185,940	-	-	-
Police	13,479,505	-	-	-
Capital outlay	22,044	-	-	-
Debt service:				
Principal	196,295	-	-	353,878
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>40,270,337</u>	<u>6,397,263</u>	<u>982,623</u>	<u>769,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>769,176</u>	<u>(98,457)</u>	<u>(980,284)</u>	<u>(759,878)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,030,409	35,920
Transfers out	(162,208)	-	(2,244,111)	(4,966,074)
Total Other Financing Sources (Uses)	<u>(162,208)</u>	<u>-</u>	<u>(213,702)</u>	<u>(4,930,154)</u>
SPECIAL AND EXTRAORDINARY ITEMS				
Special item	-	-	-	-
Extraordinary item	-	-	(3,825)	(1,879,704)
Total Special and Extraordinary Items	<u>-</u>	<u>-</u>	<u>(3,825)</u>	<u>(1,879,704)</u>
NET CHANGE IN FUND BALANCE	<u>606,968</u>	<u>(98,457)</u>	<u>(1,197,811)</u>	<u>(7,569,736)</u>
FUND BALANCES AT BEGINNING OF YEAR (as restated)	<u>5,647,930</u>	<u>445,730</u>	<u>1,197,811</u>	<u>7,569,736</u>
FUND BALANCES AT END OF YEAR	<u>\$ 6,254,898</u>	<u>\$ 347,273</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Development Deferred Improvement	Low / Mod Housing Fund	Open Space Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 637,161	\$ 2,276,306	\$ 32,472,106
-	-	-	-	317
-	-	-	-	961,642
88,703	253,950	4,586	132,557	715,761
72,612	-	-	4,385,898	10,975,947
-	77,748	-	2,163,311	9,541,440
1,914,570	-	-	669,220	2,583,790
-	-	-	-	2,523,552
-	1,000	-	914	254,482
2,075,885	332,698	641,747	9,628,206	60,029,037
-	-	-	-	146,932
-	-	-	-	362,967
6,886	-	-	762,370	2,607,106
94,574	-	-	1,156	2,051,852
37,365	-	-	1,096	3,178,808
355,199	-	-	3,823,688	5,103,770
96,579	427,296	-	3,074	1,916,055
-	-	231,774	1,421,785	18,077,634
-	-	-	1,231,570	9,417,510
-	-	-	1,330,403	14,809,908
982,771	-	3,659,578	577,276	5,241,669
-	-	-	1,766,122	2,316,295
-	-	-	1,352,117	1,352,117
1,573,374	427,296	3,891,352	12,270,657	66,582,623
502,511	(94,598)	(3,249,605)	(2,642,451)	(6,553,586)
137,991	4,979,867	-	3,259,196	10,443,383
-	-	-	(3,119,520)	(10,491,913)
137,991	4,979,867	-	139,676	(48,530)
-	1,684,904	-	-	1,684,904
-	-	-	(16,972,511)	(18,856,040)
-	1,684,904	-	(16,972,511)	(17,171,136)
640,502	6,570,173	(3,249,605)	(19,475,286)	(23,773,252)
23,712,055	18,129,487	4,088,280	42,540,451	103,331,480
\$ 24,352,557	\$ 24,699,660	\$ 838,675	\$ 23,065,165	\$ 79,558,228

CITY OF DAVIS, CALIFORNIA

RECONCILIATION OF THE NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balance - Total Governmental Funds \$ (23,773,252)

Amounts reported for *governmental activities* in the Statement of Activities are different because:

The City of Davis Redevelopment Agency was dissolved as of February 1, 2012; therefore, the movement of the following balances to a private-purpose trust fund is reported as an extraordinary item:

Accrued bond interest	\$ (726,265)	
Unamortized bond issuance costs	1,040,078	
Outstanding bonds	(43,875,000)	
Unamortized issuance discounts	<u>622,118</u>	42,939,069

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 2,316,295

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. 753,418

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalizable capital outlays exceeded depreciation, excluding capital outlays and depreciation of Internal Service Funds.

Purchase of capital assets	5,999,442	
Less current year depreciation	<u>(6,719,913)</u>	(720,471)

Governmental funds do not report contributed capital, whereas this revenue is reported in the government-wide Statement of Activities. 986,164

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the Internal Service Funds is reported with governmental activities. 1,382,096

Governmental funds report the effect of issuance costs, original issuance discounts (premiums), and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term liabilities and similar items:

Amortization of bond issuance costs	(49,636)	
Amortization of bond discounts	<u>(32,591)</u>	(82,227)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds, excluding Internal Service Funds.

Change in accrued interest	(178,056)	
Change in net other postemployment benefits obligation	(1,753,185)	
Change in compensated absences	<u>42,286</u>	(1,888,955)

Change in Net Assets of Governmental Activities (pages 26 and 27) \$ 21,912,137

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 28,340,261	\$ 28,340,261	\$ 28,633,178	\$ 292,917
Licenses and permits	150	150	317	167
Fines and forfeitures	845,600	845,600	961,642	116,042
Use of money and property	209,080	219,080	218,401	(679)
Intergovernmental	378,980	410,788	336,995	(73,793)
Charges for current services	5,095,398	5,532,641	5,465,513	(67,128)
Administrative fee - Enterprise Fund	2,523,552	2,523,552	2,523,552	-
Other	251,555	251,555	252,557	1,002
Total Revenues	<u>37,644,576</u>	<u>38,123,627</u>	<u>38,392,155</u>	<u>268,528</u>
EXPENDITURES:				
Current:				
General government:				
City council	168,446	168,446	146,932	21,514
City attorney	354,558	354,558	362,967	(8,409)
City manager	2,032,810	1,788,376	1,837,850	(49,474)
Finance	2,074,778	2,002,648	1,953,058	49,590
Community development	1,354,839	1,508,742	1,548,815	(40,073)
Public works	1,816,451	1,831,910	562,307	1,269,603
Special projects	9,363	81,981	67,214	14,767
Parks and recreation:				
Parks and community services	9,899,437	9,933,049	9,898,974	34,075
Public safety:				
Fire	7,984,766	8,008,921	8,185,940	(177,019)
Police	13,430,311	13,489,698	13,479,505	10,193
Capital outlay	-	22,044	22,044	-
Debt service:				
Principal	196,295	196,295	196,295	-
Total Expenditures	<u>39,322,054</u>	<u>39,386,668</u>	<u>38,261,901</u>	<u>1,124,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,677,478)</u>	<u>(1,263,041)</u>	<u>130,254</u>	<u>1,393,295</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(66,463)</u>	<u>(66,463)</u>	<u>(162,208)</u>	<u>(95,745)</u>
Total Other Financing (Uses)	<u>(66,463)</u>	<u>(66,463)</u>	<u>(162,208)</u>	<u>(95,745)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,743,941)</u>	<u>(1,329,504)</u>	<u>(31,954)</u>	<u>1,297,550</u>
Budgetary Fund Balance, Beginning of Year	<u>5,647,930</u>	<u>5,647,930</u>	<u>5,647,930</u>	<u>-</u>
Budgetary Fund Balance, End of Year	<u>\$ 3,903,989</u>	<u>\$ 4,318,426</u>	<u>\$ 5,615,976</u>	<u>\$ 1,297,550</u>

(Continued)

See accompanying notes to financial statements.

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Budgetary Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule: \$ 38,392,155

Differences - budget to GAAP:

Revenues of the Construction Tax fund are not inflows of budgetary resources in the General Fund legally adopted budget, but are revenues of the General Fund for financial reporting purposes 945,203

Revenues of the Building Permits and Fees fund are not inflows of budgetary resources in the General Fund legally adopted budget, but are revenues of the General Fund for financial reporting purposes 1,702,155

Total revenues as reported on the statement of revenues expenditures and changes in fund balances - governmental funds \$ 41,039,513

Budgetary Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule: \$ 38,261,901

Expenditures of the Construction Tax fund are outflows of budgetary resources in the General Fund legally adopted budget, but are expenditures of the General Fund for financial reporting purposes 571,569

Expenditures of the Building Permits and Fees fund are outflows of budgetary resources in the General Fund legally adopted budget, but are expenditures of the General Fund for financial reporting purposes 1,436,867

Total revenues as reported on the statement of revenues expenditures and changes in fund balances - governmental funds \$ 40,270,337

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
CHILD CARE GRANT**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 4,200	\$ 4,200	\$ 2,582	\$ (1,618)
Intergovernmental	7,024,649	7,693,494	6,162,870	(1,530,624)
Charges for current services	121,250	155,250	133,354	(21,896)
Total Revenues	<u>7,150,099</u>	<u>7,852,944</u>	<u>6,298,806</u>	<u>(1,554,138)</u>
EXPENDITURES:				
Current:				
Parks and recreation:				
Parks and community services	7,145,899	7,824,933	6,397,263	1,427,670
Total Expenditures	<u>7,145,899</u>	<u>7,824,933</u>	<u>6,397,263</u>	<u>1,427,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,200</u>	<u>28,011</u>	<u>(98,457)</u>	<u>(126,468)</u>
Fund Balance, Beginning of Year	<u>445,730</u>	<u>445,730</u>	<u>445,730</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 449,930</u>	<u>\$ 473,741</u>	<u>\$ 347,273</u>	<u>\$ (126,468)</u>

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 10,488,300	\$ 5,517,055	\$ -	\$ (5,517,055)
Use of money and property	139,500	2,487	2,328	(159)
Intergovernmental	114,927	21,610	-	(21,610)
Other	2,300,103	11	11	-
Total Revenues	<u>13,042,830</u>	<u>5,541,163</u>	<u>2,339</u>	<u>(5,538,824)</u>
EXPENDITURES:				
Current:				
General government:				
Community development	115,450	76,574	76,574	-
Special projects	4,983,481	2,423,128	906,049	1,517,079
Public safety:				
Police	206,976	112,526	-	112,526
Capital outlay	2,300,000	-	-	-
Total Expenditures	<u>7,605,907</u>	<u>2,612,228</u>	<u>982,623</u>	<u>1,629,605</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,436,923</u>	<u>2,928,935</u>	<u>(980,284)</u>	<u>(3,909,219)</u>
OTHER FINANCING (USES)				
Transfers in	-	-	2,030,409	2,030,409
Transfers out	(5,501,413)	(217,527)	(2,244,111)	(2,026,584)
Total Other Financing (Uses)	<u>(5,501,413)</u>	<u>(217,527)</u>	<u>(213,702)</u>	<u>3,825</u>
EXTRAORDINARY ITEMS				
Extraordinary loss	-	-	(3,825)	(3,825)
Total Extraordinary Items	<u>-</u>	<u>-</u>	<u>(3,825)</u>	<u>(3,825)</u>
EXCESS (DEFICIENCY) OF REVENUES, OVER (UNDER) EXPENDITURES, OTHER USES, AND EXTRAORDINARY ITEMS	<u>(64,490)</u>	<u>2,711,408</u>	<u>(1,197,811)</u>	<u>(3,909,219)</u>
Fund Balance, Beginning of Year	<u>1,197,811</u>	<u>1,197,811</u>	<u>1,197,811</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,133,321</u>	<u>\$ 3,909,219</u>	<u>\$ -</u>	<u>\$ (3,909,219)</u>

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
REDEVELOPMENT AGENCY LOW INCOME HOUSING FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Use of money and property	\$ 110,500	\$ 47,478	\$ 9,843	\$ (37,635)
Total Revenues	110,500	47,478	9,843	(37,635)
EXPENDITURES:				
Current:				
General government:				
Special projects	8,009,179	3,430,220	415,843	3,014,377
Debt service:				
Principal	596,724	361,277	353,878	7,399
Total Expenditures	8,605,903	3,791,497	769,721	3,021,776
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,495,403)	(3,744,019)	(759,878)	2,984,141
OTHER FINANCING (USES)				
Transfers in	2,097,660	-	35,920	35,920
Transfers out	-	(6,809,862)	(4,966,074)	1,843,788
Total Other Financing Sources (Uses)	2,097,660	(6,809,862)	(4,930,154)	1,879,708
EXTRAORDINARY ITEM				
Extraordinary loss	-	-	(1,879,704)	(1,879,704)
Total Extraordinary Items	-	-	(1,879,704)	(1,879,704)
EXCESS (DEFICIENCY) OF REVENUES, OVER (UNDER) EXPENDITURES, OTHER SOURCES (USES), AND EXTRAORDINARY ITEMS	(6,397,743)	(10,553,881)	(7,569,736)	2,984,145
Fund Balance, Beginning of Year	7,569,736	7,569,736	7,569,736	-
Fund Balance, End of Year	\$ 1,171,993	\$ (2,984,145)	\$ -	\$ 2,984,145

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
DEVELOPMENT DEFERRED IMPROVEMENT FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 88,703	\$ 88,703
Intergovernmental	-	72,612	72,612	-
Development Fees	1,502,000	2,308,711	1,914,570	(394,141)
Other	3,235	3,235	-	(3,235)
Total Revenues	1,505,235	2,384,558	2,075,885	(308,673)
EXPENDITURES:				
Current:				
General government:				
City manager	-	2,386	6,886	(4,500)
Finance	96,636	96,636	94,574	2,062
Community development	-	42,833	37,365	5,468
Public works	615,576	606,770	355,199	251,571
Special projects	60,037	76,165	96,579	(20,414)
Capital outlay	747,577	1,290,904	982,771	308,133
Total Expenditures	1,519,826	2,115,694	1,573,374	542,320
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,591)	268,864	502,511	233,647
OTHER FINANCING SOURCES				
Transfers in	-	-	137,991	137,991
Transfers out	(275,000)	(943,720)	-	943,720
Total Other Financing Sources	(275,000)	(943,720)	137,991	1,081,711
EXCESS (DEFICIENCY) OF REVENUES, OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(289,591)	(674,856)	640,502	1,315,358
Fund Balance, Beginning of Year	23,712,055	23,712,055	23,712,055	-
Fund Balance, End of Year	23,422,464	23,037,199	24,352,557	1,315,358

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
LOW/MOD HOUSING FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 72,041	\$ 171,542	\$ 253,950	\$ 82,408
Charges for services	-	-	77,748	77,748
Other	-	-	1,000	1,000
Total Revenues	<u>72,041</u>	<u>171,542</u>	<u>332,698</u>	<u>161,156</u>
EXPENDITURES:				
Current:				
General government:				
Special projects	66,941	427,950	427,296	654
Total Expenditures	<u>66,941</u>	<u>427,950</u>	<u>427,296</u>	<u>654</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,100</u>	<u>(256,408)</u>	<u>(94,598)</u>	<u>161,810</u>
OTHER FINANCING SOURCES				
Transfers in	-	6,650,978	4,979,867	(1,671,111)
Total Other Financing Sources	<u>-</u>	<u>6,650,978</u>	<u>4,979,867</u>	<u>(1,671,111)</u>
SPECIAL ITEM				
Transfer of loan from RDA Successor Agency	-	-	1,684,904	1,684,904
Total Special Items	<u>-</u>	<u>-</u>	<u>1,684,904</u>	<u>1,684,904</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, OTHER USES, AND SPECIAL ITEM	<u>5,100</u>	<u>6,394,570</u>	<u>6,570,173</u>	<u>175,603</u>
Fund Balance, Beginning of Year	<u>18,129,487</u>	<u>18,129,487</u>	<u>18,129,487</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 18,134,587</u>	<u>\$ 24,524,057</u>	<u>\$ 24,699,660</u>	<u>\$ 175,603</u>

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
OPEN SPACE FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 640,000	\$ 640,000	\$ 637,161	\$ (2,839)
Use of money and property	34,000	34,000	4,586	(29,414)
Total Revenues	<u>674,000</u>	<u>674,000</u>	<u>641,747</u>	<u>(32,253)</u>
EXPENDITURES:				
Current:				
Parks and recreation:				
Parks and community services	254,923	274,891	231,774	43,117
Capital Outlay	-	4,663,841	3,659,578	1,004,263
Total Expenditures	<u>254,923</u>	<u>4,938,732</u>	<u>3,891,352</u>	<u>1,047,380</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>419,077</u>	<u>(4,264,732)</u>	<u>(3,249,605)</u>	<u>1,015,127</u>
Fund Balance, Beginning of Year	<u>4,088,280</u>	<u>4,088,280</u>	<u>4,088,280</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,507,357</u>	<u>\$ (176,452)</u>	<u>\$ 838,675</u>	<u>\$ 1,015,127</u>

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2012

	Business-Type Activities Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
ASSETS				
Current Assets:				
Cash and investments	\$ 5,344,520	\$ 1,616,579	\$ 34,939,582	\$ 4,424,702
Cash with fiscal agents	334,196	-	-	-
Accrued interest	5,972	1,916	40,837	5,381
Receivables:				
General accounts	2,551,869	12,231	78,031	217,412
Grants	33,810	-	-	-
Utility accounts	771,666	938,989	1,669,212	282,191
Inventory	-	-	-	-
Total Current Assets	9,042,033	2,569,715	36,727,662	4,929,686
Noncurrent Assets:				
Advances to other funds	-	-	-	-
Capital assets:				
Non-depreciable				
City's investment in JPA facilities	6,697,000	-	-	-
Other	8,867,384	-	25,014,695	4,389,536
Depreciable	131,625,145	-	87,997,469	101,483,928
Accumulated depreciation	(42,530,718)	-	(43,993,566)	(34,447,454)
Total Noncurrent Assets	104,658,811	-	69,018,598	71,426,010
Total Assets	113,700,844	2,569,715	105,746,260	76,355,696
LIABILITIES				
Current Liabilities:				
Accounts payable	295,886	715,572	487,703	105,283
Interest payable	27,755	-	157,889	-
Leave benefits payable	158,512	-	210,096	-
Deposits payable	44,625	-	8,600	-
Unearned revenue	36,173	812,858	1,079,717	144,576
Due to other funds	-	-	-	-
Claims payable	-	-	-	-
Long-term debt, due in one year	446,635	-	826,599	-
Total Current Liabilities	1,009,586	1,528,430	2,770,604	249,859
Noncurrent Liabilities:				
Advances from other funds	-	-	625,962	625,962
Other Post Employment Benefits liability	1,365,129	120,180	1,292,965	262,681
Claims payable	-	-	-	-
Long-term debt, due in more than one year	18,640,397	-	5,203,765	-
Total Noncurrent Liabilities	20,005,526	120,180	7,122,692	888,643
Total Liabilities	21,015,112	1,648,610	9,893,296	1,138,502
NET ASSETS				
Invested in capital assets, net of related debt	85,544,024	-	62,830,345	71,426,010
Unrestricted	7,141,708	921,105	33,022,619	3,791,184
Total Net Assets	\$ 92,685,732	\$ 921,105	\$ 95,852,964	\$ 75,217,194

See accompanying notes to financial statements.

Business-Type Activities Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Fund
\$ -	\$ 46,325,383	\$ 14,557,742
-	334,196	-
-	54,106	15,310
1,680	2,861,223	153,882
2,742,256	2,776,066	-
-	3,662,058	-
-	-	366,351
2,743,936	56,013,032	15,093,285
-	-	1,251,924
-	6,697,000	-
-	38,271,615	466,317
4,086,464	325,193,006	11,742,550
(1,256,550)	(122,228,288)	(7,228,154)
2,829,914	247,933,333	6,232,637
5,573,850	303,946,365	21,325,922
46,516	1,650,960	933,984
-	185,644	-
6,780	375,388	105,802
-	53,225	-
-	2,073,324	-
2,604,882	2,604,882	3,007,676
-	-	151,209
-	1,273,234	-
2,658,178	8,216,657	4,198,671
-	1,251,924	-
5,016	3,045,971	-
-	-	370,791
-	23,844,162	-
5,016	28,142,057	370,791
2,663,194	36,358,714	4,569,462
2,829,914	222,630,293	4,980,713
80,742	44,957,358	11,775,747
\$ 2,910,656	\$ 267,587,651	\$ 16,756,460

CITY OF DAVIS, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
OPERATING REVENUES				
Charges for current services	\$ 10,479,767	\$ 9,134,378	\$ 13,120,690	\$ 1,605,903
Total Operating Revenues	10,479,767	9,134,378	13,120,690	1,605,903
OPERATING EXPENSES				
Administrative and billing	339,952	191,845	845,401	88,400
Payments to general government	237,869	325,191	288,709	143,376
Water production	2,844,291	-	-	-
Water distribution	2,312,297	-	-	-
Water system maintenance	1,249,475	-	-	-
Street sweeping	-	750,260	-	-
Waste removal and solid waste management	-	8,027,457	-	-
Sewage collection	-	-	1,148,971	-
Sewage treatment	-	-	4,316,578	-
Storm drainage system maintenance	-	-	-	1,152,377
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	-	-	-	-
OPEB expense	182,963	17,774	187,454	35,712
Depreciation	2,494,548	-	1,728,266	2,000,093
Leave benefits paid	-	-	-	-
Other	209,077	-	38,985	106,782
Total Operating Expenses	9,870,472	9,312,527	8,554,364	3,526,740
Operating Income (Loss)	609,295	(178,149)	4,566,326	(1,920,837)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	20,722	6,051	130,135	17,152
Interest expense	(47,803)	-	-	(2,836)
Operating grants and contributions	2,855	39,554	-	-
Installation fees	-	-	-	-
Cost of issuance	-	-	-	-
Other	24,778	31,778	134,809	45,583
Total Non-Operating Revenues (Expenses)	552	77,383	264,944	59,899
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	609,847	(100,766)	4,831,270	(1,860,938)
Capital contributions	608,477	-	317,181	279,427
Transfers in	-	-	-	48,530
Transfers out	-	-	-	-
CHANGE IN NET ASSETS	1,218,324	(100,766)	5,148,451	(1,532,981)
NET ASSETS, BEGINNING OF YEAR (as restated)	91,467,408	1,021,871	90,704,513	76,750,175
NET ASSETS, END OF YEAR	\$ 92,685,732	\$ 921,105	\$ 95,852,964	\$ 75,217,194

See accompanying notes to financial statements.

Business-Type Activities Enterprise Funds		Governmental Activities -
Public Transit	Total	Internal Service Funds
\$ 30,012	\$ 34,370,750	\$ 18,847,730
30,012	34,370,750	18,847,730
-	1,465,598	-
-	995,145	-
-	2,844,291	-
-	2,312,297	-
-	1,249,475	-
-	750,260	-
-	8,027,457	-
-	1,148,971	-
-	4,316,578	-
-	1,152,377	-
3,607,243	3,607,243	-
473,010	473,010	-
-	-	236,446
-	-	1,572,335
-	-	185,876
-	-	1,480,931
-	-	160,132
-	-	417,749
-	-	7,885,472
-	-	116,588
-	-	1,535,157
338	424,241	-
102,736	6,325,643	1,017,287
-	-	3,218,649
-	354,844	-
4,183,327	35,447,430	17,826,622
(4,153,315)	(1,076,680)	1,021,108
155	174,215	54,585
-	(50,639)	-
4,061,282	4,103,691	-
-	-	-
-	-	-
13,330	250,278	306,403
4,074,767	4,477,545	360,988
(78,548)	3,400,865	1,382,096
-	1,205,085	-
-	48,530	743,424
-	-	(743,424)
(78,548)	4,654,480	1,382,096
2,989,204	262,933,171	15,374,364
\$ 2,910,656	\$ 267,587,651	\$ 16,756,460

CITY OF DAVIS, CALIFORNIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Fund				Business-Type Activities Enterprise Fund		Governmental Activities - Internal Service Fund
	Water	Sanitation	Sewer	Storm Sewer	Public Transit	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 9,959,088	\$ 9,081,655	\$ 13,148,717	\$ 1,624,205	\$ (782,933)	\$ 33,030,732	\$ 18,939,486
Payments to suppliers	(3,435,211)	(8,895,860)	(2,379,078)	(529,892)	(3,994,301)	(19,234,342)	(9,874,011)
Payments to employees	(3,886,308)	(392,795)	(4,026,234)	(787,522)	(375,006)	(9,467,865)	(6,047,020)
Claims paid	-	-	-	-	-	-	(45,175)
Other revenue (expenses)	(184,299)	31,778	95,824	(61,199)	13,330	(104,566)	306,403
Net Cash Provided (Used) by Operating Activities	2,453,270	(175,222)	6,839,229	245,592	(5,138,910)	4,223,959	3,279,683
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES							
Operating grants and contributions	2,855	39,554	-	-	4,061,282	4,103,691	-
Interfund receipts (payments)	-	-	-	48,530	1,077,473	1,126,003	75,554
Advances from other funds (Advances to other funds)	-	-	(54,724)	(54,724)	-	(109,448)	109,448
Net Cash Provided (Used) by Noncapital Financing Activities	2,855	39,554	(54,724)	(6,194)	5,138,755	5,120,246	185,002
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Sales (acquisition) of capital assets	(4,185,803)	-	(998,235)	-	-	(5,184,038)	(1,525,102)
Proceeds from the issuance of debt	5,847,084	-	-	-	-	5,847,084	-
Principal payments on capital debt	(588,127)	-	(2,067,616)	-	-	(2,655,743)	-
Interest paid	(553,044)	-	(164,028)	(2,836)	-	(719,908)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	520,110	-	(3,229,879)	(2,836)	-	(2,712,605)	(1,525,102)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	27,929	7,352	133,919	17,883	155	187,238	56,177
Net Cash Provided by Investing Activities	27,929	7,352	133,919	17,883	155	187,238	56,177
Net Increase (Decrease) in Cash and Cash Equivalents	3,004,164	(128,316)	3,688,545	254,445	-	6,818,838	1,995,760
Cash and Cash Equivalents at Beginning of Year	2,674,552	1,744,895	31,251,037	4,170,257	-	39,840,741	12,561,982
Cash and Cash Equivalents at End of Year	\$ 5,678,716	\$ 1,616,579	\$ 34,939,582	\$ 4,424,702	\$ -	\$ 46,659,579	\$ 14,557,742
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:							
Cash and investments	\$ 5,344,520	\$ 1,616,579	\$ 34,939,582	\$ 4,424,702	\$ -	\$ 46,325,383	\$ 14,557,742
Cash with fiscal agent	334,196	-	-	-	-	334,196	-
	\$ 5,678,716	\$ 1,616,579	\$ 34,939,582	\$ 4,424,702	\$ -	\$ 46,659,579	\$ 14,557,742
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss):	\$ 609,295	\$ (178,149)	\$ 4,566,326	\$ (1,920,837)	\$ (4,153,315)	\$ (1,076,680)	\$ 1,021,108
Adjustments to reconcile operating income to cash flows from operating activities:							
Depreciation	2,494,548	-	1,728,266	2,000,093	102,736	6,325,643	1,017,287
Other Revenues	24,778	31,778	134,809	45,583	13,330	250,278	306,403
Change in assets and liabilities:							
(Increase) decrease in:							
Receivables:							
General accounts	(540,369)	(11,628)	109,136	47,876	270	(394,715)	96,520
Grants	1,398	-	-	-	(813,215)	(811,817)	-
Utility accounts	24,563	(61,137)	(80,542)	(32,115)	-	(149,231)	-
Inventory	-	-	-	-	-	-	(30,311)
(Increase) decrease in:							
Accounts payable	(343,354)	6,098	238,192	66,739	(286,521)	(318,846)	776,129
Leave benefits payable	5,719	-	(43,845)	-	(2,533)	(40,659)	(17,812)
Claims payable	-	-	-	-	-	-	115,123
Deferred revenue	(6,271)	20,042	(567)	2,541	-	15,745	(4,764)
OPEB obligation	182,963	17,774	187,454	35,712	338	424,241	-
Net Cash Provided (Used) By Operating Activities	\$ 2,453,270	\$ (175,222)	\$ 6,839,229	\$ 245,592	\$ (5,138,910)	\$ 4,223,959	\$ 3,279,683
Noncash investing, capital and financing activities:							
Contributed capital	\$ 608,477	-	\$ 317,181	\$ 279,427	-	\$ 1,205,085	-

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

JUNE 30, 2012

	RDA Obligation Retirement Private-Purpose Trust Fund	Agency Funds
ASSETS		
Current assets:		
Cash and investments	\$ 5,067,981	\$ 8,926,943
Cash with fiscal agents	17,011,461	1,367,572
Accrued interest receivable	1,070	6,626
Accounts receivable	-	802,500
Noncurrent assets:		
Deferred charges	1,040,078	-
Loans receivable	44,657	-
Total Assets	<u>23,165,246</u>	<u>\$ 11,103,641</u>
LIABILITIES		
Current liabilities:		
Accounts payable	106,390	\$ 1,937,442
Interest payable	520,430	-
Agency funds held for others	-	9,166,199
Current portion of long-term obligations	975,000	-
Noncurrent liabilities:		
Bonds payable, net of unamortized discounts	42,277,882	-
Total Liabilities	<u>43,879,702</u>	<u>\$ 11,103,641</u>
NET ASSETS		
Held in trust for private-purpose trust participants	<u>\$ (20,714,456)</u>	

See accompanying notes to financial statements

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2012

	RDA Obligation Retirement Private-Purpose Trust Fund
ADDITIONS	
Tax increment revenues	\$ 6,763,990
Investment earnings	25,516
Total additions	6,789,506
DEDUCTIONS	
Program expenses	706,854
Interest and fiscal charges	1,029,175
Total deductions	1,736,029
EXTRAORDINARY AND SPECIAL ITEMS	
Special Item	(1,684,904)
Extraordinary loss on dissolution of RDA	(24,083,029)
Total extraordinary and special items	(25,767,933)
CHANGE IN NET ASSETS	(20,714,456)
NET ASSETS, BEGINNING OF YEAR	-
NET ASSETS, END OF YEAR	\$ (20,714,456)

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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.

The Financial 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 units 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 (see discussion below) and the Public Facilities Financing Authority, 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 Redevelopment 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 Redevelopment 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. In accordance with the timeline set forth in AB 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the Redevelopment Agency continued to be reported in the governmental funds of the City. The Redevelopment Agency Special Revenue Fund, Redevelopment Agency Low Income Housing Fund, Non-Major Redevelopment Agency Debt Service Fund, and Non-Major Redevelopment Agency Capital Projects Fund report this activity. After the date of dissolution, the assets and activities of the dissolved Redevelopment Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The transfer of the assets and liabilities of the former Redevelopment Agency as of February 1, 2012 (effectively the same date as January 31, 2012), from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary loss. Within the City of Davis financial statements, the financial activity of the Redevelopment Successor Agency are reported in an RDA Obligation Retirement Private-Purpose Trust Fund in the Fiduciary Funds Section of the basic financial statements. Audited annual financial statements of the City of Davis Redevelopment Successor Agency are available from the Agency at 23 Russell Boulevard, Davis, California 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.

Basis of Presentation

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

Government-Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City and its component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, the interfund services provided and used are not eliminated in the process of consolidation. 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 funds are aggregated and reported as nonmajor funds.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Governmental 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.

Child Care Grant – This special revenue 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 special revenue fund accounted for receipts and expenditures of the Redevelopment Agency of the City of Davis. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to the RDA Retirement Obligation Trust Fund. See Note 18.

Redevelopment Agency Low Income Housing Fund – This special revenue fund accounted for Redevelopment tax increment revenues set aside pursuant to State law for low-and-moderate income housing efforts. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to the RDA Retirement Obligation Trust Fund. See Note 18 below.

Development Deferred Improvement Fund – This special revenue fund accounts for restricted revenues from fees collected from property developers at the 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.

Low/Mod Housing Fund – This special revenue fund is used to develop, rehabilitate, and preserve affordable housing that serves households from extremely low to moderate incomes. This fund is used to account for housing assets of the former City Redevelopment Agency upon acceptance of the Housing Successor role by the City.

Open Space Fund - This special revenue fund accounts for revenue from the Open Space Preservation Tax. Such tax revenues are restricted to fund open space preservation and acquisition.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary Funds

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.

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 includes 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

The City reported the following fiduciary funds, which are excluded from the government-wide financial statement, and are presented in separate Fiduciary Fund financial statements.

Agency Funds – Agency Funds are used to account for assets held by the City as an agent for Public Facilities Financing Authority, Mello Roos Community Facilities District, and the Woodland-Davis Clean Water Agency JPA.

- *Redevelopment Obligation Retirement Private-Purpose Trust Fund* – The newly created Redevelopment Obligation Retirement Private-Purpose Trust Fund accounts for the successor agency activities of the former City redevelopment agency. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities of the city's former redevelopment agency were transferred to the Redevelopment Obligation Retirement Private-Purpose Trust Fund effective February 1, 2012. See Note 18.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Those revenues susceptible to accrual include but are not limited to property taxes, 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.

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 (FASB) 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 (GASB) pronouncements. The City follows all GASB pronouncements issued on or after December 1, 1989 in accounting for its business-type activities.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2012. 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.

Financial Statement Elements

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 on a bi-monthly basis, in advance, on the 1st of the months of February, April, June, August, October, and December. Water is billed on a consumption basis in arrears for the prior two months from the billing date. 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. Utility billings for all service charge types are included in a single bill on each billing date.

The City has recorded all utility accounts receivable outstanding at June 30, 2012, and has deferred revenue recognition on one-half of the June 1, 2012, bi-monthly billing, representing July service.

Compensated Absences

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, and their equity in the City's pooled investments to be cash equivalents.

Inventories

Inventories are recorded as expenditures or expenses when consumed rather than when purchased and includes items such as materials, parts, and supplies held for consumption. Inventories are valued at the lower of cost or market and are accounted for using the first-in first-out method with cost determined using the average cost method. Inventories, as reported in the fund financial statements, are offset by a nonspendable fund balance designation to indicate they do not constitute resources available for appropriation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

<u>Capital Asset Description</u>	<u>Depreciable Life (Years)</u>
Buildings	50
Improvements	10 - 40
Vehicles	3 - 20
Computers	5 - 7
Equipment	3 - 20
Streets	25-40
Parks and Greenbelts	20 - 50
Belt and Pedestrian Pathways	30 - 75
Utility Underground Systems	20 - 50

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capitalized Interest

For the City's business-type activities, interest costs relating to the acquisition or construction of capital assets are capitalized as a component of the cost of the capital assets. In situations where the construction of capital assets is financed with proceeds from tax-exempt debt, the amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period. In situations where the construction of capital assets is financed with proceeds from taxable debt, the amount of interest to be capitalized is calculated by applying the specific or otherwise determined borrowing rate to the average accumulated expenditures pertaining to the project, including previously any capitalized interest on incomplete projects. Under both methods, interest is only capitalized up to the amount of interest incurred during the fiscal year.

Net Assets

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

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, enabling legislation, 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.

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

Fund Balance

The City's fund balances are classified in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed, or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action (ordinance or resolution) of the City Council which may be altered only by the same formal action of the City Council. Formal action must be taken prior to the end of the fiscal year.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed only by the City Council and may be changed at the discretion of only the City Council as a designee has not yet been appointed by the City Council.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, it is the City's policy to first apply restricted fund balance. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

New Effective Accounting Pronouncements

GASB Statement No. 57 – In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement addresses the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements. This Statement is effective for the year ended June 30, 2012. The City has determined that this Statement is not applicable.

GASB Statement No. 64 – In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is effective for the year ended June 30, 2012. The City has determined that this Statement is not applicable.

NOTE 2 – RESTATEMENTS OF NET ASSETS

Effective July 1, 2011, the City adopted the correction of an error to properly capitalize bond issuance costs and other deferrals for bonds previously issued that are subject to the full accrual requirements of Statement No. 34 but that were previously expensed. Such bond issuance deferrals are subject to capitalization and annual amortization in the government-wide governmental activities financial statements. The correction of this error resulted in a restatement of beginning net assets, and amortization attributable to the year ended June 30, 2012.

The City adopted the correction of an error, to restate the General Fund beginning fund balance and defer unavailable revenues for intergovernmental SB 90 revenues accrued and recognized in the prior year but remain uncollected and outstanding at June 30, 2012.

This City also adopted the correction of an error to restate the Child Care Grant Fund's beginning fund balance, and accordingly, the Government-Wide Governmental-Activities beginning net assets for grant revenues improperly deferred following a purpose restriction. According to GASB 33, a purpose restriction should not affect or delay the recognition of non-exchange grant revenue.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – RESTATEMENTS OF NET ASSETS, *Continued*

In addition, the City adopted the correction of an error to restate the Water Enterprise Fund and Sewer Enterprise Fund beginning net assets for unrecorded capitalized interest on prior years' construction in progress.

	Government-Wide Financial Statements		Fund Financial Statements			
	Governmental Activities	Business-Type Activities	Governmental Funds		Proprietary Funds	
			General Fund	Child Care Grant	Water Enterprise Fund	Sewer Enterprise Fund
Net assets/Fund balance, June 30, 2011 as previously reported	\$ 306,418,357	\$ 261,098,944	\$ 6,541,258	\$ 81,595	\$ 90,364,323	\$ 89,973,371
Restatements:						
Recognition of previously unreported bond issuance costs	1,089,714	-	-	-	-	-
Recognition of previously unreported bond deferred discounts	654,709	-	-	-	-	-
Recognition of previously understated deferred revenue for SB 90 intergovernmental revenues	-	-	(893,328)	-	-	-
Recognition of previously unreported capitalized interest	-	1,834,227	-	-	1,103,085	731,142
Recognition of improperly deferred revenues	364,135	-	-	364,135	-	-
Total Restatements:	2,108,558	1,834,227	(893,328)	364,135	1,103,085	731,142
Net Assets/Fund Balance, June 30, 2011, as restated	\$ 308,526,915	\$ 262,933,171	\$ 5,647,930	\$ 445,730	\$ 91,467,408	\$ 90,704,513

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

The following funds have deficit fund equity:

Governmental Activities

Park Maintenance Tax	\$ 24,703
Subdivision In-Lieu of Parking Fees	14,000
Economic (ARRA) Stimulus	94,912

Park Maintenance Tax – The deficit of \$24,703 in this fund will be eliminated in fiscal year 2012/13 by decreasing fund expenditures.

Subdivision In-Lieu of Parking Fees – The deficit of \$14,000 in this fund will be eliminated in fiscal year 2012/13 by decreasing fund expenditures.

Economic (ARRA) Stimulus – The deficit of \$94,912 in this fund will be eliminated in fiscal year 2012/13 by the receipt of grant funds for fiscal year 2011/12 expenditures.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

Expenditures in Excess of Final Budget

General Fund

- a) City Attorney – Contractual Attorney Services over expended \$8,409 due additional services received in conjunction with pending contract negotiations.
- b) City Manager’s Office – Personnel costs over expended by \$49,474 due to shift in staffing priorities moving from the Finance to the City Manager’s Office. Offsetting Personnel expenditure savings were realized in Finance Department.
- c) Community Development – The planning division over expended by \$40,073 due to a shift in staffing from the former Redevelopment Agency into the planning division to move forward community planning projects.
- d) Public Safety - Fire Department - Overtime appropriations over expended by \$177,019, due to related overtime costs and acting battalion chief premium pay backfilling for three vacant Fire Division Chief positions.

Other Governmental Funds

Federal/State Highway Grants Special Revenue Fund

For the year ended June 30, 2012, expenditures exceed appropriations in the Federal/State Highway Grants special revenue fund by \$56,475. The Public Works department budgeted and encumbered \$60,976 for street maintenance in fiscal year 2011. The project was completed and the expenditure was recognized in fiscal year 2012.

Redevelopment Agency Capital Project Fund

For the year ended June 30, 2012, expenditures exceed appropriations in the Redevelopment Agency capital project fund by \$27,553. The Redevelopment Agency budgeted and encumbered \$12,558 for 3rd Street Improvement project and \$14,996 for 1st/F St Parking Garage Rehab, with the expenditure being made in fiscal year 2012. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to the RDA Retirement Obligation Trust Fund. See Note 18.

NOTE 4 – CASH AND INVESTMENTS

Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced in paper form 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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS, *Continued*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the City's cash on deposit or first trust deed mortgage notes with a value of 150 percent 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.

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 follows the practice of pooling cash and investments for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

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 Obligations	5 years	No Limit	No Limit	No Limit
Federal Agency Obligations	5 years	No Limit	No Limit	No Limit
Banker's 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 (LAIF)	No Limit	No Limit	No Limit	\$50 Million per account
California Asset Management Program	No Limit	No Limit	No Limit	No Limit

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

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS, Continued

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 investment held by fiscal agents. The bond indentures contain no limitations on 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.

Investment Types Authorized by State Law	Maximum Maturity	Minimum Credit Quality
Federal Securities	No limit	N/A
U.S. Government Obligations	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
Money Market Mutual Funds	N/A	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 Obligations:	No limit	A-1
General Short-Term Obligation	No limit	AA
Special Revenue Bonds	360 to 365 days	A-1
Federal Funds	30 days	A
Repurchase Agreements	N/A	N/A
Local Agency Investment Fund	No limit	AAA
Pre-Refunded Municipal Obligations		
Any investment meeting the requirement for "hedge bond" status	N/A	N/A

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS, Continued

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, 2012, are as follows:

City Cash and Investments in Primary Government:

Cash and investments	\$ 100,672,913
Cash with fiscal agents	1,072,087
Total City Cash and Investments in Primary Government	<u>101,745,000</u>

Cash and Investments in Fiduciary Funds (Separate Statement)

Cash and investments	13,994,924
Cash with fiscal agents	18,379,033
Total Fiduciary Funds Cash and Investments	<u>32,373,957</u>
Total Cash and Investments	<u><u>\$ 134,118,957</u></u>

Cash and Investments as of June 30, 2012, consist of the following:

Cash on hand	\$ 9,176
Cash with financial institutions	1,457,229
Investments	132,652,552
Total Cash and Investments	<u><u>\$ 134,118,957</u></u>

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 higher 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – 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 24 Months	25 to 60 Months	Total
<i>Held by City:</i>				
Federal Agency Obligations (Callable)	\$ 10,043,040	\$ -	\$ 6,039,520	\$ 16,082,560
California Asset Management Program	5,048,467	-	-	5,048,467
California Local Agency Investment Fund	91,070,404	-	-	91,070,404
Certificates of Deposit	1,000,000	-	-	1,000,000
<i>Held by Trustees:</i>				
Money Market Mutual Funds	16,270,434	-	-	16,270,434
Money Market Accounts	338,550	-	-	338,550
Federal Agency Obligations (Non-callable)	497,407	1,484,278	860,452	2,842,137
Total Investments	<u>\$ 124,268,302</u>	<u>\$ 1,484,278</u>	<u>\$ 6,899,972</u>	<u>\$ 132,652,552</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, 2012, these investments have an average maturity of 270 days.

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California *Government Code* Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California *Government Code*. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2012, the fair value approximated is the City's cost. At June 30, 2012, these investments have an average maturity of 54 days.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS, Continued

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, 2012, are as follows:

Investment Type	AAA	AAAm	AA+	Total
<i>Held by City:</i>				
Federal Agency Obligations (Callable)	\$ -	\$ -	\$ 16,082,560	\$ 16,082,560
California Asset Management Program	-	5,048,467	-	5,048,467
<i>Held by Trustees:</i>				
Money Market Mutual Funds	11,421,003	4,849,431	-	16,270,434
Federal Agency Obligations (Non-callable)	-	-	2,842,137	2,842,137
	<u>\$ 11,421,003</u>	<u>\$ 9,897,898</u>	<u>\$ 18,924,697</u>	<u>40,243,598</u>
<i>Not rated:</i>				
California Local Agency Investment Fund				91,070,404
Money Market Accounts, held by trustees				338,550
Certificates of Deposit				1,000,000
Total Investments				<u>\$ 132,652,552</u>

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed it is A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A1+.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 – CASH AND INVESTMENTS, Continued

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, 2012, those investments consisted of:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Federal Agency Obligations	<u>\$ 10,024,625</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by State or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits. At June 30, 2012, the City was not exposed to custodial credit risk and there was no securities lending.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

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, 2012, the following funds have balances due to the Development Deferred Improvement Fund to temporarily fund short-term cash flow needs.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Development Deferred Improvement Fund		
	Open Space Fund	\$ 2,475,000
	Other Non-Major Governmental Funds	420,593
	Public Transit Fund	2,604,882
	Internal Service Funds	3,007,676
		<u>\$ 8,508,151</u>

During fiscal year 2011-12, the Open Space fund borrowed \$2,475,000 from the Development Deferred Improvement fund to finance the help finance the fee title acquisition of the Mace Curve Property. All other balances pertain to short-term loans to cover temporary cash shortages as of June 30, 2012. The City expects these balances to be repaid in fiscal year 2012-13.

Interfund Advances

At June 30, 2012, the following funds had made advances which were not expected to be repaid within the next year.

<u>Fund Making Advance</u>	<u>Fund Receiving Advance</u>	<u>Amount of Advance</u>
General Services Internal Service Fund	Sewer Fund	\$ 625,962
	Storm Sewer Fund	625,962
		<u>\$ 1,251,924</u>

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 – INTERFUND TRANSACTIONS, Continued

Interfund Transfers

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2012, were as follows:

Transfer from	Transfer to	Amount
General Fund	Other Non-Major Governmental Funds	\$ 162,208
		<u>162,208</u>
Redevelopment Agency Fund	Redevelopment Agency Low Income Housing	35,920
	Other Non-Major Governmental Funds	2,208,191
		<u>2,244,111</u>
Redevelopment Agency Low Income Housing	City Low / Mod Housing Fund	4,966,074
		<u>4,966,074</u>
Other Non-Major Governmental Funds	City Low / Mod Housing Fund	13,793
	Redevelopment Agency Fund	2,030,409
	Development Deferred Improvement Fund	137,991
	Storm Sewer Enterprise Fund	48,530
	Other Non-Major Governmental Funds	888,797
		<u>3,119,520</u>
Internal Service Funds	Internal Service Funds	743,424
		<u>743,424</u>
	Total	<u>\$11,235,337</u>

Transfers between funds primarily occur when expenditures are made in a fund that did not receive the revenue to fund that expenditure. Transfers from the General fund were primarily for debt service. The transfers from the Redevelopment Agency Fund to the Redevelopment Agency Low Income Housing Fund and the Other Non-Major Government Fund were made primarily to cover fiscal year 2011-12 debt service requirements of Redevelopment Agency bonds and capital expenditures. The transfer from the Redevelopment Agency Low Income Housing Fund to the City Low-Mod Housing Fund pertained to the transfer of non-cash housing assets resulting from the dissolution of the Redevelopment Agency. Transfers from Other Non-Major Governmental Funds pertained primarily to a \$2 million transfer from the non-major Downtown Capital Revitalization Fund to cover operating expenditures of the Redevelopment Agency Fund through the date of Redevelopment Agency dissolution and a \$0.9 million transfer from the non-major Subdivision In-Lieu Park Fees Fund to the non-major ABAG Debt Service Fund to finance fiscal year 2011-12 debt service expenditures.

Internal Balances

Internal balances are presented in the government-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 FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2012****NOTE 6 – DEFERRED INCOME**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Receivables collected after the 60-day period of availability	\$ 2,302,964	\$ -	\$ 2,302,964
Grants, fees, and other receipts received prior to meeting all eligibility requirements	-	1,370,131	1,370,131
Total Deferred Revenue - Governmental Funds	<u>\$ 2,302,964</u>	<u>\$ 1,370,131</u>	<u>\$ 3,673,095</u>

NOTE 7 – 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:

	<u>Balance at June 30, 2012</u>
Loans Receivable:	
Davis Mutual Housing Association	\$ 5,065,456
New Harmony	8,691,473
Windmere II	1,163,069
Walnut Terrace	3,474,055
Tremont Green	2,722,379
Moore Village	3,811,415
Eleanor Roosevelt	4,250,000
Oakshade East	1,909,510
Other Commercial Rehabilitation, Housing Rehabilitation, and Affordable Housing	1,392,680
Community Housing Opportunities Corp	1,300,496
Davis Musical Theater	46,006
Employee Computer Loans	107,014
Total Loans Receivable - Governmental Activities	<u>33,933,553</u>
Mortgages Receivable	<u>422,950</u>
Total Loans and Mortgages Receivable - Governmental Activities	<u>\$ 34,356,503</u>

As of the year ended June 30, 2012, all housing loans of the former City Redevelopment Agency have been transferred to the City's Low/Mod Housing Fund, as Housing Successor, in accordance with the provisions of Assembly Bill 1484.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE, Continued

Davis Mutual Housing Association

The former Redevelopment Agency and 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 percent 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, 2012, the Association has drawn down \$5,065,456.

Windmere II

The former 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 percent 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 percent simple interest and payments are to be made from residual cash flows. Annual interest only payments began 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 percent 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 percent simple interest and payments are to be made from residual cash flows. Annual interest only payments began 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, 2012, was \$1,163,069.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE, Continued

Walnut Terrace

The former Redevelopment Agency of the City of Davis entered into an agreement with Walnut Terrace Limited Partnership (formerly called Yolo Mutual Housing Association) 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 percent 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 another loan agreement with Walnut Terrace Limited Partnership. Under the terms of this 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 percent 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, 2012, was \$3,474,055.

Tremont Green

The former 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 percent 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, 2012 was \$2,722,379.

Moore Village

The former 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 percent 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, 2012, was \$3,811,415.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE, Continued

Eleanor Roosevelt

The former 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 percent simple interest for the next fifteen years, and 3 percent 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, 2012, was \$4,250,000.

Oakshade East

The former 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 percent. If the projects generate any residual cash flow, principle and interest payments are due annually with final payment expected in 2065.

The balance of the loan receivable arising from this note, including accrued interests, was \$1,909,510 at June 30, 2012.

Other Commercial Rehabilitation, Housing Rehabilitation, and Affordable Housing

Prior to the dissolution of the City's former Redevelopment Agency, the City and the Redevelopment Agency were engaged in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the terms of the loan agreements. The balance of the loans receivable arising from these programs at June 30, 2012, was \$1,392,680.

Community Housing Opportunities Corporation

The former Redevelopment Agency of the City of Davis entered into an agreement with Community Housing Opportunities Corporation, a California nonprofit public benefit Corporation to construct a mixed-use development that will include a minimum of 28 for-sale residential units and certain other improvements. 21 out of the 28 units will be sold to families with income that is 80 percent or less of the area median income. Under the terms of the agreement, the Agency will loan the Corporation \$1,908,000. This note bears simple interest at 3 percent and will be due on June 8, 2012. The balance of the loans receivable arising from this note at June 30, 2012, was \$1,300,496.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE, Continued

New Harmony Loan

The City and the former Redevelopment Agency of the City of Davis entered into an agreement with New Harmony, LP to construct and operate a 69-unit residential rental property at the corner of Cowbell Boulevard and Drummond Avenue for low-income and very-low-income housing. These notes are secured by a Deed of Trust. The term of this note is fifty-five years bearing a simple interest rate of 3 percent. The outstanding balance of principal and unpaid accrued interest of this Loan shall be due and payable in full upon the maturity date. Funds used for this project were provided by grant funds from HOME funds and the Low/Mod Housing Fund. The amount of funds available under this agreement is \$9,579,195. As of June 30, 2012, the loan amount outstanding is \$8,691,473.

Other Loan Receivables

The City entered into an agreement with the Davis Musical Theatre Company to provide an unsecured loan to assist in constructing tenant improvements to the building and converting it into a theatre. The original principal balance was \$50,000 and bears interest at 4.8 percent. It was to be repaid through monthly installments of \$261.43 beginning on April 1, 2005, with a balloon payment in December 2007. The loan was delinquent at June 30, 2010. On February 2, 2011, the City agreed to restructure the loan on the unpaid balance of \$48,506 and the new interest rate is 2 percent. The terms of the loan state that principal and interest payments of \$245.39 are to be made monthly until March 5, 2031. The balance of the loan as of June 30, 2012 is \$46,006.

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 30, 2007. In June 2007, the City reduced the maximum computer loan to \$2,000 and added a bicycle loan program with the same parameters as the computer loan program. These loans bear no interest and are repaid by monthly deductions from the employee paychecks. As of June 30, 2012, the loans outstanding amounted to \$107,014.

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. 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, 2012, was \$422,950.

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8 – CAPITAL ASSETS

Capital Asset Additions and Retirements

Capital assets activity of governmental activities for the year ended June 30, 2012, is as follows:

	Balance at July 1, 2011	Additions and Transfers	Retirements and Transfers	Balance at June 30, 2012
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 53,858,471	\$ 4,061,138	\$ -	\$ 57,919,609
Construction in progress	3,732,779	1,871,800	-	5,604,579
Total capital assets not being depreciated	57,591,250	5,932,938	-	63,524,188
Capital assets being depreciated:				
Buildings	28,490,238	-	-	28,490,238
Improvements	13,787,527	-	-	13,787,527
Vehicles	5,997,963	799,625	(25,108)	6,772,480
Computer and equipment	1,793,394	416,998	(43,173)	2,167,219
Infrastructure				
Streets	254,032,139	1,361,147	-	255,393,286
Parks and greenbelts	62,815,051	-	-	62,815,051
Bike and pedestrian pathways	13,663,859	-	-	13,663,859
Total capital assets being depreciated	380,580,171	2,577,770	(68,281)	383,089,660
Less accumulated depreciation:				
Buildings	(8,962,690)	(561,094)	-	(9,523,784)
Improvements	(2,405,144)	(611,863)	-	(3,017,007)
Vehicles	(4,664,318)	(788,734)	25,108	(5,427,944)
Computer and equipment	(1,313,981)	(219,452)	43,173	(1,490,260)
Infrastructure				
Streets	(119,602,829)	(4,849,125)	-	(124,451,954)
Parks and greenbelts	(38,923,411)	(675,498)	-	(39,598,909)
Bike and pedestrian pathways	(12,376,816)	(31,434)	-	(12,408,250)
Total accumulated depreciation	(188,249,189)	(7,737,200)	68,281	(195,918,108)
Net capital assets being depreciated	192,330,982	(5,159,430)	-	187,171,552
Governmental Activities Capital Assets, Net	\$ 249,922,232	\$ 773,508	\$ -	\$ 250,695,740

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8 – CAPITAL ASSETS, Continued

Capital Asset Additions and Retirements, (Continued)

Capital assets activity of business-type activities for the year ended June 30, 2012, is as follows:

	Balance at July 1, 2011	Additions and Transfers	Retirements and Transfers	Balance at June 30, 2012
<i>Business-Type Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 21,783,379	\$ -	\$ -	\$ 21,783,379
Construction in Progress:				-
City's Share of JPA	3,795,000	2,902,000	-	6,697,000
Other	16,572,619	2,300,654	(2,385,037)	16,488,236
Total capital assets not being depreciated	42,150,998	5,202,654	(2,385,037)	44,968,615
Capital assets, being depreciated:				
Buildings and Improvements	4,226,505	-	-	4,226,505
Water Wells, Pumps and Related Assets	67,190,355	3,228,163	-	70,418,518
Water Distribution System	59,679,411	601,651	-	60,281,062
Sewer Treatment Plant	42,000,000	-	-	42,000,000
Sewer Pipes and Pipelines	35,760,131	317,181	-	36,077,312
Drainage Facilities	101,204,501	279,427	-	101,483,928
Equipment	10,705,682	-	-	10,705,682
Net capital assets being depreciated	320,766,586	4,426,422	-	325,193,008
Less accumulated depreciation for:				
Buildings and Improvements	(1,253,581)	(104,169)	-	(1,357,750)
Water Wells, Pumps and Related Assets	(22,227,973)	(1,251,302)	-	(23,479,275)
Water Distribution System	(16,995,246)	(1,194,582)	-	(18,189,828)
Sewer Treatment Plant	(25,670,000)	(838,168)	-	(26,508,168)
Sewer Pipes and Pipe Lines	(12,466,798)	(675,271)	-	(13,142,069)
Drainage Facilities	(32,447,361)	(2,000,093)	-	(34,447,454)
Equipment	(4,841,687)	(262,058)	-	(5,103,745)
Total accumulated depreciation	(115,902,647)	(6,325,643)	-	(122,228,290)
Net capital assets being depreciated	204,863,939	(1,899,221)	-	202,964,718
Business-Type Activities Capital Assets, Net	\$ 247,014,937	\$ 3,303,433	\$ (2,385,037)	\$ 247,933,333

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8 – CAPITAL ASSETS, Continued

Capital Asset Additions and Retirements, Continued

City's share of JPA represents the City's contribution to the Woodland-Davis Clean Water Agency JPA. The JPA is a legally separate, stand-alone Enterprise-Fund reporting entity. Further details of the JPA are disclosed in Note 17.

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.

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 is as follows:

Governmental Activities

City Council	\$	8,243
City Manager		32,195
Parks and community services		2,127,534
Public safety - fire		92,986
Public safety - police		179,324
Public works		5,296,918
Total Governmental Activities	\$	<u>7,737,200</u>

Business-Type Activities

Water	\$	2,494,548
Sewer		1,728,266
Storm sewer		2,000,093
Public transit		102,736
Total Business-Type Activities	\$	<u>6,325,643</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 – 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.

The City's long-term debt activities for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Retirements	Transfers to Successor Agency	Balance June 30, 2012	Current Portion
<i>Governmental Activities Long-Term Debt:</i>						
<u>Redevelopment Agency Bonds:</u>						
2003 Tax Allocation Refunding Bonds 2.00% - 5.00%, due 9/01/2033	\$ 8,315,000	\$ -	\$ (165,000)	\$ (8,150,000)	\$ -	\$ -
2007 Tax Allocation Refunding Bonds 2.00% - 5.00%, due 9/01/2030	10,835,000	-	(365,000)	(10,470,000)	-	-
2007 Taxable Housing Tax Allocation Bonds 5.50%, due 9/01/2037	7,970,000	-	(130,000)	(7,840,000)	-	-
2011 Subordinate Tax Allocation Bonds, Series A 6.50% - 7.00%, due 12/01/2036	13,310,000	-	-	(13,310,000)	-	-
2011 Subordinate Taxable Tax Allocation Bonds, Series B 3.25% - 5.00%, due 12/01/2022	4,690,000	-	(585,000)	(4,105,000)	-	-
Less: Deferred issuance discounts	654,709	-	(32,591)	(622,118)	-	-
<u>Certificates of Participation:</u>						
1995 Association of Bay Area Governments 5.00% - 6.50%, due 3/01/2016	875,000	-	(155,000)	-	720,000	720,000
<u>Capital Lease Obligation:</u>						
Central Controller and Ancillary Equipment 4.77%, due 10/01/2011	196,295	-	(196,295)	-	-	-
Compensated Absences	2,635,498	2,945,033	(3,003,039)	-	2,577,492	107,894
Other Postemployment Benefits	9,670,844	1,753,185	-	-	11,424,029	-
Total Governmental Activities Long-Term Debt	<u>\$ 59,152,346</u>	<u>\$ 4,698,218</u>	<u>\$ (4,631,925)</u>	<u>\$ (44,497,118)</u>	<u>\$ 14,721,521</u>	<u>\$ 827,894</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT, Continued

The City's Long-Term Debt, Continued

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
<i>Business-Type Activities Long-Term Debt:</i>					
State Revolving Fund Loan #1 2.70%, due 7/25/2015	\$ 1,357,199	\$ -	\$ (257,208)	\$ 1,099,991	\$ 264,152
State Revolving Fund Loan #2 2.60%, due 5/01/2019	5,478,566	-	(548,193)	4,930,373	562,447
Department of Water Resources #1 2.50%, due 10/01/2011	155,568	-	(155,568)	-	-
Department of Water Resources #2 2.60%, due 9/30/2022	3,438,390	-	(236,208)	3,202,182	242,430
Sewer System Capital Improvement Loan 5.50%, due 12/15/2018	1,262,215	-	(1,262,215)	-	-
East Area Water Storage Tank Loan 4.00%, due 8/01/2038	7,234,117	2,577,084	(196,351)	9,614,850	204,205
Wells Fargo Line of Credit	3,000,000	3,270,000	-	6,270,000	-
Compensated Absences	416,047	446,741	(487,400)	375,388	375,388
Other postemployment benefits	2,621,730	424,241	-	3,045,971	-
Total Business-Type Activities Long-Term Debt	<u>\$ 24,963,832</u>	<u>\$ 6,718,066</u>	<u>\$ (3,143,143)</u>	<u>\$ 28,538,755</u>	<u>\$ 1,648,622</u>

Tax allocation bonds in the amount of \$43,875,000 and related unamortized discounts of \$622,118 were transferred to the Successor Agency and are now accounted for in the Redevelopment Obligation Retirement Trust Fund.

CITY OF DAVIS, CALIFORNIA**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2012****NOTE 9 – LONG-TERM DEBT, Continued****Debt Service Requirements**

Future principal and interest payments on business-type long-term debt are as follows at June 30, 2012:

Fiscal Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 1,273,234	\$ 619,334	\$ 1,892,568
2014	1,309,332	583,672	1,893,004
2015	1,346,661	546,175	1,892,835
2016	1,384,777	507,696	1,892,474
2017	1,130,902	467,721	1,598,624
2018-2022	4,765,781	1,842,371	6,608,152
2023-2027	2,110,783	1,286,417	3,397,199
2028-2032	1,991,919	912,239	2,904,158
2033-2037	2,423,475	472,053	2,895,528
2038 - 2039	1,110,531	237,154	1,347,685
Total	18,847,396	\$ 7,474,832	\$ 26,322,227
Wells Fargo Bank Line of Credit	6,270,000		
	<u>\$ 25,117,396</u>		

Description of the City's Long-Term Debt Issues**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 were secured by a non-cancellable lease. Principal payments were 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. As of June 30, 2012, the principal balance owed by the City was \$720,000.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT, Continued

Capital Lease Obligation

On July 1, 2004, the City entered into a \$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 were due annually on October 1, with the final payment made on October 1, 2011.

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, of which the City has drawn \$4,125,369, and bears interest at 2.7 percent per year for a term of twenty years. As of June 30, 2012, the City owed \$1,099,991 on the loan.

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, of which the City has drawn \$10,519,106, and bears interest at 2.6 percent per year for a term of twenty years. As of June 30, 2012, the City owed \$4,930,373 on the loan.

Department of Water Resources Loan #1

The City entered into a loan agreement with the Department of Water Resources to borrow funds to finance a water conservation project not to exceed \$4,485,000 and bearing interest at 2.5 percent per year. As of June 30, 2012, the loan was paid in full.

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. In March 2001 the City borrowed \$5,000,000 from the Department of Water Resources bearing interest at 2.6 percent per year. Repayment of principal began upon completion of the project with the final payment due in September 2022. As of June 30, 2012, the City owed \$3,202,182 on the loan.

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 percent was payable semi-annually. As of June 30, 2012, the loan was paid in full.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT, Continued

Wells Fargo Bank Line of Credit

In February 2011, the City Council authorized the execution of a credit agreement with Wells Fargo Bank, National Association, for a non-revolving line of credit (the Line) in the amount not to exceed \$15,000,000 for the purpose of providing financing for engineering and planning costs of a surface water supply acquisition and treatment project, part of the Woodland-Davis Water Supply Capital Improvement Project as discussed in Note 17. The outstanding principal balance incurs interest through an agreed upon formula at a calculated rate of 87.627 percent of the 1 month LIBOR rate +1.320 percent. The unused amount of the Line is charged an unused commitment fee. During fiscal year 2011-2012, the City drew down \$3,270,000, which resulted in a total outstanding balance of \$6,270,000. The City paid \$30,500 in interest and \$44,016 in unused commitment fee in fiscal 2011-2012.

East Area Water Storage Tank Loan

In July 2009, City Council executed an enterprise fund installment sale agreement with the California Infrastructure and Economic Development Bank. The funds are to provide financing for the East Area Tank and other components of the Davis Wells Capacity EIR project. The maturity date for the loan is August 1, 2038, in the amount not to exceed \$10,000,000. The note bears an interest rate of 4 percent per annum. During fiscal year 2011-2012, the City made a final draw of \$2,577,084 in funds associated with this installment sale agreement resulting in the maximum amount of the loan (\$10,000,000) being drawn. In addition, the City paid \$388,521 in interest during fiscal year 2011-2012. As of June 30, 2012, the City owed \$9,614,850 on the loan.

Long-Term Liabilities Other Than Debt

Compensated absences and Other Postemployment Benefits (OPEB) of the governmental activities will be liquidated by the governmental funds proportionally based on the amount of their respective payroll costs incurred annually. Similarly, compensated absences and OPEB of the business-type activities will be liquidated by the City's enterprise funds proportionally based on the amount of their respective payroll costs incurred annually.

CITY OF DAVIS, CALIFORNIA**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2012*****NOTE 10 – 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, 2012, is as follows:

Description	Issue Year	Maturity Year	Outstanding June 30, 2012
University Research Park Improvement, \$2,265,000 original principal	1993	2018	\$ 1,035,000
Public Facilities Financing Authority, \$5,355,000 original principal	2004	2016	2,015,000
Community Facilities District No. 1991-2, \$14,115,000 original principal	2007	2026	12,055,000
Community Facilities District No. 2007-2, \$5,510,000 original principal	2008	2037	5,160,000
Public Facilities Financing Authority, \$9,570,000 original principal	2009	2030	9,570,000
Total			<u>\$ 29,835,000</u>

The following schedule reflects the outstanding balance of Tax Allocation Bonds formally held by the former Redevelopment Agency. These were transferred to the Successor Agency as of January 31, 2012 and are reported in the RDA Obligation Retirement Private-Purpose Trust Fund statement.

Description	Outstanding June 30, 2012
2003 Tax Allocation Refunding Bonds 2.00% - 5.00%, due 9/01/2033	\$ 8,150,000
2007 Tax Allocation Refunding Bonds 2.00% - 5.00%, due 9/01/2030	10,470,000
2007 Taxable Housing Tax Allocation Bonds 5.50%, due 9/01/2037	7,840,000
2011 Subordinate Tax Allocation Bonds, Series A 6.50% - 7.00%, due 12/01/2036	13,310,000
B 3.25% - 5.00%, due 12/01/2022	4,105,000
Total	<u>\$ 43,875,000</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 – CLASSIFICATION OF FUND BALANCE

Detailed classifications of the City's fund balances, as of June 30, 2012, are below.

Fund Balance Classifications	General Fund	Child Care Grant	Development Deferred Improvement	Low / Mod Housing Fund	Open Space	Other Governmental Funds	Total
Nonspendables:							
Notes Receivable	\$ 153,020	\$ -	\$ -	\$ -	\$ -	\$ 9,796,202	\$ 9,949,222
Total Nonspendable	<u>153,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,796,202</u>	<u>9,949,222</u>
Restricted for:							
Debt Service	-	-	-	-	-	381,929	381,929
Child Care Services	-	347,273	-	-	-	-	347,273
Development Services	-	-	1,407,193	-	-	-	1,407,193
Roadways & Street Improvements	-	-	13,069,550	-	-	806,423	13,875,973
Parks	-	-	5,062,229	-	838,675	-	5,900,904
Public Safety	-	-	2,287,554	-	-	-	2,287,554
General Facilities	-	-	1,748,899	-	-	-	1,748,899
Open Space	-	-	777,132	-	-	-	777,132
Grants	-	-	-	-	-	944,504	944,504
Public, Educational and Government	-	-	-	-	-	485,743	485,743
Public Facilities	-	-	-	-	-	217,650	217,650
District Improvements	-	-	-	-	-	1,212,191	1,212,191
Low Income Housing	-	-	-	24,699,660	-	-	24,699,660
Total Restricted	<u>-</u>	<u>347,273</u>	<u>24,352,557</u>	<u>24,699,660</u>	<u>838,675</u>	<u>4,048,440</u>	<u>54,286,605</u>
Committed to:							
Cable TV	-	-	-	-	-	1,028,089	1,028,089
In Lieu of Parking and Parking	-	-	-	-	-	608,783	608,783
Agriculture Land Acquisition	-	-	-	-	-	426,274	426,274
Municipal Arts	-	-	-	-	-	149,175	149,175
Public Safety	-	-	-	-	-	341,450	341,450
Capital Projects	-	-	-	-	-	5,279,379	5,279,379
Other Special Revenues	-	-	-	-	-	32,976	32,976
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,866,126</u>	<u>7,866,126</u>
Assigned to:							-
Land Acquisition	-	-	-	-	-	1,555,674	1,555,674
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,555,674</u>	<u>1,555,674</u>
Unassigned:	<u>6,101,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(201,277)</u>	<u>5,900,601</u>
Total Unassigned	<u>6,101,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(201,277)</u>	<u>5,900,601</u>
Total Fund Balances	<u>\$ 6,254,898</u>	<u>\$ 347,273</u>	<u>\$ 24,352,557</u>	<u>\$ 24,699,660</u>	<u>\$ 838,675</u>	<u>\$ 23,065,165</u>	<u>\$ 79,558,228</u>

Fund Deficits

As of June 30, 2012, the Park Maintenance Tax Fund had a negative fund balance of \$24,703. The Subdivision In-Lieu of Park Fees Fund had a negative fund balance of \$14,000. The Community Development Block Grant had a negative fund balance of \$67,662. The Economic (ARRA) Stimulus fund had a negative fund balance of \$94,912. The Employee Benefits Internal Service Fund had negative net assets of \$2,903,796. These deficits are expected to be repaid by future revenues and future contributions from other funds.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12 – PENSION PLANS

CalPERS Safety and Miscellaneous Employees Plans

Plan Description and Funding Policy

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 (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. Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709. CalPERS reports this information approximately seventeen months after the end of its June 30 fiscal year.

The Plans' provisions and benefits in effect at June 30, 2012, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3%	1.426 - 2.5%
Required employee contribution rates	9%	8%
Required employer contribution rates	25.907%	18.018%

Annual Pension Cost, Actuarial Methods, and Assumptions

The fiscal year 2011-2012 the City's annual pension cost was \$8,507,850. 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 percent is assumed, including inflation at 3.0 percent. 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12 – PENSION PLANS, Continued

The Plans annual pension costs and actual contributions for the last three fiscal years are set forth below:

<u>Fiscal Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 7,396,425	100%	\$ -
2011	7,308,026	100%	-
2012	8,507,850	100%	-

Funding Progress and Funding Status

The funded status of the Plans as of the most recent actuarial valuation date available is as follows:

Safety Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (B - A)</u>	<u>Funded Ratio (A / B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll (B - A / C)</u>
6/30/2010	\$ 73,120,141	\$ 88,235,535	\$ 15,115,394	82.9%	\$ 9,433,404	160.2%

Miscellaneous Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (B - A)</u>	<u>Funded Ratio (A / B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll (B - A / C)</u>
6/30/2010	\$ 109,980,468	\$ 142,260,115	\$ 32,279,647	77.3%	\$ 20,153,691	160.2%

Immediately following the notes, in the Required Supplemental Information is a schedule of funding progress displaying a three-year trend information of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the City's Miscellaneous and Safety retirement plans.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees under third-party insurance plans. A summary of eligibility and benefits offered are shown below:

Miscellaneous			Safety
■ Eligibility	<ul style="list-style-type: none"> Retire directly from the City Participate in PEMHCA 		<ul style="list-style-type: none"> Retire directly from the City Participate in PEMHCA
■ Benefit	<u>Hired before July 1, 1996</u> <ul style="list-style-type: none"> City pays full medical premium Capped at 100% Bay Area/Sac Kaiser family rate 	<u>Hired after July 1, 1996</u> <ul style="list-style-type: none"> Under Age 60 <ul style="list-style-type: none"> City Pays 50% medical premium Capped at 50% Bay Area/Sac Kaiser family Rate 60 or Over <ul style="list-style-type: none"> City pays full medical premium Capped at 100% Bay Area/Sac Kaiser family rate 	<u>All Safety Employees</u> <ul style="list-style-type: none"> City pays full medical premium Capped at 100% Bay Area/Sac Kaiser family rate
■ Surviving Spouse Benefit	<ul style="list-style-type: none"> Eligibility - CalPERS retirement plan election Benefit - same benefit continues 		
■ Dental	<ul style="list-style-type: none"> Retiree participates in City's dental plan at own expense Retiree pays the same premium rate as actives 		
■ Vision & Life	<ul style="list-style-type: none"> None 		

As of June 30, 2012, approximately 235 participants were eligible to receive benefits.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS, Continued

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions shown in the table below include (a) investment rates of return, ranging from 4.95 percent in fiscal 2010-2011 to 7.75 percent starting in fiscal 2018-2019 based on funding policy, (b) 3.25 percent projected annual salary increase, (c) 3.00 percent of general inflation increase, and (d) a healthcare trend showing actual premiums paid for 2011 to 4.50 percent for years starting 2017. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a thirty-year amortization period.

Concurrent with implementing Statement No. 45, the City Council passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of City Council. This Trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Annual OPEB Cost

During the fiscal year ended June 30, 2012, the City made contributions toward the ARC amounting to \$3,635,574 to the plan which represented 13.3 percent of the \$27,372,635 covered payroll. As a result, the City has recorded the net OPEB obligation, representing the difference between the ARC, the amortization of the net OPEB asset and actual contributions, as presented below:

Annual required contribution	\$ 6,341,000
Interest on net OPEB obligation	652,000
Amortization of net OPEB obligation	(1,180,000)
Annual OPEB cost	<u>5,813,000</u>
Contributions:	
Benefit payments	2,253,843
Trust pre-funding	1,381,731
Total contributions	<u>3,635,574</u>
Net increase in net OPEB obligation	<u>2,177,426</u>
Net OPEB obligation at July 1, 2011	<u>12,292,574</u>
Net OPEB obligation at June 30, 2012	<u>\$ 14,470,000</u>
Percentage of ARC contributed	57.33%

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS, Continued

The Plan's annual OPEB costs and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 7,684,991	\$ 3,213,856	41.82%	\$ 10,311,544
6/30/2011	5,476,000	3,494,970	63.82%	12,292,574
6/30/2012	5,813,000	3,635,574	62.54%	14,470,000

The funded status of the plan as of the most recent actuarial study is as follows:

Actuarial Valuation Date	Actual Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B - A / C)
6/30/2011	\$ 3,091,000	\$ 61,501,000	\$ 58,410,000	5.03%	\$ 31,378,000	186.15%

Immediately following the notes, in the Required Supplemental Information is a schedule of funding progress displaying a three-year trend information of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the City's OPEB plan.

NOTE 14 – 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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 15 – 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.

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, C SAC-ETA, National Union and Great American Alliance Insurance provide coverage for amounts in excess of YCPARMIA's limits. During the fiscal year ended June 30, 2012, the City contributed \$1,127,351 for coverage.

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	Statutory
Property	1,000	926,480,683
Fidelity Coverage	1,000	2,000,000
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, California 94588-3235.

For the years ended June 30, 2012, 2011, and 2010, the amount of settlement did not exceed insurance coverage.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 15 – RISK MANAGEMENT, Continued

Self-Insurance Internal Service Funds

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims. As discussed previously, 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:

	2012	2011
Beginning balance	\$ 34,500	\$ 93,562
Liability for current fiscal year claims	135,000	80,000
Decrease in estimated liability for prior year claims	(107,654)	(127,107)
Payments made on current year claims	(26,914)	-
Payments made on prior year claims	(432)	(11,955)
Ending balance	<u>\$ 34,500</u>	<u>\$ 34,500</u>
Current Portion	<u>\$ 34,500</u>	<u>\$ 34,500</u>

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:

	2012	2011
Beginning balance	\$ 15,854	\$ 19,355
Liability for current fiscal year claims	91,000	98,000
Decrease in estimated liability for prior year claims	(54,194)	(85,635)
Payments made on current year claims	(25,521)	(30,946)
Payments made on prior year claims	(8,931)	15,080
Ending balance	<u>\$ 18,208</u>	<u>\$ 15,854</u>
Current Portion	<u>\$ 18,208</u>	<u>\$ 15,854</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 15 – RISK MANAGEMENT, Continued

Self-Insurance Internal Service Funds, Continued

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:

	2012	2011
Beginning balance	\$ 356,524	\$ 353,880
Liability for current fiscal year claims	-	-
Increase in estimated liability for prior year claims	211,268	84,110
Payments made on current year claims	-	-
Payments made on prior year claims	(98,501)	(81,466)
Ending balance	<u>\$ 469,291</u>	<u>\$ 356,524</u>
Current Portion	<u>\$ 98,501</u>	<u>\$ 81,467</u>

NOTE 16 – CONTINGENCIES AND SUBSEQUENT EVENTS

Single Audit

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.

Litigation

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.

1995 Certificates of Participation

On July 20, 2012, the City executed an optional redemption on the remaining balance of the 1995 Association of Bay Area Governments Certificates of Participation. The Certificates' remaining principal and interest balances of \$720,000 and \$17,939, respectively, were paid off at this time.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 16 – CONTINGENCIES AND SUBSEQUENT EVENTS, Continued

Due Diligence Agreed-Upon Procedures Engagements

Assembly Bill 1484 established a requirement for the City of Davis Redevelopment Successor Agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash.

As of the date of the report, there was no payment required in July 2012. The Redevelopment Successor Agency submitted its Low-Moderate Income Housing Fund Due Diligence Review to the Oversight Board and the Department of Finance on November 14, 2012. The Department of Finance issued a Determination Letter to the Redevelopment Successor Agency on December 10, 2012. In the Determination Letter, the Department of Finance disagreed with the Low-Moderate Income Housing Fund Due Diligence Review's stated balance of \$0 and revised the balance due to taxing entities to \$103,857. The Department of Finance also disallowed transfers totaling \$18,116,950 from the former Redevelopment Agency to the City of Davis on March 11, 2011. Under HSC Section 34179.6(e), the Redevelopment Successor Agency held a "Meet and Confer" with the Department of Finance on January 3, 2013. On January 16, 2013, the Department of Finance issued a final determination letter allowing the transfer of \$18,116,950 in housing assets and reversing the balance ruled as due to taxing entities of \$103,857 that were previously denied in the letter dated December 10, 2012. As such, the Redevelopment Successor Agency's Low Moderate Income Housing Fund balance available for distribution to the affected tax entities has been revised to \$0.

The other Redevelopment Funds Due Diligence Review was submitted to the Department of Finance on January 15, 2013.

The \$5.3 million fund balance in the Downtown Area Capital Revitalization Fund is a result of a net transfer of \$5.4 million from the City's former Redevelopment Agency to the City of Davis pursuant to a Public Works agreement approved by the City Council in March 2011 (fiscal year 2010-11). In accordance with AB1X26 all assets transferred from the former Redevelopment Agency after January 1, 2011 are currently under review by the State Controller's office. In addition as described previously, a Due Diligence Review of all non-housing funds that were held by the former Redevelopment Agency has been completed and transmitted to the State Department of Finance on January 15, 2013. The Department of Finance will review the Due Diligence Review and has the authority to direct the Redevelopment Successor Agency to transfer to the County Auditor-Controller any non-housing funds that the Department of Finance deems were improperly transferred by the former Redevelopment Agency to other public agencies or private parties. The Due Diligence Review and State Controller audit create significant uncertainty for cities and successor agencies, since both processes grant the State the authority to order cities and other public agencies to return funds that originated with the former Redevelopment Agency back to the Redevelopment Successor Agency for distribution to the County Auditor-Controller. Until the State Controller audit and Due Diligence Review processes are resolved, there is a continuing risk that the State Controller and the Department of Finance will seek to compel the City to return the \$5.3 million fund balance in the Downtown Area Capital Revitalization Fund to the County Auditor-Controller.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

Woodland-Davis Clean Water Agency, a separate legal entity, was formed in 2009 between the City of Davis and City of Woodland for the joint construction and ownership of the Woodland-Davis Water Supply Capital Improvement Project. The project is still in the planning/permitting phase/preliminary design phase and is expected to be completed in 2016. The Agency will operate the facilities after construction. The City's contribution to the Agency was \$2,902,000 for the year ended June 30, 2012. Financial statements of the Agency may be obtained by mailing a request to the City of Davis, 23 Russell Blvd., Davis, California 95616.

NOTE 18 – EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary Items

Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Davis, which previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of State and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 12-003.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the Successor Agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 – EXTRAORDINARY AND SPECIAL ITEMS, Continued

Extraordinary Items, Continued

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. The Redevelopment Agency Special Revenue Fund, Redevelopment Agency Low Income Housing Fund, Non-major Redevelopment Agency Debt Service Fund, and Non-major Redevelopment Agency Capital Projects Fund report this activity. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012), from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the governmental fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is summarized as follows:

Total extraordinary loss reported in governmental fund - increase to net assets of the RDA Retirement Obligation Trust Fund	\$	18,856,040
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the RDA Retirement Obligation Trust Fund		(726,265)
Bond issuance costs reported in the government-wide financial statements - increase to net assets of the RDA Retirement Obligation Trust Fund		1,040,078
Long-term debt and related unamortized issuance discounts reported in the government-wide financial statements - net decrease to net assets of the RDA Retirement Obligation Trust Fund		
Outstanding bonds	\$	(43,875,000)
Unamortized issuance discounts		622,118
		<u>(43,252,882)</u>
Net decrease to net assets of the RDA Retirement Obligation Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	\$	<u>(24,083,029)</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 – EXTRAORDINARY AND SPECIAL ITEMS, Continued

Special Item

Loan Transfer From RDA Obligation Retirement Trust Fund to City Low/Mod Housing Fund

As part of the dissolution of redevelopment agencies, State law allowed for the city to elect to be successor agency to either: (1) the general redevelopment agency activities, (2) the housing redevelopment activities, or (3) both. The City of Davis elected to be Successor Agency to both the general redevelopment agency activities and the housing activities. The transfer of these funds from the agency to the city housing fund represents a transfer of assets to the city, as the city assumed the role of housing successor agency. During fiscal year 2011-2012 subsequent to the dissolution of the City RDA, the Successor Agency transferred housing activity related loans to the City Low/Mod Housing Fund totaling \$1,684,904.

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the City's financial reporting process. Future new standards which may impact the City include the following:

GASB Statement No. 60 – In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement is to improve financial reporting by addressing issues related to service concession arrangements. This Statement is not effective until June 30, 2013. The City has not determined the effect of this Statement.

GASB Statement No. 61 – In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this Statement is to improve financial reporting for governmental financial reporting entities. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were a part of the primary government in certain circumstances. This Statement is not effective until June 30, 2013. The City has not determined the effect of this Statement.

GASB Statement No. 62 – In June 2011, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with our contradict GASB pronouncements. This Statement is not effective until June 30, 2013. The City has not determined the effect of this Statement.

GASB Statement No. 63 – In June 2011, GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and the resulting net position. This Statement is not effective until June 30, 2013. The City has not determined the effect of this Statement.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS, Continued

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is not effective until June 30, 2014. The City has not determined the effect of this Statement.

GASB Statement No. 66 - In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – and amendment of GASB Statements No. 10 and 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is not effective until June 30, 2014. The City has not determined the effect of this Statement.

GASB Statement No. 67 – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by State and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is not effective until June 30, 2014. The City has not determined the effect of this Statement.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is not effective until June 30, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The Statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This Statement is not effective until June 30, 2015. The City has not determined the effect of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAVIS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR EMPLOYEES RETIREMENT PLAN

FOR THE YEAR ENDED JUNE 30, 2012

The tables below show a three-year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the City's retirement and OPEB plans as of the valuation dates:

City of Davis
Public Safety Plan - Employees Retirement Plan

Actuarial Valuation Date	Actual Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B - A / C)
6/30/2008	\$ 65,187,313	\$ 78,301,344	\$ 13,114,031	83.3%	\$ 9,509,136	137.9%
6/30/2009	69,160,746	85,150,185	15,989,439	81.2%	9,805,070	163.1%
6/30/2010	73,120,141	88,235,535	15,115,394	82.9%	9,433,404	160.2%

City of Davis
Miscellaneous Plan - Employees Retirement Plan

Actuarial Valuation Date	Actual Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B - A / C)
6/30/2008	\$ 98,822,723	\$ 117,222,266	\$ 18,399,543	84.3%	\$ 21,692,919	84.8%
6/30/2009	104,636,918	135,328,725	30,691,807	77.3%	21,509,734	142.7%
6/30/2010	109,980,468	142,260,115	32,279,647	77.3%	20,173,591	160.0%

See notes to required supplementary information.

CITY OF DAVIS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FOR THE YEAR ENDED JUNE 30, 2012

City of Davis
Other Post Employment Benefits (OPEB)

Actuarial Valuation Date	Actual Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B - A / C)
6/30/2008	\$ -	\$ 53,505,000	\$ 53,505,000	0.00%	\$ 30,222,545	177.04%
6/30/2010	1,500,000	65,940,000	64,440,000	2.27%	31,154,000	206.84%
6/30/2011	3,091,000	61,501,000	58,410,000	5.03%	31,378,000	186.15%

Notes to the Supplementary Information

- Note 1** This information is intended to help users assess the City's Public Safety and Miscellaneous Retirement Plans and the City's OPEB plan status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other employers.
- Note 2** The information presented relates to the City's Public Safety and Miscellaneous Retirement Plans and the City OPEB plan only.

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF DAVIS, CALIFORNIA

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 3,844,820	\$ 381,807	\$ 8,684,951	\$ 12,911,578
Cash with fiscal agents	-	737,891	-	737,891
Accrued interest	6,155	170	11,559	17,884
Receivables:				
General accounts	372,403	-	-	372,403
Grants	1,958,824	-	-	1,958,824
Utility accounts	224,324	-	-	224,324
Loans	9,576,360	-	47,680	9,624,040
Mortgages	178,988	-	-	178,988
Total Assets	<u>\$ 16,161,874</u>	<u>\$ 1,119,868</u>	<u>\$ 8,744,190</u>	<u>\$ 26,025,932</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts	\$ 142,674	\$ 17,939	\$ 4,896	\$ 165,509
Leave benefits	11	-	-	11
Bonds payable	-	720,000	-	720,000
Deferred revenue	1,654,654	-	-	1,654,654
Due to other funds	420,593	-	-	420,593
Total Liabilities	<u>2,217,932</u>	<u>737,939</u>	<u>4,896</u>	<u>2,960,767</u>
Fund Balances:				
Nonspendable	9,755,348	-	40,854	9,796,202
Restricted	1,803,124	381,929	1,863,387	4,048,440
Committed	2,586,747	-	5,279,379	7,866,126
Assigned	-	-	1,555,674	1,555,674
Unassigned	(201,277)	-	-	(201,277)
Total Fund Balances	<u>13,943,942</u>	<u>381,929</u>	<u>8,739,294</u>	<u>23,065,165</u>
Total Liabilities and Fund Balances	<u>\$ 16,161,874</u>	<u>\$ 1,119,868</u>	<u>\$ 8,744,190</u>	<u>\$ 26,025,932</u>

CITY OF DAVIS, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES INFUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$ 2,276,306	\$ -	\$ -	\$ 2,276,306
Use of money and property	87,742	635	44,180	132,557
Intergovernmental	4,385,898	-	-	4,385,898
Charges for current services	2,163,311	-	-	2,163,311
Development fees	669,220	-	-	669,220
Other	914	-	-	914
Total Revenues	<u>9,583,391</u>	<u>635</u>	<u>44,180</u>	<u>9,628,206</u>
EXPENDITURES				
Current:				
General government:				
City manager	762,370	-	-	762,370
Finance	1,156	-	-	1,156
Community development	1,096	-	-	1,096
Public works	3,823,688	-	-	3,823,688
Special projects	3,074	-	-	3,074
Parks and recreation:				
Parks and community services	1,421,785	-	-	1,421,785
Public safety:				
Fire	1,231,570	-	-	1,231,570
Police	1,330,403	-	-	1,330,403
Capital outlay	162,434	-	414,842	577,276
Debt service:				
Principal	-	1,766,122	-	1,766,122
Interest and fiscal charges	-	1,352,117	-	1,352,117
Total Expenditures	<u>8,737,576</u>	<u>3,118,239</u>	<u>414,842</u>	<u>12,270,657</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>845,815</u>	<u>(3,117,604)</u>	<u>(370,662)</u>	<u>(2,642,451)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	98,809	2,919,661	240,726	3,259,196
Transfers out	(1,089,111)	-	(2,030,409)	(3,119,520)
Total Other Financing Sources (Uses)	<u>(990,302)</u>	<u>2,919,661</u>	<u>(1,789,683)</u>	<u>139,676</u>
EXTRAORDINARY ITEMS				
Extraordinary gain / (loss)	-	(16,989,696)	17,185	(16,972,511)
Total Special and Extraordinary Items	<u>-</u>	<u>(16,989,696)</u>	<u>17,185</u>	<u>(16,972,511)</u>
Net Change in Fund Balances	<u>(144,487)</u>	<u>(17,187,639)</u>	<u>(2,143,160)</u>	<u>(19,475,286)</u>
Fund Balances at Beginning of Year	<u>14,088,429</u>	<u>17,569,568</u>	<u>10,882,454</u>	<u>42,540,451</u>
Fund Balances at End of Year	<u>\$ 13,943,942</u>	<u>\$ 381,929</u>	<u>\$ 8,739,294</u>	<u>\$ 23,065,165</u>

NON-MAJOR SPECIAL REVENUE 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.

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.

Municipal Arts

This fund accounts for funds produced 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 legitimate project expenditure and funds generated must be used for art acquisition.

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.

NON-MAJOR SPECIAL REVENUE FUNDS

Parking

This fund accounts for revenues and expenditures related to maintenance and operation of a paid parking lot for which the fund balance has been committed 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.

Economic (ARRA) Stimulus

This fund accounts for the receipt and expenditure of federal economic stimulus grants.

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. This fund has been consolidated into the General Fund during the year ended June 30, 2012.

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.

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.

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2012

	Gas Tax	TDA Non-Transit Use	Park Maintenance Tax	Cable TV	Public Safety
ASSETS					
Cash and investments	\$ -	\$ 368,780	\$ -	\$ 1,343,818	\$ 236,170
Accrued interest	131	-	-	1,575	278
Receivables:					
General accounts	-	-	70,363	173,160	70,970
Grants	187,652	-	-	-	-
Utility accounts	-	-	-	-	224,324
Loans	-	-	-	-	-
Mortgages	-	-	-	-	-
Total Assets	<u>187,783</u>	<u>368,780</u>	<u>70,363</u>	<u>1,518,553</u>	<u>531,742</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	28,753	4,874	-	4,721	-
Leave benefits	-	-	-	-	-
Deferred revenue	-	136,915	-	-	190,292
Due to other funds	<u>65,309</u>	<u>-</u>	<u>95,066</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>94,062</u>	<u>141,789</u>	<u>95,066</u>	<u>4,721</u>	<u>190,292</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	93,721	226,991	-	485,743	-
Committed	-	-	-	1,028,089	341,450
Unassigned	<u>-</u>	<u>-</u>	<u>(24,703)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>93,721</u>	<u>226,991</u>	<u>(24,703)</u>	<u>1,513,832</u>	<u>341,450</u>
Total Liabilities and Fund Balances	<u>\$ 187,783</u>	<u>\$ 368,780</u>	<u>\$ 70,363</u>	<u>\$ 1,518,553</u>	<u>\$ 531,742</u>

Municipal Arts	Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Parking	Federal/State Highway Grant	Community Development Block Grant	Operational Grants	Economic (ARRA) Stimulus
\$ 149,325 190	\$ - 649	\$ 454,126 520	\$ 153,992 145	\$ 485,124 587	\$ - -	\$ 192,102 1,474	\$ - 72
-	-	-	-	-	-	57,910	-
-	-	-	-	-	211,413	1,327,437	232,322
-	-	-	-	-	-	-	-
-	-	-	-	-	1,755,324	7,821,036	-
-	-	-	-	-	-	178,988	-
<u>149,515</u>	<u>649</u>	<u>454,646</u>	<u>154,137</u>	<u>485,711</u>	<u>1,966,737</u>	<u>\$ 9,578,947</u>	<u>\$ 232,394</u>
340	-	-	-	-	11,721	72,795	16,814
-	-	-	-	-	-	-	-
-	-	-	-	-	220,180	995,170	112,097
-	14,649	-	-	-	47,174	-	198,395
<u>340</u>	<u>14,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,075</u>	<u>1,067,965</u>	<u>327,306</u>
-	-	-	-	-	1,755,324	8,000,024	-
-	-	-	-	485,711	-	510,958	-
149,175	-	454,646	154,137.00	-	-	-	-
-	(14,000)	-	-	-	(67,662)	-	(94,912)
<u>149,175</u>	<u>(14,000)</u>	<u>454,646</u>	<u>154,137</u>	<u>485,711</u>	<u>1,687,662</u>	<u>8,510,982</u>	<u>(94,912)</u>
<u>\$ 149,515</u>	<u>\$ 649</u>	<u>\$ 454,646</u>	<u>\$ 154,137</u>	<u>\$ 485,711</u>	<u>\$ 1,966,737</u>	<u>\$ 9,578,947</u>	<u>\$ 232,394</u>

CITY OF DAVIS

COMBINING BALANCE SHEET, Continued
SPECIAL REVENUE FUNDS

JUNE 30, 2012

	Agriculture Land Acquisition	Building Permits and Fees	Davisville Book	Historical Fund	Binley/Hattie Weber	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and investments	\$ 425,778	\$ -	\$ 23,955	\$ 6,582	\$ 5,068	\$ 3,844,820
Accrued interest	496	-	28	8	2	6,155
Receivables:						
General accounts	-	-	-	-	-	372,403
Grants	-	-	-	-	-	1,958,824
Utility accounts	-	-	-	-	-	224,324
Loans	-	-	-	-	-	9,576,360
Mortgages	-	-	-	-	-	178,988
Total Assets	<u>\$ 426,274</u>	<u>\$ -</u>	<u>\$ 23,983</u>	<u>\$ 6,590</u>	<u>\$ 5,070</u>	<u>\$ 16,161,874</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Payables:						
Accounts	-	-	-	-	2,656	142,674
Leave benefits	-	-	11	-	-	11
Deferred revenue	-	-	-	-	-	1,654,654
Due to other funds	-	-	-	-	-	420,593
Total Liabilities	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>2,656</u>	<u>2,217,932</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	9,755,348
Restricted	-	-	-	-	-	1,803,124
Committed	426,274	-	23,972	6,590	2,414	2,586,747
Unassigned	-	-	-	-	-	(201,277)
Total Fund Balances	<u>426,274</u>	<u>-</u>	<u>23,972</u>	<u>6,590</u>	<u>2,414</u>	<u>13,943,942</u>
Total Liabilities and Fund Balances	<u>\$ 426,274</u>	<u>\$ -</u>	<u>\$ 23,983</u>	<u>\$ 6,590</u>	<u>\$ 5,070</u>	<u>\$ 16,161,874</u>

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2012

	Gas Tax	TDA Non-Transit Use	Park Maintenance Tax	Cable TV	Public Safety	Municipal Arts
REVENUES						
Taxes	\$ -	\$ -	\$ 1,334,628	\$ 543,663	\$ 398,015	\$ -
Use of money and property	498	-	-	4,972	819	605
Intergovernmental	1,864,530	622,803	-	131,932	116,820	-
Charges for current services	-	-	-	-	2,163,255	-
Development fees	-	-	-	-	-	-
Other	-	-	-	664	-	250
Total Revenues	1,865,028	622,803	1,334,628	681,231	2,678,909	855
EXPENDITURES						
Current:						
General government:						
City manager	-	-	-	682,327	74,955	-
Finance	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public works	1,887,727	94,799	-	-	-	-
Special projects	-	-	-	-	-	-
Parks and recreation:						
Parks and community services	-	-	1,369,476	24,064	-	28,245
Public safety:						
Fire	-	-	-	-	1,231,570	-
Police	-	-	-	-	1,315,808	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	1,887,727	94,799	1,369,476	706,391	2,622,333	28,245
Excess (Deficiency) of Revenue Over (Under) Expenditures	(22,699)	528,004	(34,848)	(25,160)	56,576	(27,390)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	(22,699)	528,004	(34,848)	(25,160)	56,576	(27,390)
Fund Balances at Beginning of Year	116,420	(301,013)	10,145	1,538,992	284,874	176,565
Fund Balances at End of Year	\$ 93,721	\$ 226,991	\$ (24,703)	\$ 1,513,832	\$ 341,450	\$ 149,175

Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Parking	Federal/State Highway Grants	Community Development Block Grant	Operational Grants	Economic (ARRA) Stimulus	Agriculture Land Acquisition
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,179	1,657	71,357	1,895	122	1,613	323	1,580
-	-	-	168,525	680,497	696,597	104,194	-
-	-	-	-	-	-	-	-
657,220	12,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
659,399	13,657	71,357	170,420	680,619	698,210	104,517	1,580
-	-	5,088	-	-	-	-	-
1,156	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,096
-	-	-	60,975	949,476	756,398	74,313	-
-	-	-	-	3,074	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	14,595	-
-	-	7,021	-	-	-	155,413	-
1,156	-	12,109	60,975	952,550	756,398	244,321	1,096
658,243	13,657	59,248	109,445	(271,931)	(58,188)	(139,804)	484
-	-	-	-	-	-	-	-
(888,797)	-	-	(13,885)	-	(13,793)	(172,636)	-
(888,797)	-	-	(13,885)	-	(13,793)	(172,636)	-
(230,554)	13,657	59,248	95,560	(271,931)	(71,981)	(312,440)	484
216,554	440,989	94,889	390,151	1,959,593	8,582,963	217,528	425,790
\$ (14,000)	\$ 454,646	\$ 154,137	\$ 485,711	\$ 1,687,662	\$ 8,510,982	\$ (94,912)	\$ 426,274

CITY OF DAVIS, CALIFORNIA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES, Continued

FOR THE YEAR ENDED JUNE 30, 2012

	Building Permits and Fees	Davisville Book	Historical	Brinley/Hattie Weber	Total Non-Major Special Revenue Funds
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,276,306
Use of money and property	-	89	24	9	87,742
Intergovernmental	-	-	-	-	4,385,898
Charges for current services	-	56	-	-	2,163,311
Development fees	-	-	-	-	669,220
Other	-	-	-	-	914
Total Revenues	-	145	24	9	9,583,391
EXPENDITURES					
Current:					
General government:					
City manager	-	-	-	-	762,370
Finance	-	-	-	-	1,156
Community development	-	-	-	-	1,096
Public works	-	-	-	-	3,823,688
Special projects	-	-	-	-	3,074
Parks and recreation:					
Parks and community services	-	-	-	-	1,421,785
Public safety:					
Fire	-	-	-	-	1,231,570
Police	-	-	-	-	1,330,403
Capital outlay	-	-	-	-	162,434
Total Expenditures	-	-	-	-	8,737,576
Excess (Deficiency) of Revenue Over (Under) Expenditures	-	145	24	9	845,815
OTHER FINANCING SOURCES (USES)					
Transfers in	98,809	-	-	-	98,809
Transfers out	-	-	-	-	(1,089,111)
Total Other Financing Sources (Uses)	98,809	-	-	-	(990,302)
Net Change in Fund Balances	98,809	145	24	9	(144,487)
Fund Balances at Beginning of Year	(98,809)	23,827	6,566	2,405	14,088,429
Fund Balances at End of Year	\$ -	\$ 23,972	\$ 6,590	\$ 2,414	\$ 13,943,942

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
GAS TAX FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 13,472	\$ 13,472	\$ 498	\$ (12,974)
Intergovernmental	1,804,247	1,804,247	1,864,530	60,283
Total Revenues	<u>1,817,719</u>	<u>1,817,719</u>	<u>1,865,028</u>	<u>47,309</u>
EXPENDITURES:				
Current:				
General government:				
Public works	<u>2,010,483</u>	<u>1,949,962</u>	<u>1,887,727</u>	<u>62,235</u>
Total Expenditures	<u>2,010,483</u>	<u>1,949,962</u>	<u>1,887,727</u>	<u>62,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(192,764)</u>	<u>(132,243)</u>	<u>(22,699)</u>	<u>109,544</u>
Fund Balance, Beginning of Year	<u>116,420</u>	<u>116,420</u>	<u>116,420</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (76,344)</u>	<u>\$ (15,823)</u>	<u>\$ 93,721</u>	<u>\$ 109,544</u>

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
TDA NONTRANSIT**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 277,212	\$ 277,212	\$ 622,803	\$ 345,591
Total Revenues	277,212	277,212	622,803	345,591
EXPENDITURES:				
Current:				
General government:				
Public works	95,386	94,823	94,799	24
Total Expenditures	95,386	94,823	94,799	24
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	181,826	182,389	528,004	345,615
Fund Balance, Beginning of Year	(301,013)	(301,013)	(301,013)	-
Fund Balance, End of Year	\$ (119,187)	\$ (118,624)	\$ 226,991	\$ 345,615

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
PARK MAINTENANCE TAX**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	\$ 1,344,000	\$ 1,344,000	\$ 1,334,628	\$ (9,372)
Total Revenues	1,344,000	1,344,000	1,334,628	(9,372)
EXPENDITURES:				
Current:				
Parks and recreation:				
Parks and community services	1,368,826	1,369,476	1,369,476	-
Total Expenditures	1,368,826	1,369,476	1,369,476	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,826)	(25,476)	(34,848)	(9,372)
Fund Balance, Beginning of Year	10,145	10,145	10,145	-
Fund Balance, End of Year	\$ (14,681)	\$ (15,331)	\$ (24,703)	\$ (9,372)

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
CABLE TELEVISION**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 508,900	\$ 508,900	\$ 543,663	\$ 34,763
Use of money and property	11,200	11,200	4,972	(6,228)
Intergovernmental	122,000	122,000	131,932	9,932
Other	200	200	664	464
Total Revenues	<u>642,300</u>	<u>642,300</u>	<u>681,231</u>	<u>38,931</u>
EXPENDITURES:				
Current:				
General government:				
City manager	550,448	711,766	682,327	29,439
Parks and recreation:				
Parks and community services	21,167	24,064	24,064	-
Total Expenditures	<u>571,615</u>	<u>735,830</u>	<u>706,391</u>	<u>29,439</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>70,685</u>	<u>(93,530)</u>	<u>(25,160)</u>	<u>68,370</u>
Fund Balance, Beginning of Year	<u>1,538,992</u>	<u>1,538,992</u>	<u>1,538,992</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,609,677</u>	<u>\$ 1,445,462</u>	<u>\$ 1,513,832</u>	<u>\$ 68,370</u>

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 329,200	\$ 329,200	\$ 398,015	\$ 68,815
Use of money and property	1,600	1,600	819	(781)
Intergovernmental	90,000	90,000	116,820	26,820
Charges for current services	2,148,500	2,148,500	2,163,255	14,755
Total Revenues	<u>2,569,300</u>	<u>2,569,300</u>	<u>2,678,909</u>	<u>109,609</u>
EXPENDITURES:				
Current:				
General government:				
City manager	63,304	74,304	74,955	(651)
Public safety:				
Fire	1,226,570	1,231,570	1,231,570	-
Police	<u>1,316,570</u>	<u>1,316,570</u>	<u>1,315,808</u>	<u>762</u>
Total Expenditures	<u>2,606,444</u>	<u>2,622,444</u>	<u>2,622,333</u>	<u>111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37,144)</u>	<u>(53,144)</u>	<u>56,576</u>	<u>109,720</u>
Fund Balance, Beginning of Year	<u>284,874</u>	<u>284,874</u>	<u>284,874</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 247,730</u>	<u>\$ 231,730</u>	<u>\$ 341,450</u>	<u>\$ 109,720</u>

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ARTS**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,900	\$ 1,900	\$ 605	\$ (1,295)
Other	-	-	250	250
Total Revenues	1,900	1,900	855	(1,045)
EXPENDITURES:				
Current:				
Parks and recreation:				
Parks and community services	39,835	39,085	28,245	10,840
Total Expenditures	39,835	39,085	28,245	10,840
(DEFICIENCY) OF REVENUES				
(UNDER) EXPENDITURES	(37,935)	(37,185)	(27,390)	9,795
Fund Balance, Beginning of Year	176,565	176,565	176,565	-
Fund Balance, End of Year	\$ 138,630	\$ 139,380	\$ 149,175	\$ 9,795

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
SUBDIVISION IN-LIEU OF PARKING FEES**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 12,600	\$ 12,600	\$ 2,179	\$ (10,421)
Development fees	95,056	95,056	657,220	562,164
Total Revenues	107,656	107,656	659,399	551,743
EXPENDITURES:				
Current:				
General government:				
Finance	1,156	1,156	1,156	-
Total Expenditures	1,156	1,156	1,156	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	106,500	106,500	658,243	551,743
OTHER FINANCING (USES)				
Transfers out	(153,926)	(891,865)	(888,797)	3,068
Total Other Financing (Uses)	(153,926)	(891,865)	(888,797)	3,068
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES AND OTHER USES	(47,426)	(785,365)	(230,554)	554,811
Fund Balance, Beginning of Year	216,554	216,554	216,554	-
Fund Balance, End of Year	\$ 169,128	\$ (568,811)	\$ (14,000)	\$ 554,811

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
IN-LIEU OF PARKING PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 10,800	\$ 10,800	\$ 1,657	\$ (9,143)
Development fees	-	-	12,000	12,000
Total Revenues	10,800	10,800	13,657	2,857
EXPENDITURES:				
Capital Outlay	275,000	-	-	-
Total Expenditures	275,000	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(264,200)	10,800	13,657	2,857
Fund Balance, Beginning of Year	440,989	440,989	440,989	-
Fund Balance, End of Year	\$ 176,789	\$ 451,789	\$ 454,646	\$ 2,857

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
PARKING
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 30,350	\$ 35,332	\$ 71,357	\$ 36,025
Total Revenues	30,350	35,332	71,357	36,025
EXPENDITURES:				
Current:				
General government:				
City manager	-	5,636	5,088	548
Capital Outlay	-	7,773	7,021	752
Total Expenditures	-	13,409	12,109	1,300
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,350	21,923	59,248	37,325
Fund Balance, Beginning of Year	94,889	94,889	94,889	-
Fund Balance, End of Year	\$ 125,239	\$ 116,812	\$ 154,137	\$ 37,325

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
FEDERAL/STATE HIGHWAY GRANTS**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,895	\$ 1,895
Intergovernmental	-	-	168,525	168,525
Total Revenues	-	-	170,420	170,420
EXPENDITURES:				
Current:				
General government:	-	-	-	-
Public works	-	4,500	60,975	(56,475)
Total Expenditures	-	4,500	60,975	(56,475)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(4,500)	109,445	113,945
OTHER FINANCING (USES)				
Transfers out	-	(13,885)	(13,885)	-
Total Other Financing Sources (Uses)	-	(13,885)	(13,885)	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(18,385)	95,560	113,945
Fund Balance, Beginning of Year	390,151	390,151	390,151	-
Fund Balance, End of Year	\$ 390,151	\$ 371,766	\$ 485,711	\$ 113,945

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ 105	\$ 122	\$ 17
Intergovernmental	1,174,386	1,759,232	680,497	(1,078,735)
Total Revenues	1,174,386	1,759,337	680,619	(1,078,718)
EXPENDITURES:				
Current:				
General government:	-	-	-	-
Public works	1,192,913	1,165,660	949,476	216,184
Special projects	-	-	3,074	(3,074)
Total Expenditures	1,192,913	1,165,660	952,550	213,110
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,527)	593,677	(271,931)	(865,608)
Fund Balance, Beginning of Year	1,959,593	1,959,593	1,959,593	-
Fund Balance, End of Year	\$ 1,941,066	\$ 2,553,270	\$ 1,687,662	\$ (865,608)

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
OPERATIONAL GRANTS**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 11,500	\$ 11,500	\$ 1,613	\$ (9,887)
Intergovernmental	981,203	1,521,747	696,597	(825,150)
Total Revenues	992,703	1,533,247	698,210	(835,037)
EXPENDITURES:				
Current:				
General government:				
Public works	979,703	1,719,012	756,398	962,614
Total Expenditures	979,703	1,719,012	756,398	962,614
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,000	(185,765)	(58,188)	127,577
OTHER FINANCING (USES)				
Transfers out	-	-	(13,793)	(13,793)
Total Other Financing Sources (Uses)	-	-	(13,793)	(13,793)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	13,000	(185,765)	(71,981)	113,784
Fund Balance, Beginning of Year	8,582,963	8,582,963	8,582,963	-
Fund Balance, End of Year	\$ 8,595,963	\$ 8,397,198	\$ 8,510,982	\$ 113,784

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
ECONOMIC (ARRA) STIMULUS**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 323	\$ 323
Intergovernmental	41,000	292,249	104,194	(188,055)
Total Revenues	41,000	292,249	104,517	(187,732)
EXPENDITURES:				
Current:				
General government:				
Public works	41,000	91,852	74,313	17,539
Public safety:				
Police	-	14,596	14,595	1
Capital Outlay	-	329,938	155,413	174,525
Total Expenditures	41,000	436,386	244,321	192,065
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	-	(144,137)	(139,804)	4,333
OTHER FINANCING (USES)				
Transfers out	-	(172,636)	(172,636)	-
Total Other Financing Sources (Uses)	-	(172,636)	(172,636)	-
(DEFICIENCY) OF REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	-	(316,773)	(312,440)	4,333
Fund Balance, Beginning of Year	217,528	217,528	217,528	-
Fund Balance, End of Year	\$ 217,528	\$ (99,245)	\$ (94,912)	\$ 4,333

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
AGRICULTURE LAND ACQUISITION**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 14,600	\$ 14,600	\$ 1,580	\$ (13,020)
Total Revenues	14,600	14,600	1,580	(13,020)
EXPENDITURES:				
Current:				
General government:				
Community development	14,096	1,096	1,096	-
Total Expenditures	14,096	1,096	1,096	-
EXCESS OF REVENUES OVER EXPENDITURES	504	13,504	484	(13,020)
Fund Balance, Beginning of Year	425,790	425,790	425,790	-
Fund Balance, End of Year	\$ 426,294	\$ 439,294	\$ 426,274	\$ (13,020)

CITY OF DAVIS, CALIFORNIA

SPECIAL REVENUE FUNDS BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS BUILDING PERMITS AND FEES

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,100	\$ 4,100	\$ 641	\$ (3,459)
Charges for current services	1,994,827	2,010,086	1,701,514	(308,572)
Total Revenues	1,998,927	2,014,186	1,702,155	(312,031)
EXPENDITURES:				
Current:				
General government:				
Community development	1,576,952	1,589,211	1,436,867	152,344
Total Expenditures	1,576,952	1,589,211	1,436,867	152,344
EXCESS OF REVENUES OVER EXPENDITURES	421,975	424,975	265,288	(159,687)
Fund Balance, Beginning of Year	(98,809)	(98,809)	(98,809)	-
Fund Balance, End of Year	\$ 323,166	\$ 326,166	\$ 166,479	\$ (159,687)

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

Budgetary Revenues:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule:

\$ 1,702,155

Differences - budget to GAAP:

Revenues of the Building Permits and Fees fund are inflows of budgetary resources in the Building Permits and Fees fund legally adopted budget, but are reported as revenues of the General Fund for financial reporting purposes as this fund was consolidated into the General Fund under GASB 54 in the current year.

(1,702,155)

The transfer of deficit beginning available fund balance of the Building Permits and Fees fund to the General Fund in the current year is reported as a transfer in for financial reporting purposes, but is not an inflow of budgetary resources.

98,809

Total financing sources (uses) as reported on the statement of revenues expenditures and changes in fund balances - governmental funds

\$ 98,809

Budgetary Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary

1,436,867

Expenditures of the Building Permits and Fees fund are outflows of budgetary resources in the Building Permits and Fees fund legally adopted budget, but are expenditures of the General Fund for financial reporting purposes as this fund was consolidated into the General Fund under GASB 54 in the current year.

(1,436,867)

Total revenues as reported on the statement of revenues expenditures and changes in fund balances - governmental funds

\$ -

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
DAVISVILLE BOOK**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 250	\$ 250	\$ 89	\$ (161)
Charges for current services	50	50	56	6
Total Revenues	<u>300</u>	<u>300</u>	<u>145</u>	<u>(155)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>300</u>	<u>300</u>	<u>145</u>	<u>(155)</u>
Fund Balance, Beginning of Year	<u>23,827</u>	<u>23,827</u>	<u>23,827</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 24,127</u>	<u>\$ 24,127</u>	<u>\$ 23,972</u>	<u>\$ (155)</u>

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
HISTORICAL**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 60	\$ 60	\$ 24	\$ (36)
Total Revenues	60	60	24	(36)
EXCESS OF REVENUES OVER EXPENDITURES	60	60	24	(36)
Fund Balance, Beginning of Year	6,566	6,566	6,566	-
Fund Balance, End of Year	\$ 6,626	\$ 6,626	\$ 6,590	\$ (36)

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
BRINLEY-HATTIE WEBER**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 9	\$ 9
Total Revenues	-	-	9	9
EXCESS OF REVENUES OVER EXPENDITURES	-	-	9	9
Fund Balance, Beginning of Year	2,405	2,405	2,405	-
Fund Balance, End of Year	\$ 2,405	\$ 2,405	\$ 2,414	\$ 9

NON-MAJOR 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.

Association of Bay Area Governments Certificates of Participation

This fund accounts for debt service expenditures of the Association of Bay Area Governments Certificates of Participation.

Redevelopment Agency (through January 1, 2012)

This fund accounts for debt service expenditures of the Redevelopment Agency tax allocation bonds. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to the RDA Retirement Obligation Trust Fund.

CITY OF DAVIS, CALIFORNIA

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2012

	Association of Bay Area Government COPs	Redevelopment Agency	Total Non-Major Debt Service Funds
ASSETS			
Cash and investments	\$ 381,807	\$ -	\$ 381,807
Cash with fiscal agents	737,891	-	737,891
Accrued interest	170	-	170
Total Assets	<u>\$ 1,119,868</u>	<u>\$ -</u>	<u>\$ 1,119,868</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payables:			
Accounts	\$ 17,939	\$ -	\$ 17,939
Bonds payable	720,000	-	720,000
Total Liabilities	<u>737,939</u>	<u>-</u>	<u>737,939</u>
Fund Balances:			
Restricted	<u>381,929</u>	<u>-</u>	<u>381,929</u>
Total Fund Balances	<u>381,929</u>	<u>-</u>	<u>381,929</u>
Total Liabilities and Fund Balances	<u>\$ 1,119,868</u>	<u>\$ -</u>	<u>\$ 1,119,868</u>

CITY OF DAVIS, CALIFORNIA

**DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2012

	Association of Bay Area Governments COPs	Redevelopment Agency	Total Non-Major Debt Service Funds
REVENUES			
Use of money and property	\$ 635	\$ -	\$ 635
Total Revenues	635	-	635
EXPENDITURES			
Debt service:			
Principal	875,000	891,122	1,766,122
Interest and fiscal charges	77,243	1,274,874	1,352,117
Total Expenditures	952,243	2,165,996	3,118,239
Excess (Deficiency) of Revenue Over (Under) Expenditures	(951,608)	(2,165,996)	(3,117,604)
OTHER FINANCING SOURCES (USES)			
Transfers in	952,196	1,967,465	2,919,661
Total Other Financing Sources (Uses)	952,196	1,967,465	2,919,661
EXTRAORDINARY ITEMS			
Extraordinary (loss)	-	(16,989,696)	(16,989,696)
Total Special and Extraordinary Items	-	(16,989,696)	(16,989,696)
Net Change in Fund Balances	588	(17,188,227)	(17,187,639)
Fund Balances at Beginning of Year	381,341	17,188,227	17,569,568
Fund Balances at End of Year	\$ 381,929	\$ -	\$ 381,929

CITY OF DAVIS, CALIFORNIA

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
ASSOCIATION OF BAY AREA GOVERNMENT COPs**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,600	\$ 1,600	\$ 635	\$ (965)
Total Revenues	1,600	1,600	635	(965)
EXPENDITURES:				
Debt service:				
Principal	155,000	892,939	875,000	17,939
Interest and fiscal charges	62,325	62,325	77,243	(14,918)
Total Expenditures	217,325	955,264	952,243	3,021
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(215,725)	(953,664)	(951,608)	2,056
OTHER FINANCING SOURCES				
Transfers in	217,325	955,264	952,196	(3,068)
Total Other Financing Sources	217,325	955,264	952,196	(3,068)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	1,600	1,600	588	(1,012)
Fund Balance, Beginning of Year	381,341	381,341	381,341	-
Fund Balance, End of Year	\$ 382,941	\$ 382,941	\$ 381,929	\$ (1,012)

CITY OF DAVIS, CALIFORNIA

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES:				
Debt service:				
Principal	660,960	891,122	891,122	-
Interest and fiscal charges	2,547,358	2,001,141	2,001,139	2
Total Expenditures	3,208,318	2,892,263	2,892,261	2
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(3,208,318)	(2,892,263)	(2,892,261)	2
OTHER FINANCING SOURCES (USES)				
Transfers in	3,208,318	1,967,465	1,967,465	-
Total Other Financing Sources (Uses)	3,208,318	1,967,465	1,967,465	-
EXTRAORDINARY ITEMS				
Extraordinary (loss)	-	(27,611,569)	(16,263,431)	11,348,138
Total Special and Extraordinary Items	-	(27,611,569)	(16,263,431)	11,348,138
(DEFICIENCY) OF REVENUES, OTHER FINANCING SOURCES, AND EXTRAORDINARY ITEMS UNDER EXPENDITURES	-	(28,536,367)	(17,188,227)	11,348,140
Fund Balance, Beginning of Year	17,188,227	17,188,227	17,188,227	-
Fund Balance, End of Year	\$ 17,188,227	\$ (11,348,140)	\$ -	\$ 11,348,140

NON-MAJOR 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 assigned 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.

Redevelopment Agency (Through January 1, 2012)

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.

Downtown Area Capitalization Revitalization

This fund accounts as a funding source for the City to undertake future improvements contemplated in the redevelopment plan, pursuant to the Public Works Agreement by and between the City and the Redevelopment Successor Agency, which assumed responsibility as assignee from the City's former Redevelopment Agency.

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2012

	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants	Davis Land Acquisition
ASSETS				
Cash and investments	\$ 785,734	\$ 375,710	\$ 433,043	\$ 1,553,868
Accrued interest	913	437	503	1,806
Receivables:				
Loans	-	-	-	-
Total Assets	<u>\$ 786,647</u>	<u>\$ 376,147</u>	<u>\$ 433,546</u>	<u>\$ 1,555,674</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables:				
Accounts	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	786,647	376,147	433,546	-
Committed	-	-	-	-
Assigned	-	-	-	1,555,674
Total Fund Balances	<u>786,647</u>	<u>376,147</u>	<u>433,546</u>	<u>1,555,674</u>
Total Liabilities and Fund Balances	<u>\$ 786,647</u>	<u>\$ 376,147</u>	<u>\$ 433,546</u>	<u>\$ 1,555,674</u>

Public Facilities Financing Authority	Redevelopmmnt Agency	Oxford Circle Park and Parking Lot	Downtown Area Capital Revitalization	Total Non-Major Capital Projects Funds
\$ 217,398	\$ -	\$ 49,340	\$ 5,269,858	\$ 8,684,951
252	-	57	7,591	11,559
-	-	-	47,680	47,680
<u>\$ 217,650</u>	<u>\$ -</u>	<u>\$ 49,397</u>	<u>\$ 5,325,129</u>	<u>\$ 8,744,190</u>
\$ -	\$ -	\$ -	\$ 4,896	\$ 4,896
-	-	-	4,896	4,896
-	-	-	40,854	40,854
217,650	-	49,397	-	1,863,387
-	-	-	5,279,379	5,279,379
-	-	-	-	1,555,674
<u>217,650</u>	<u>-</u>	<u>49,397</u>	<u>5,320,233</u>	<u>8,739,294</u>
<u>\$ 217,650</u>	<u>\$ -</u>	<u>\$ 49,397</u>	<u>\$ 5,325,129</u>	<u>\$ 8,744,190</u>

CITY OF DAVIS, CALIFORNIA

CAPITAL PROJECTS FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES INFUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2012

	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants	Davis Land Acquisition
REVENUES				
Use of money and property	\$ 2,912	\$ 1,393	\$ 1,604	\$ 5,757
Total Revenues	2,912	1,393	1,604	5,757
EXPENDITURES				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenue Over (Under) Expenditures	2,912	1,393	1,604	5,757
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
EXTRAORDINARY ITEMS				
Extraordinary loss	-	-	-	-
Total Special and Extraordinary Items	-	-	-	-
Net Change in Fund Balances	2,912	1,393	1,604	5,757
Fund Balances at Beginning of Year	783,735	374,754	431,942	1,549,917
Fund Balances at End of Year	\$ 786,647	\$ 376,147	\$ 433,546	\$ 1,555,674

Public Facilities Financing Authority	Redevelopment Agency	Oxford Circle Park and Parking Lot	Downtown Area Capital Revitalization	Total Non-Major Capital Projects Funds
\$ 805	\$ 27	\$ 183	\$ 31,499	\$ 44,180
805	27	183	31,499	44,180
-	258,649	-	156,193	414,842
-	258,649	-	156,193	414,842
805	(258,622)	183	(124,694)	(370,662)
-	240,726	-	-	240,726
-	-	-	(2,030,409)	(2,030,409)
-	240,726	-	(2,030,409)	(1,789,683)
-	17,185	-	-	17,185
-	17,185	-	-	17,185
805	(711)	183	(2,155,103)	(2,143,160)
216,845	711	49,214	7,475,336	10,882,454
\$ 217,650	\$ -	\$ 49,397	\$ 5,320,233	\$ 8,739,294

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
DAVIS RESEARCH PARK**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 7,000	\$ 7,000	\$ 2,912	\$ (4,088)
Total Revenues	7,000	7,000	2,912	(4,088)
EXCESS OF REVENUES OVER EXPENDITURES	7,000	7,000	2,912	(4,088)
Fund Balance, Beginning of Year	783,735	783,735	783,735	-
Fund Balance, End of Year	\$ 790,735	\$ 790,735	\$ 786,647	\$ (4,088)

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
ARLINGTON PARK BENEFIT AREA**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,400	\$ 3,400	\$ 1,393	\$ (2,007)
Total Revenues	3,400	3,400	1,393	(2,007)
 EXCESS OF REVENUES OVER EXPENDITURES	3,400	3,400	1,393	(2,007)
Fund Balance, Beginning of Year	374,754	374,754	374,754	-
Fund Balance, End of Year	<u>\$ 378,154</u>	<u>\$ 378,154</u>	<u>\$ 376,147</u>	<u>\$ (2,007)</u>

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
CAPITAL GRANTS**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,604	\$ 1,604
Total Revenues	-	-	1,604	1,604
 EXCESS OF REVENUES OVER EXPENDITURES	-	-	1,604	1,604
Fund Balance, Beginning of Year	431,942	431,942	431,942	-
Fund Balance, End of Year	<u>\$ 431,942</u>	<u>\$ 431,942</u>	<u>\$ 433,546</u>	<u>\$ 1,604</u>

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
DAVIS LAND ACQUISITION**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 13,800	\$ 13,800	\$ 5,757	\$ (8,043)
Total Revenues	13,800	13,800	5,757	(8,043)
EXCESS OF REVENUES OVER EXPENDITURES	13,800	13,800	5,757	(8,043)
Fund Balance, Beginning of Year	1,549,917	1,549,917	1,549,917	-
Fund Balance, End of Year	\$ 1,563,717	\$ 1,563,717	\$ 1,555,674	\$ (8,043)

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
PUBLIC FACILITIES FINANCING AUTHORITY**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,950	\$ 1,950	\$ 805	\$ (1,145)
Total Revenues	<u>1,950</u>	<u>1,950</u>	<u>805</u>	<u>(1,145)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,950</u>	<u>1,950</u>	<u>805</u>	<u>(1,145)</u>
Fund Balance, Beginning of Year	<u>216,845</u>	<u>216,845</u>	<u>216,845</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 218,795</u>	<u>\$ 218,795</u>	<u>\$ 217,650</u>	<u>\$ (1,145)</u>

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 27	\$ 27	\$ -
Total Revenues	-	27	27	-
EXPENDITURES:				
Capital outlay	16,898,063	231,096	258,649	(27,553)
Total Expenditures	16,898,063	231,096	258,649	(27,553)
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(16,898,063)	(231,069)	(258,622)	(27,553)
OTHER FINANCING SOURCES (USES)				
Transfers in	195,435	240,726	240,726	-
Total Other Financing Sources	195,435	240,726	240,726	-
EXTRAORDINARY ITEMS				
Extraordinary (gain)	-	17,185	17,185	-
Total Special and Extraordinary Items	-	17,185	17,185	-
EXCESS OF REVENUES OVER EXPENDITURES	(16,702,628)	26,842	(711)	(27,553)
Fund Balance, Beginning of Year	711	711	711	-
Fund Balance, End of Year	\$ (16,701,917)	\$ 27,553	\$ -	\$ (27,553)

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
OXFORD CIRCLE PARK AND PARKING LOT**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 450	\$ 450	\$ 183	\$ (267)
Total Revenues	450	450	183	(267)
EXCESS OF REVENUES OVER EXPENDITURES	450	450	183	(267)
Fund Balance, Beginning of Year	49,214	49,214	49,214	-
Fund Balance, End of Year	\$ 49,664	\$ 49,664	\$ 49,397	\$ (267)

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN AREA CAPITAL REVITALIZATION**

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 31,499	\$ 31,499
Total Revenues	-	-	31,499	31,499
EXPENDITURES:				
Capital outlay	7,000,000	5,728,018	156,193	5,571,825
Total Expenditures	7,000,000	5,728,018	156,193	5,571,825
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(7,000,000)	(5,728,018)	(124,694)	5,603,324
OTHER FINANCING (USES)				
Transfers out	-	(2,030,409)	(2,030,409)	-
Total Other Financing (Uses)	-	(2,030,409)	(2,030,409)	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,000,000)	(7,758,427)	(2,155,103)	5,603,324
Fund Balance, Beginning of Year	7,475,336	7,475,336	7,475,336	-
Fund Balance, End of Year	\$ 475,336	\$ (283,091)	\$ 5,320,233	\$ 5,603,324

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.

Employee Benefits Fund

This fund is used to account for accrued leave benefits and as a clearing fund for payroll taxes and liabilities.

CITY OF DAVIS, CALIFORNIA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS**

JUNE 30, 2012

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 12,969,455	\$ 244,159	\$ 1,344,128	\$ -	\$ 14,557,742
Accrued interest	13,896	1,106	308	-	15,310
Accounts receivable	22,189	-	27,813	103,880	153,882
Inventory	366,351	-	-	-	366,351
Total Current Assets	13,371,891	245,265	1,372,249	103,880	15,093,285
Noncurrent Assets:					
Advances to other funds	1,251,924	-	-	-	1,251,924
Capital assets:					
Non-depreciable	466,317	-	-	-	466,317
Depreciable	11,742,550	-	-	-	11,742,550
Accumulated depreciation	(7,228,154)	-	-	-	(7,228,154)
Total Noncurrent Assets	6,232,637	-	-	-	6,232,637
Total Assets	19,604,528	245,265	1,372,249	103,880	21,325,922
LIABILITIES					
Current Liabilities:					
Accounts payable	83,171	50,173	800,640	-	933,984
Leave benefits	96,097	9,705	-	-	105,802
Due to other funds	-	-	-	3,007,676	3,007,676
Claims payable	-	-	151,209	-	151,209
Total Current Liabilities	179,268	59,878	951,849	3,007,676	4,198,671
Noncurrent Liabilities:					
Claims payable	-	-	370,791	-	370,791
Total Noncurrent Liabilities	-	-	370,791	-	370,791
Total Liabilities	179,268	59,878	1,322,640	3,007,676	4,569,462
NET ASSETS					
Invested in capital assets	4,980,713	-	-	-	4,980,713
Unrestricted	14,444,547	185,387	49,609	(2,903,796)	11,775,747
Total Net Assets	\$ 19,425,260	\$ 185,387	\$ 49,609	\$ (2,903,796)	\$ 16,756,460

CITY OF DAVIS, CALIFORNIA

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2012

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total Internal Service Funds
OPERATING REVENUES					
Charges for current services	\$ 5,966,108	\$ 1,652,910	\$ 8,169,904	\$ 3,058,808	\$ 18,847,730
Total Operating Revenues	5,966,108	1,652,910	8,169,904	3,058,808	18,847,730
OPERATING EXPENSES					
Central stores	236,446	-	-	-	236,446
Central equipment	1,572,335	-	-	-	1,572,335
Duplication - postal	185,876	-	-	-	185,876
City administrative facility maintenance	-	1,409,278	71,653	-	1,480,931
City electrical maintenance	-	160,132	-	-	160,132
Insurance administration	-	-	417,749	-	417,749
Insurance premiums	-	-	7,885,472	-	7,885,472
Litigation	-	-	116,588	-	116,588
MIS services	1,535,157	-	-	-	1,535,157
Depreciation	1,017,287	-	-	-	1,017,287
Leave benefits paid	-	-	-	3,218,649	3,218,649
Total Operating Expenses	4,547,101	1,569,410	8,491,462	3,218,649	17,826,622
Operating Income (Loss)	1,419,007	83,500	(321,558)	(159,841)	1,021,108
NON-OPERATING REVENUES (EXPENSES)					
Interest income	49,870	3,543	1,172	-	54,585
Other	277,879	-	28,524	-	306,403
Total Non-Operating Revenues (Expenses)	327,749	3,543	29,696	-	360,988
Income (Loss) before transfers	1,746,756	87,043	(291,862)	(159,841)	1,382,096
OTHER FINANCING SOURCES (USES)					
Transfers in	743,424	-	-	-	743,424
Transfers out	-	(743,424)	-	-	(743,424)
Total Other Financing Sources (Uses)	743,424	(743,424)	-	-	-
Change in Net Assets	2,490,180	(656,381)	(291,862)	(159,841)	1,382,096
Net Assets at Beginning of Year	16,935,080	841,768	341,471	(2,743,955)	15,374,364
Net Assets at End of Year	\$ 19,425,260	\$ 185,387	\$ 49,609	\$ (2,903,796)	\$ 16,756,460

CITY OF DAVIS, CALIFORNIA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2012

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 5,965,576	\$ 1,652,910	\$ 8,177,905	\$ 3,143,095	\$ 18,939,486
Payments to suppliers	(1,717,406)	(888,512)	(7,268,093)	-	(9,874,011)
Payments to employees	(1,885,934)	(680,006)	(262,431)	(3,218,649)	(6,047,020)
Claims paid	-	-	(45,175)	-	(45,175)
Other revenue (expenses)	277,879	-	28,524	-	306,403
Cash Flows provided by (used for) Operating Activities	2,640,115	84,392	630,730	(75,554)	3,279,683
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund receipts (payments)	743,424	(743,424)	-	75,554	75,554
Advances from other funds (Advances to other funds)	109,448	-	-	-	109,448
Cash Flows provided by (used for) Noncapital Financing Activities	852,872	(743,424)	-	75,554	185,002
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Sales (acquisition) of capital assets	(1,525,102)	-	-	-	(1,525,102)
Cash Flows (used for) Capital and Related Financing Activities	(1,525,102)	-	-	-	(1,525,102)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	51,588	3,725	864	-	56,177
Cash Flows provided by Investing Activities	51,588	3,725	864	-	56,177
Net Cash Flows	2,019,473	(655,307)	631,594	-	1,995,760
Cash and Cash Equivalents at Beginning of Year	10,949,982	899,466	712,534	-	12,561,982
Cash and Cash Equivalents at End of Year	\$ 12,969,455	\$ 244,159	\$ 1,344,128	\$ -	\$ 14,557,742
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:					
Cash and investments	\$ 12,969,455	\$ 244,159	\$ 1,344,128	\$ -	\$ 14,557,742
Reconciliation of operating income (loss) to cash flows from operating activities:					
Operating income (loss):	\$ 1,419,007	\$ 83,500	\$ (321,558)	\$ (159,841)	\$ 1,021,108
Litigation settlement and other					
Adjustments to reconcile operating income to cash flows					
from operating activities:					
Depreciation	1,017,287	-	-	-	1,017,287
Other revenues	277,879	-	28,524	-	306,403
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	4,232	-	8,001	84,287	96,520
Inventory	(30,311)	-	-	-	(30,311)
Increase (decrease) in:					
Accounts payable	(39,407)	14,896	800,640	-	776,129
Leave benefits payable	(3,808)	(14,004)	-	-	(17,812)
Claims payable	-	-	115,123	-	115,123
Deferred revenue	(4,764)	-	-	-	(4,764)
Net Cash Provided By Operating Activities	\$ 2,640,115	\$ 84,392	\$ 630,730	\$ (75,554)	\$ 3,279,683

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:

Public Facilities Financing Authority

This fund accounts for assessments collected from property owners for a series of Community Facilities Districts under the State Mello-Roos Act and the repayment of certain debt issued through the financing authority for the construction of infrastructure and improvements.

Mello Roos Community Facilities District

This fund accounts for assessments collected from property owners in the Mello Roos Community Facilities District and the repayment of underlying debt issued by this district.

University Research Park

This fund accounts for assessments collected from property owners in the University Research Park Improvement District and the repayment of underlying debt issued by this district.

Special Assessment Parking District #3

This fund accounts for assessments collected from property owners in the Special Assessment Parking District #3 and the repayment of underlying debt issued by this district.

Woodland-Davis Clean Water Agency

This fund accounts for the Woodland-Davis Clean Water Agency joint powers authority formed between the City of Davis and the City of Woodland for the joint construction and ownership of the Woodland-Davis Water Supply Capital Improvement Project.

CITY OF DAVIS, CALIFORNIA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Public Facilities Financing Authority				
Assets:				
Cash and investments	\$ 3,843,805	\$ -	\$ (16,592)	\$ 3,827,213
Cash with fiscal agents	983,190	12,734	-	995,924
Accrued interest receivable	3,720	281	-	4,001
Total Assets	<u>\$ 4,830,715</u>	<u>\$ 13,015</u>	<u>\$ (16,592)</u>	<u>\$ 4,827,138</u>
Liabilities:				
Agency funds held for others	\$ 4,830,715	\$ 13,015	\$ (16,592)	\$ 4,827,138
Total Liabilities	<u>\$ 4,830,715</u>	<u>\$ 13,015</u>	<u>\$ (16,592)</u>	<u>\$ 4,827,138</u>
Mello Roos Community Facilities District				
Assets:				
Cash and investments	\$ 2,482,535	\$ -	\$ (132,676)	\$ 2,349,859
Cash with fiscal agents	367,740	3,908	-	371,648
Accrued interest receivable	1,377	719	-	2,096
Total Assets	<u>\$ 2,851,652</u>	<u>\$ 4,627</u>	<u>\$ (132,676)</u>	<u>\$ 2,723,603</u>
Liabilities:				
Agency funds held for others	\$ 2,851,652	\$ 4,627	\$ (132,676)	\$ 2,723,603
Total Liabilities	<u>\$ 2,851,652</u>	<u>\$ 4,627</u>	<u>\$ (132,676)</u>	<u>\$ 2,723,603</u>
University Research Park				
Assets:				
Cash and investments	\$ 395,777	\$ 4,327	\$ -	\$ 400,104
Accrued interest receivable	325	51	-	376
Total Assets	<u>\$ 396,102</u>	<u>\$ 4,378</u>	<u>\$ -</u>	<u>\$ 400,480</u>
Liabilities:				
Agency funds held for others	\$ 396,102	\$ 4,378	\$ -	\$ 400,480
Total Liabilities	<u>\$ 396,102</u>	<u>\$ 4,378</u>	<u>\$ -</u>	<u>\$ 400,480</u>

CITY OF DAVIS, CALIFORNIA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, (Continued)

FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
<u>Special Assessment Parking District #3</u>				
Assets:				
Cash and investments	\$ 131,196	\$ 508	\$ -	\$ 131,704
Accrued interest receivable	173	-	(20)	153
Total Assets	<u>\$ 131,369</u>	<u>\$ 508</u>	<u>\$ (20)</u>	<u>\$ 131,857</u>
Liabilities:				
Agency funds held for others	\$ 131,369	\$ 508	\$ (20)	\$ 131,857
Total Liabilities	<u>\$ 131,369</u>	<u>\$ 508</u>	<u>\$ (20)</u>	<u>\$ 131,857</u>
<u>Woodland-Davis Clean Water Agency JPA</u>				
Assets:				
Cash and investments	\$ 1,737,750	\$ 480,313	\$ -	\$ 2,218,063
Accounts receivable	834,750	-	(32,250)	802,500
Total Assets	<u>\$ 2,572,500</u>	<u>\$ 480,313</u>	<u>\$ (32,250)</u>	<u>\$ 3,020,563</u>
Liabilities:				
Accounts payable	\$ 1,937,442	\$ -	\$ -	\$ 1,937,442
Agency funds held for others	635,058	480,313	(32,250)	1,083,121
Total Liabilities	<u>\$ 2,572,500</u>	<u>\$ 480,313</u>	<u>\$ (32,250)</u>	<u>\$ 3,020,563</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 8,591,063	\$ 485,148	\$ (149,268)	\$ 8,926,943
Cash with fiscal agents	1,350,930	16,642	-	1,367,572
Accrued interest receivable	5,595	1,051	(20)	6,626
Accounts receivable	834,750	-	(32,250)	802,500
Total Assets	<u>\$ 10,782,338</u>	<u>\$ 502,841</u>	<u>\$ (181,538)</u>	<u>\$ 11,103,641</u>
Liabilities:				
Accounts payable	\$ 1,937,442	\$ -	\$ -	\$ 1,937,442
Agency funds held for others	8,844,896	502,841	(181,538)	9,166,199
Total Liabilities	<u>\$ 10,782,338</u>	<u>\$ 502,841</u>	<u>\$ (181,538)</u>	<u>\$ 11,103,641</u>

STATISTICAL SECTION

City of Davis

Statistical Section

This section 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.

Financial Trends 152-156

These schedules contain trend information to help the reader understand how the City's financial performance and fiscal health has changed over time.

Revenue Capacity 157-159

These schedules contain information to help the reader assess the City's most significant revenue sources.

Debt Capacity 160-163

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

Economic and Demographic Information 164-165

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

Operating Information 166-168

These schedules offer 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.

CITY OF DAVIS
NET ASSETS BY COMPONENT (UNAUDITED)
LAST TEN FISCL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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	\$ 268,196,258	\$ 252,723,158	\$ 230,339,089	\$ 219,145,446	\$ 250,695,740
Restricted	29,878,869	31,157,599	28,394,469	62,362,455	77,157,422	82,394,483	90,708,023	87,064,955	95,845,260	66,227,858
Unrestricted	50,153,144	53,089,644	50,347,342	24,637,626	11,068,382	7,754,642	2,784,364	11,656,610	(8,572,349)	13,515,454
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>	<u>\$ 358,345,383</u>	<u>\$ 346,215,545</u>	<u>\$ 329,060,654</u>	<u>\$ 306,418,357</u>	<u>\$ 330,439,052</u>
Business-type activities										
Invested in capital assets,										
net of related debt	\$ -	\$ 58,702,409	\$ 60,969,494	\$ 67,057,515	\$ 223,527,504	\$ 221,228,535	\$ 224,029,039	\$ 228,167,880	\$ 223,254,657	\$ 222,630,293
Restricted	106,216	106,216	85,847	85,847	85,847	-	-	-	69,850	-
Unrestricted	74,828,266	18,667,746	19,158,757	14,934,763	23,426,544	29,101,435	31,689,545	28,963,136	37,774,437	44,957,358
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>	<u>\$ 250,329,970</u>	<u>\$ 255,718,584</u>	<u>\$ 257,131,016</u>	<u>\$ 261,098,944</u>	<u>\$ 267,587,651</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	\$ 489,424,793	\$ 476,752,197	\$ 458,506,969	\$ 442,400,103	\$ 473,326,033
Restricted	29,985,085	31,263,815	28,480,316	62,448,302	77,243,269	82,394,483	90,708,023	87,064,955	95,915,110	66,227,858
Unrestricted	124,981,410	71,757,390	69,506,099	39,572,389	34,494,926	36,856,077	344,973,909	40,619,746	29,202,088	58,472,812
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>	<u>\$ 608,675,353</u>	<u>\$ 912,434,129</u>	<u>\$ 586,191,670</u>	<u>\$ 567,517,301</u>	<u>\$ 598,026,703</u>

(a) Net assets of the governmental activities and business-type activities at June 30, 2011 were restated in fiscal year 2012 to adopt the correction of errors. Prior year balances presented in this schedule have not been restated.

Refer to Note 2 in the notes to the financial statements.

Note: Accounting standards require that governments report net assets for the last ten years, showing the three components of the Statement of Net Assets: invested in capital assets, net of related debt; restricted; and unrestricted.

Source: City of Davis Comprehensive Annual Financial Report

CITY OF DAVIS
CHANGES IN NET ASSETS (UNAUDITED)
LAST TEN FISCL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010	(a) 2011	2012
Expenses										
Governmental Activities:										
City Council	\$ 130,593	\$ 131,539	\$ 124,131	\$ 139,419	\$ 104,250	\$ 113,670	\$ 165,297	\$ 120,068	\$ 174,137	\$ 171,419
City Attorney	264,070	374,657	326,401	406,647	417,718	383,943	362,152	331,121	307,893	347,920
City Manager	1,000,451	1,657,979	1,820,048	1,892,626	2,187,416	2,305,569	2,247,736	2,157,842	2,464,895	2,655,486
Finance	1,830,512	1,407,775	1,287,739	1,709,045	1,932,653	2,157,409	2,305,333	2,113,284	2,206,587	2,007,813
Public Safety	15,461,386	17,309,890	20,723,420	19,574,310	22,754,582	24,805,660	26,156,968	27,772,647	25,224,672	24,116,311
Public Works and Special Projects	7,381,924	90,309,525	92,673,791	92,661,922	20,387,984	21,430,517	23,333,235	27,364,557	28,375,753	11,729,258
Community Development	3,874,644	2,881,783	3,583,231	3,562,456	3,590,336	3,834,291	3,719,243	2,998,509	3,307,303	3,145,307
Parks and Community Services	16,445,283	18,094,869	18,685,011	18,554,243	25,640,697	28,899,628	30,071,359	27,268,525	21,141,859	19,844,557
Interest on Long Term Debt	1,811,617	1,903,353	1,246,150	1,276,405	2,814,189	518,674	1,391,009	1,429,321	2,798,312	1,612,400
Total Governmental Activities Expenses	48,200,480	134,071,370	140,469,922	139,777,073	79,829,825	84,449,361	89,752,332	91,555,874	86,001,411	65,630,471
Business-Type Activities:										
Water	5,557,625	6,272,414	6,670,915	6,657,576	8,713,651	9,393,349	9,236,481	10,266,380	9,946,088	9,918,275
Sanitation	7,315,874	7,565,779	7,680,397	7,906,456	8,292,311	8,657,912	8,777,295	8,986,002	9,169,294	9,312,527
Sewer	5,885,551	5,135,805	6,446,797	7,249,341	7,756,636	8,543,712	8,803,769	8,727,978	8,247,337	8,554,364
Storm Sewer	1,288,905	1,454,896	1,704,263	1,827,081	3,058,338	3,145,490	2,832,790	2,947,887	3,868,242	3,529,576
Public transit	3,461,619	6,609,123	3,195,770	4,512,019	3,388,419	5,875,783	7,718,465	11,787,091	4,306,554	4,183,327
Total Business-Type Activities Expenses	23,509,574	27,038,017	25,698,142	28,152,473	31,209,355	35,616,246	37,368,800	42,715,338	35,537,515	35,498,069
Total Primary Government Expenses	<u>\$ 71,710,054</u>	<u>\$ 161,109,387</u>	<u>\$ 166,168,064</u>	<u>\$ 167,929,546</u>	<u>\$ 111,039,180</u>	<u>\$ 120,065,607</u>	<u>\$ 127,121,132</u>	<u>\$ 134,271,212</u>	<u>\$ 121,538,926</u>	<u>\$ 101,128,540</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
City Council										\$ 100,942
City Attorney	\$ -	\$ -	\$ -	\$ -	\$ 15,894	\$ 14,021	\$ 13,997	\$ 44,730	\$ 15,109	208,453
City Manager	-	10	8,871	51,521	5,777	7,883	59,746	59,294	6,312	1,174,427
Finance	699,240	1,010,869	1,017,512	983,571	1,264,306	1,686,126	2,335,059	2,399,082	2,593,006	1,331,101
Public Safety	1,876,887	3,005,892	2,264,993	1,964,664	2,192,385	2,438,460	2,104,655	2,095,245	2,169,650	2,173,112
Public Works	267,186	442,050	165,807	191,953	194,982	548,021	360,110	334,326	333,556	376,451
Community Development	2,976,417	2,456,030	3,246,174	2,590,696	2,132,203	2,204,448	2,009,982	1,780,545	2,378,826	2,675,128
Parks and Community Services	2,153,542	2,113,853	2,135,708	2,255,983	2,546,902	2,594,141	2,743,358	2,733,651	2,740,804	3,123,734
Operating Grants and Contributions	14,026,809	12,527,085	14,240,090	14,423,942	19,531,035	18,585,069	22,869,051	17,535,502	15,277,248	13,784,334
Capital Grants and Contributions	4,374,463	1,815,385	5,370,574	1,515,806	1,951,891	5,711,509	1,028,625	796,061	655,983	3,800,498
Total Government Activities Program Revenues	26,374,544	23,371,174	28,449,729	23,978,136	29,835,375	33,789,678	33,524,583	27,778,436	26,170,494	28,748,180
Business-Type Activities:										
Charges for Services:										
Water	5,282,564	6,308,856	5,781,440	6,275,459	8,106,267	9,018,403	9,545,841	9,896,995	10,131,953	10,479,767
Sanitation	7,475,904	7,544,575	7,481,207	8,069,352	8,398,749	8,592,544	8,821,374	8,967,949	8,975,404	9,134,378
Sewer	5,013,322	7,048,496	7,836,303	9,145,774	11,191,703	11,919,343	13,502,462	12,751,768	12,613,144	13,120,690
Storm Sewer	1,219,046	1,234,991	1,295,695	1,451,252	1,486,683	1,567,009	1,506,083	1,519,490	1,561,457	1,605,903
Public transit	13,843	16,090	15,685	16,043	24,855	28,110	32,644	36,354	32,585	30,012
Operating Grants and Contributions	4,132,729	7,276,079	3,275,727	3,958,332	3,596,649	5,891,383	7,374,894	11,750,908	3,998,505	4,103,691
Capital Grants and Contributions	101,061	-	961,984	509,050	1,011,650	238,444	864,944	-	-	1,205,085
Total Business-Type Activities Program Revenue	23,238,469	29,429,087	26,648,041	29,425,262	33,816,556	37,255,236	41,648,242	44,923,464	37,313,048	39,679,526
Total Primary Government Program Revenues	<u>\$ 49,613,013</u>	<u>\$ 52,800,261</u>	<u>\$ 55,097,770</u>	<u>\$ 53,403,398</u>	<u>\$ 63,651,931</u>	<u>\$ 71,044,914</u>	<u>\$ 75,172,825</u>	<u>\$ 72,701,900</u>	<u>\$ 63,483,542</u>	<u>\$ 68,427,706</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (21,825,936)	\$ (110,700,196)	\$ (112,020,193)	\$ (115,798,937)	\$ (49,994,450)	\$ (50,659,683)	\$ (56,227,749)	\$ (63,777,438)	\$ (59,830,917)	\$ (36,882,291)
Business-Type Activities	(271,105)	2,391,070	949,899	1,272,789	2,607,201	1,638,990	4,279,442	2,208,126	1,775,533	4,181,457
Total Primary Government Net Expense	<u>\$ (22,097,041)</u>	<u>\$ (108,309,126)</u>	<u>\$ (111,070,294)</u>	<u>\$ (114,526,148)</u>	<u>\$ (47,387,249)</u>	<u>\$ (49,020,693)</u>	<u>\$ (51,948,307)</u>	<u>\$ (61,569,312)</u>	<u>\$ (58,055,384)</u>	<u>\$ (32,700,834)</u>

CITY OF DAVIS
CHANGES IN NET ASSETS (UNAUDITED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

(continued)	2003	2004	2005	2006	2007	2008	2009	2010	(a) 2011	2012
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	\$ 19,717,475	\$ 19,909,233	\$ 20,322,775	\$ 20,462,811	\$ 10,070,329
Sales Taxes	5,548,113	5,434,627	8,052,765	8,988,381	8,834,409	9,117,999	7,733,047	8,418,817	7,894,939	8,279,385
Municipal Services	1,772,132	1,853,167	1,921,115	2,001,032	2,076,696	2,165,883	2,239,758	4,336,510	2,417,072	2,492,849
Business License	1,043,991	1,075,340	1,139,725	1,179,106	1,258,072	1,283,451	1,351,827	1,492,242	1,466,725	1,556,797
Park Maintenance	1,305,426	1,292,315	1,312,782	1,315,708	1,315,081	1,337,888	1,341,289	1,344,782	1,329,056	1,334,629
Construction	1,154,752	852,777	847,051	787,699	371,489	856,186	237,777	208,859	342,590	925,461
Open Space Protection	630,112	615,616	625,694	627,096	627,345	637,786	640,287	641,221	634,857	637,161
Franchise	794,452	849,649	876,117	877,670	1,003,229	1,022,880	1,066,032	1,034,530	1,067,657	1,089,210
Transient Occupancy Tax	908,964	981,074	928,090	940,886	1,056,691	1,120,983	1,031,031	912,456	958,434	925,477
Transfer Taxes	239,465	270,800	334,523	257,580	236,092	(214,596)	-	-	-	-
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	4,888,366	4,961,873	5,054,571	5,213,376	4,879,324
Investment Earnings	2,673,312	852,878	2,045,947	1,295,101	3,542,701	3,313,964	1,895,335	558,490	236,141	281,322
Miscellaneous	849,025	964,693	1,074,961	2,791,561	1,452,218	719,943	1,568,513	542,805	2,495,652	554,551
Special Item: Transfer of loan from Successor Agency	-	-	-	-	-	-	-	-	-	1,684,904
Extraordinary Gain: RDA Dissolution	-	-	-	-	-	-	-	-	-	24,083,029
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>	<u>45,968,208</u>	<u>43,976,002</u>	<u>44,868,058</u>	<u>44,519,310</u>	<u>58,794,428</u>
Business-Type Activities:										
Interest Earnings	343,612	116,518	480,419	404,646	1,128,852	1,301,203	814,923	318,724	298,741	174,215
Miscellaneous	868,382	34,301	1,307,409	449,358	326,244	135,286	294,249	131,317	336,868	298,808
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>	<u>1,436,489</u>	<u>1,109,172</u>	<u>450,041</u>	<u>635,609</u>	<u>473,023</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>	<u>\$ 47,404,697</u>	<u>\$ 45,085,174</u>	<u>\$ 45,318,099</u>	<u>\$ 45,154,919</u>	<u>\$ 59,267,451</u>
Change in Net Assets										
Governmental Activities	\$ 10,769,668	\$ (78,430,395)	\$ (74,084,844)	\$ (73,101,689)	\$ (5,060,205)	\$ (4,691,475)	\$ (12,251,747)	\$ (18,909,380)	\$ (15,311,607)	\$ 21,912,137
Business-Type Activities	940,889	2,541,889	2,737,727	2,126,793	4,062,297	3,075,479	5,388,614	2,658,167	2,411,142	4,654,480
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>	<u>\$ (1,615,996)</u>	<u>\$ (6,863,133)</u>	<u>\$ (16,251,213)</u>	<u>\$ (12,900,465)</u>	<u>\$ 26,566,617</u>

(a) Net assets of the governmental activities and business-type activities at June 30, 2011 were restated in fiscal year 2012 to adopt the correction of errors. Prior year revenues and expenses presented in this schedule have not been restated.
Refer to Note 2 in the notes to the financial statements.

Source: City of Davis Comprehensive Annual Financial Report

CITY OF DAVIS
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	(a)									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 1,052,593	\$ 2,786,293	\$ 3,210,614	\$ 2,887,364	\$ 3,183,616	\$ 1,308,154	\$ 1,304,307	\$ 1,279,973	\$ -	\$ -
Unreserved	9,223,352	7,256,807	9,846,736	9,038,007	8,200,515	5,071,910	2,327,880	4,253,958	-	-
Nonspendable	-	-	-	-	-	-	-	-	190,606	153,020
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	6,350,652	6,101,878
Total General Fund	<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>	<u>\$ 6,380,064</u>	<u>\$ 3,632,187</u>	<u>\$ 5,533,931</u>	<u>\$ 6,541,258</u>	<u>\$ 6,254,898</u>
All Other Governmental Funds										
Reserved	\$ 23,286,280	\$ 26,593,445	\$ 27,522,772	\$ 28,319,649	\$ 28,319,649	\$ 36,173,371	\$ 39,121,878	\$ 37,644,210	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	13,210,393	14,037,455	11,969,346	15,336,726	15,336,726	19,495,729	24,424,793	23,476,779	-	-
Capital project funds	23,723,056	24,442,115	23,590,901	23,344,253	23,344,253	28,814,920	28,585,987	28,062,545	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	9,796,202
Restricted	-	-	-	-	-	-	-	-	87,819,702	54,286,605
Committed	-	-	-	-	-	-	-	-	9,899,535	7,866,126
Assigned	-	-	-	-	-	-	-	-	-	1,555,674
Unassigned	-	-	-	-	-	-	-	-	(399,822)	(201,277)
Total all other governmental funds	<u>\$ 60,219,729</u>	<u>\$ 65,073,015</u>	<u>\$ 63,083,019</u>	<u>\$ 67,000,628</u>	<u>\$ 67,000,628</u>	<u>\$ 84,484,020</u>	<u>\$ 92,132,658</u>	<u>\$ 89,183,534</u>	<u>\$ 97,319,415</u>	<u>\$ 73,303,330</u>

(a) Fund balances of the General Fund and Child Care Grant fund at June 30, 2011 were restated in fiscal year 2012 to adopt the correction of errors. Prior year revenues and expenses presented in this schedule have not been restated. Refer to Note 2 in the notes to the financial statements.

Note: In FY 2011, the City implemented GASB 54, which changed the classification of fund balances.

Source: City of Davis Comprehensive Annual Financial Report

CITY OF DAVIS
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	(a)									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 25,434,082	\$ 27,082,587	\$ 30,498,312	\$ 38,633,353	\$ 39,781,903	\$ 42,254,186	\$ 40,737,792	\$ 41,867,742	\$ 41,786,803	\$ 32,472,106
Licenses, permits and fees	1,022,193	877,681	1,004,427	1,540,924	107	115	209	188	182	317
Fines and forfeitures	905,959	997,748	1,131,340	888,727	941,447	944,583	884,624	861,131	1,004,144	961,642
Use of money and property	2,476,607	776,841	1,854,330	1,661,219	3,297,325	3,671,372	2,259,142	1,074,244	1,031,044	715,761
Intergovernmental revenues	16,542,689	15,911,100	17,226,773	15,320,106	17,973,506	16,785,328	20,546,039	15,243,036	13,442,401	10,975,947
Charges for services	7,565,251	6,720,666	7,879,991	6,510,429	8,586,539	9,054,124	8,432,546	8,279,578	8,698,620	9,541,440
Development fees	3,570,435	1,519,665	3,846,464	701,840	1,423,911	4,705,005	899,051	592,374	494,460	2,583,790
Administrative fee - Enterprise Fund	849,371	955,493	1,040,717	1,118,422	1,405,458	1,794,961	2,280,423	2,316,719	2,296,790	2,523,552
Other	849,025	685,477	131,968	1,075,316	629,277	504,120	747,277	2,407,821	1,795,965	254,482
Total Revenues	59,215,612	55,527,258	64,614,322	67,450,336	74,039,473	79,713,794	76,787,103	72,642,833	70,550,409	60,029,037
Expenditures										
Current:										
City Council	114,662	115,392	108,450	122,193	111,968	124,862	124,022	129,390	161,532	146,932
City Attorney	247,803	374,657	326,401	389,296	417,718	383,943	362,152	331,121	307,893	362,967
City Manager	970,414	1,613,398	1,709,993	1,853,785	2,192,138	2,342,020	2,010,671	1,950,261	2,322,778	2,607,106
Finance	1,816,667	1,378,893	1,236,370	1,699,209	1,987,332	2,237,186	2,140,766	2,048,770	2,119,014	2,051,852
Public safety	14,750,154	16,777,950	19,866,978	20,160,141	22,482,705	24,678,723	24,261,642	25,348,848	24,168,701	24,227,418
Public works	3,631,578	2,458,887	3,530,097	3,893,669	4,647,856	4,431,330	4,262,586	4,485,175	4,210,546	5,103,770
Community development	2,926,577	2,837,643	3,482,608	3,520,994	3,629,991	3,913,194	3,422,430	2,794,363	3,181,665	3,178,808
Parks and Community Services	16,301,173	16,886,059	17,151,735	17,983,887	22,286,696	25,113,063	24,657,652	22,543,846	18,663,508	18,077,634
Special Projects	3,695,386	4,293,233	6,408,977	6,689,316	4,962,370	6,850,876	5,237,321	11,115,111	16,750,622	1,916,055
Debt service:										
Principal repayment	310,000	340,000	295,000	463,419	685,498	1,107,915	1,060,687	923,828	1,493,799	2,316,295
Interest and fiscal charges	1,293,840	1,719,446	1,199,786	1,247,229	1,964,862	958,487	1,486,429	1,442,353	2,713,521	1,352,117
Special assessment	159,233	133,997	116,907	86,587	87,526	88,231				
Capital Improvements	4,209,168	4,206,318	10,135,957	5,396,131	3,445,108	8,307,585	3,333,909	3,372,261	3,118,144	5,241,669
Total Expenditures	50,426,655	53,135,873	65,569,259	63,505,856	68,901,768	80,537,415	72,360,267	76,485,327	79,211,723	66,582,623
Excess (deficiency) of revenues over (under) expenditures	8,788,957	2,391,385	(954,937)	3,944,480	5,137,705	(823,621)	4,426,836	(3,842,494)	(8,661,314)	(6,553,586)
Other Financing Sources (Uses)										
Transfers in	8,581,648	4,798,387	5,751,571	6,107,112	5,006,158	3,500,822	4,378,832	4,990,510	29,491,616	10,443,383
Transfers (out)	(8,581,648)	(4,811,631)	(4,972,420)	(7,265,962)	(5,006,158)	(4,003,532)	(4,378,832)	(4,972,076)	(29,687,094)	(10,491,913)
Issuance of long-term debt	-	9,265,000	1,200,000	-	20,815,000	39,227	473,925	13,289	18,000,000	-
Payments to refunded bond escrow	-	(7,022,700)	-	-	(12,727,516)	-	-	-	-	-
Total other financing sources (uses)	-	2,229,056	1,979,151	(1,158,850)	8,087,484	(463,483)	473,925	31,723	17,804,522	(48,530)
Special and Extraordinary Items										
Special Item	-	-	-	-	-	-	-	-	-	1,684,904
Extraordinary Item	-	-	-	-	-	-	-	-	-	(18,856,040)
Total special and extraordinary items										(17,171,136)
Net Change in fund balances	\$ 8,788,957	\$ 4,620,441	\$ 1,024,214	\$ 2,785,630	\$ 13,225,189	\$ (1,287,104)	\$ 4,900,761	\$ (3,810,771)	\$ 9,143,208	\$ (23,773,252)
Debt service as a percentage of noncapital expenditures	3.8%	4.5%	2.9%	3.1%	4.2%	3.0%	3.8%	3.2%	5.5%	6.4%

(a) Fund balances of the f the General Fund and Child Care Grant fund at June 30, 2011 were restated in fiscal year 2012 to adopt the correction of errors. Prior year revenues and expenditures presented in this schedule have not been restated. Refer to Note 2 in the notes to the financial statements.

Source: City of Davis Comprehensive Annual Financial Report

CITY OF DAVIS
ASSESSED AND ESTIMATED ACTUAL (UNAUDITED)
VALUE OF TAXABLE PROPERTY
LAST TEN FISCL YEARS

Fiscal Year	Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
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%
2008	5,684,262,465	147,078,407	5,831,340,872	5,831,340,872	1%
2009	5,849,305,791	156,635,502	6,005,941,293	6,005,941,293	1%
2010	5,849,305,791	151,696,172	6,001,001,963	6,001,001,963	1%
2011	6,040,438,139	152,101,938	6,192,540,077	6,192,540,077	1%
2012	6,045,152,582	149,987,064	6,195,139,646	6,195,139,646	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 Example encompasses more than 15 tax rate areas.

CITY OF DAVIS
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011-12			2002-03		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Kirkwood Village Assoc. ETAL	\$ 35,602,970	1	14.4%			
Sequoia Equities - Cypress ETAL	30,692,380	2	12.4%			
Target Corporation	29,159,481	3	11.8%			
KW Davis LLC	24,424,456	4	9.9%			
Fine Arts LP	23,926,712	5	9.7%	\$ 20,760,147	2	12.42%
Olive Drive Partners	22,457,163	6	9.1%			
VTR Covell LP	22,089,115	7	8.9%			
Buzz Oats LLC ETAL	19,823,702	8	8.0%			
WGA Sycamore Lane LP	19,556,977	9	7.9%			
SE-Davis LLC	19,407,559	10	7.9%			
Conagra Grocery Products Co				24,414,226	1	14.61%
Marketplace Center INC				19,513,470	3	11.68%
West Davis Associates				16,845,361	4	10.08%
Davis Tanglewood LLC				16,239,097	5	9.72%
5th & G Plaza Inc				14,544,098	6	8.70%
Adobe at Evergreen Apts, LLC				14,471,548	7	8.66%
SFC Greystone Invest LP ETAL				13,859,395	8	8.29%
Waggener Ranch (Arts) LTD Partnership				13,441,351	9	8.04%
Kaiser Foundation Health Plan INC				13,022,009	10	7.79%
Subtotal	<u>\$ 247,140,515</u>		<u>100.0%</u>	<u>\$ 167,110,702</u>		<u>100.0%</u>

Source: Yolo County Assessor Fiscal Year Combined Tax Rolls.

CITY OF DAVIS
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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%
2008	23,286,515	23,286,515	100.0000%	32,657	23,319,172	100.1402%
2009	23,426,537	23,426,537	100.0000%	19,556	23,446,093	100.0835%
2010	23,763,685	23,763,685	100.0000%	5,545	23,769,230	100.0233%
2011	24,165,876	24,165,876	100.0000%	21,275	24,187,151	100.0880%
2012	23,993,724	23,993,724	100.0000%	2,777	23,996,501	100.0116%

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

NOTE: Current tax collections beginning in 1999 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.

CITY OF DAVIS
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Total
	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	General Obligation Bond	Capital Lease Obligations	
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
2008	28,950,000	1,460,000	83,205	733,168	39,227	31,265,600
2009	28,365,000	1,155,000	-	562,481	513,152	30,595,633
2010	27,755,000	1,020,000	-	383,653	526,441	29,685,094
2011	45,120,000	875,000	-	196,295	-	46,191,295
2012 (2)	-	720,000	-	-	-	720,000

Fiscal Year	Business-Type Activities					Total	Total Primary Government	Percentage of Personal Income (a)
	Department of Water Resources	State Revolving Fund Loans	Sewer System Capital Improvement Loan	East Area Water Storage Tank Loan	Line of Credit			
2003	\$ 7,398,398	\$ 12,909,068	\$ 2,147,240	\$ -	\$ -	\$ 22,454,706	\$ 44,957,798	2.42%
2004	7,075,773	12,237,597	2,056,449	-	-	21,369,819	45,851,041	2.29%
2005	6,612,138	11,548,453	1,960,597	-	-	20,121,188	45,441,273	2.21%
2006	6,140,320	10,841,172	1,859,400	-	-	18,840,892	43,629,287	1.96%
2007	5,656,387	10,115,277	1,752,560	-	-	17,524,224	49,937,450	2.13%
2008	5,160,443	9,130,789	1,639,763	-	-	15,930,995	47,196,595	1.92%
2009	4,651,531	8,385,136	1,520,677	-	-	14,557,344	45,152,977	1.90%
2010	4,129,424	7,620,513	1,394,951	-	-	13,144,888	42,829,982	1.76%
2011	3,593,956	6,835,765	1,262,215	7,234,117	3,000,000	21,926,053	68,117,348	3.11%
2012	3,202,182	6,030,364	-	9,614,850	6,270,000	25,117,396	25,837,396	N/A

Note : (1) Debt amounts exclude any premiums, discounts, or other amortization amounts.

Tax allocation bonds in the amount of \$43,875,000 were transferred to the Successor Agency as part of the RDA dissolution and are now

(2) accounted for in the Redevelopment Obligation Retirement Trust Fund.

Sources: City of Davis

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

(a) See Schedule __ (Demographic Statistics) for personal income and population data.

CITY OF DAVIS
RATIO OF GENERAL BONDED DEBT OUSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Tax Allocation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2003	\$ 19,965,000	0.46%	\$ 310.70
2004	22,120,000	0.48%	341.89
2005	21,945,000	0.43%	340.23
2006	21,755,000	0.40%	336.84
2007	29,750,000	0.51%	458.13
2008	28,950,000	0.48%	439.88
2009	27,755,000	0.46%	420.50
2010	27,755,000	0.45%	416.93
2011	45,120,000	0.73%	687.57
2012	-	N/A	-

Note: Tax allocation bonds in the amount of \$43,875,000 were transferred to the Successor Agency as part of the RDA dissolution and are now accounted for in the Redevelopment Obligation Retirement Trust Fund.

Note: "N/A" denotes information not available.

CITY OF DAVIS
RATIO OF GENERAL BONDED DEBT OUSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

2011-12 Assessed Valuation \$ 6,195,139,646

	Net Debt Outstanding	Percentage Applicable To City of Example	Amount Applicable To City of Davis
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
City of Davis - Certificates of Participation	\$ 720,000	100.000%	\$ 720,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u><u>\$ 720,000</u></u>		<u><u>\$ 720,000</u></u>
Overlapping Debt Per Capita			<u><u>\$ 11</u></u>

Source: City of Davis

CITY OF DAVIS
COMPUTATION OF LEGAL BONDED DEBT MARGIN (UNAUDITED)
WITH 10 YEAR TREND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2012

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$ 6,045,152,582
---	------------------

BONDED DEBT LIMIT (15% OF ASSESSED VALUE) (a)	\$ 906,772,887
---	----------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt (b)	\$ -
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	\$ -

Amount of debt subject to limit	\$ -
---------------------------------	------

LEGAL BONDED DEBT MARGIN	\$ 906,772,887
--------------------------	----------------

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
2003	\$ 596,779,168	\$ -	\$ 596,779,168	0.00%
2004	644,512,137	-	644,512,137	0.00%
2005	694,663,775	-	694,663,775	0.00%
2006	732,237,018	-	732,237,018	0.00%
2007	804,376,463	-	804,376,463	0.00%
2008	852,639,370	-	852,639,370	0.00%
2009	877,395,869	-	877,395,869	0.00%
2010	902,942,876	-	902,942,876	0.00%
2011	906,065,721	-	906,065,721	0.00%
2012	906,772,887	-	906,772,887	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.
- (b) Tax allocation bonds in the amount of \$43,875,000 were transferred to the Successor Agency as part of the RDA dissolution and are now accounted for in the Redevelopment Obligation Retirement Trust Fund.

CITY OF DAVIS
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>	<u>County Population</u>	<u>City Population as a % of County</u>
2003	64,259	\$ 1,860,491	\$ 28,953	3.9%	181,291	35.45%
2004	64,700	2,000,201	30,915	5.2%	183,042	35.35%
2005	64,500	2,057,421	31,898	4.5%	184,500	34.96%
2006	64,585	2,220,432	34,380	5.8%	190,344	33.93%
2007	64,938	2,348,937	36,172	6.6%	193,983	33.48%
2008	65,814	2,467,235	37,488	6.7%	199,066	33.06%
2009	66,005	2,378,688	36,038	10.7%	200,709	32.89%
2010	66,570	2,430,138	36,505	11.9%	201,105	33.10%
2011	66,011	2,191,235	33,195	12.1%	201,759	32.52%
2012	65,052	N/A	N/A	14.1%	202,133	32.18%

Source: California Department of Finance

U.S Bureau of Economic Analysis

Unemployment Development Dept., Labor Market Division

Census Bureau Factfinder

Note: "N/A" denotes information not available.

**CITY OF DAVIS
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND PRIOR YEAR**

Employer	2011-12			2010-11		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
UC Davis	12,412	1	40.6%	12,500	1	42.7%
Davis Joint Unified School District	783	2	2.6%	972	**	1.5%
City of Davis	482	*	1.6%	492	*	0.7%
Sutter Davis Hospital	400	4	1.3%	396		0.6%
Safeway	245	5	0.8%	200	**	0.3%
Nugget Market	210	6	0.7%	166	**	0.2%
Target	192	7	0.6%	191		0.3%
USDA	173	8	0.6%	200	**	0.3%
University Retirement	172	9	0.6%			
Schilling Robotics LLC	153	10	0.5%			
PG&E				200	**	0.3%
Davis Food Co-op				133	**	0.2%
Subtotal	<u>15,222</u>		<u>49.8%</u>	<u>15,450</u>		<u>57.4%</u>
Total City of Davis Employment	<u>30,585</u>			<u>26,902</u>		

Source: City of Davis phone survey, January 2013
City of Davis Community Development Department

* Includes seasonal employees

** Current year information not available
Historical data not available

CITY OF DAVIS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function										
General government	46.20	46.20	48.68	46.20	53.37	49.78	34.55	31.64	42.23	41.74
Public safety	145.68	145.78	149.42	145.78	152.05	157.22	156.64	151.63	151.27	146.82
Public works	55.87	55.38	57.45	55.38	55.44	57.00	59.45	57.60	52.70	52.37
Community development	31.32	31.69	32.17	31.69	35.01	33.98	35.18	25.57	26.07	26.39
Community services	190.19	189.80	188.82	189.80	195.28	183.83	201.74	193.55	165.62	149.79
Water	25.00	24.00	24.00	24.00	28.96	27.96	27.96	27.96	27.96	27.96
Wastewater	26.00	26.00	29.00	26.00	31.21	34.83	36.68	36.68	38.58	37.20
Total	<u>520.26</u>	<u>518.85</u>	<u>529.54</u>	<u>518.85</u>	<u>551.32</u>	<u>544.60</u>	<u>552.20</u>	<u>524.63</u>	<u>504.43</u>	<u>482.27</u>

Source: City of Davis

CITY OF DAVIS
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

	Fiscal Year					Fiscal Year				
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program										
Public safety:										
Fire:										
Fire calls for service	316	316	240	216	216	232	265	229	193	196
Medical calls for service	1,859	1,859	2,010	2,036	2,036	2,281	2,432	2,416	2,448	2,538
Other calls for service	1,356	1,356	1,254	1,402	1,402	1,490	1,573	1,524	1,432	1,547
Primary fire inspections conducted	1,192	1,192	1,247	1,590	1,590	1,195	1,563	1,799	1,806	1,503
Fire loss	827,250	827,250	792,863	792,863	905,185	2,569,901	1,980,190	597,732	591,107	576,395
Police:										
Communication Center calls answered (911)	8,664	8,664	8,054	21,602	21,602	8,920	9,095	11,203	12,083	12,008
Police calls for Service	51,005	51,005	58,256	61,646	61,646	57,326	61,328	56,315	57,540	60,830
Law violations:										
Part I and Part II crimes	2,154	2,154	2,527	2,368	2,368	2,543	2,464	1,792	1,823	1,603
Warrants processed (adult and juvenile)	832	832	877	1,083	1,083	1,047	917	727	666	845
Driving under influence arrests (DUI)	211	211	230	305	305	173	245	166	164	265
Property loss	2,957,154	2,957,154	3,079,862	2,815,926	2,815,926	2,555,708	3,316,075	2,213,102	2,235,868	1,196,213
Property recovered	1,371,897	1,371,897	1,160,869	69,142	691,422	605,887	763,045	778,997	574,448	510,747
Cases written	7,174	7,174	7,902	7,430	7,430	6,968	6,815	5,929	5,407	4,730
Animal related calls	449	449	471	217	217	588	283	276	353	327
Citizen complaints	11	11	23	34	34	33	20	32	12	15
Noise complaints	2,862	2,862	3,526	3,288	3,288	2,708	601	2,751	2,919	2,230
Moving violations	3,472	3,472	3,526	6,698	6,698	6,059	5,651	4,116	2,554	4,963
Parking violations	25,372	25,372	25,466	26,445	26,445	18,483	17,116	17,993	18,020	16,570
Public works										
Annual vandalism expenses	72,000	72,000	72,000	72,000	17,444	37,553	11,415	51,916	84,886	69,367
Potholes repaired, cold patch material used (tons)		1	6	10	18	16	9	7	11	9
Parks and Community Service										
Community Services:										
Recreation class participants	29,737	29,737	16,270	33,640	24,152	24,407	24,720	20,327	19,316	19,746
Performing Arts Center performances										192
Water										
Water service connections	15,806	15,806	15,371	16,229	16,229	16,292	16,292	16,325	16,430	16,430
Average daily consumption (thousands of gallons)	11,111	12,181	11,548	10,862	11,972	11,551	10,286	10,286	10,699	10,478
Wastewater										
Sewer service connections							15,750	16,325	16,430	16,430
Average daily treatment (thousands of gallons)	5,866	5,958	6,070	6,745	5,663	5,543	4,887	4,835	5,049	4,605
Solid Waste										
Tons of solid waste generated	60,143	59,171	59,101	59,281	55,695	54,259	49,818	49,818	37,369	31,449
Tons of solid waste diverted from landfill	24,422	24,864	24,095	25,066	23,155	23,863	21,995	N/A	20,964	58,405

Source: City of Davis

Note: "N/A" denotes information not available.

CITY OF DAVIS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

	Fiscal Year					Fiscal Year				
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program										
Public safety:										
Fire stations	3	3	3	3	3	3	3	3	6	3
Police stations	1	1	1	1	1	1	1	1	1	1
Number of sworn personnel	55	55	60	60	60	61	61	61	66,227,858	61
Police patrol units	35	35	42	49	52	38	44	43	34	37
Public works										
Miles of streets	155	155	157	257	157	162	165	165	166	166
Street lights	5,101	5,101	5,494	5,494	5,494	5,403	5,426	5,676	5,699	5,699
Traffic Signals	54	54	54	54	54	60	60	60	61	61
Culture and recreation:										
Community services:										
City parks	31	31	31	31	31	31	31	31	36	36
City trees	30,000	30,000	30,000	30,000	30,000	30,000	26,000	26,000	26,000	26,000
Playgrounds	68	68	68	68	69	69	69	69	69	69
Miles of on-street bike lanes	48	48	51	51	51	54	54	55	55	55
Miles of off-street bike paths	48	48	51	51	51	55	55	56	56	56
Community gardens	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Performing arts centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	33	33	32	33	33	33	33	33	33	33
City buildings maintained	84	84	88	87	87	87	87	87	87	91
Square footage of City Buildings	287,631	287,631	29,700	296,694	296,694	301,853	305,093	305,093	305,093	305,093
Library:										
City Libraries										
Water										
Miles of water mains	179	179	179	180	180	178	179	180	180	183
Number of wells	20	20	23	23	23	21	20	20	20	20
Fire hydrants	1,667	1,667	1,938	1,938	1,942	1,699	1,703	1,703	1,703	1,706
Wastewater										
Miles of sewer mains	173	173	162	162	162	156	157	164	164	164
Miles of storm sewers	124	124	95	95	95	126	127	127	127	127
Number of treatment plants										
Treatment capacity (thousands of gallons)	2,101,000	2,101,000	2,141,000	2,141,000	2,141,000	2,460,000	2,002,000	2,001,997	1,837,000	2,737,500

Source: City of Davis