

City of Davis California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014*



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014
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, 2014**

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December 23, 2014

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

We are pleased to transmit the Comprehensive Annual Financial Report (CAFR) of the City of Davis for the Fiscal Year ended June 30, 2014.

We believe the data 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.

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 2013-2014 will be completed in February of 2015 and a separate Single Audit Report will be issued.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal should be read in conjunction with it and it immediately follows the report of the independent auditors.

REPORTING ENTITY

The enclosed report includes information for all funds of the City of Davis which provide services to citizens in the areas of public safety; community development, planning and sustainability; recreation, cultural and social assistance; transportation and infrastructure support; water, waste water and sanitation utilities, 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: City of Davis Redevelopment Successor Agency, City of Davis Public Facilities Financing Authority and Community Facilities District 1991-2 (Mace Ranch). Financial information on these entities has been included in this report. 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. Enactment of the law occurred on June 28, 2011,

which provided that redevelopment agencies could not enter into any new projects, obligations or commitments. The remaining assets can only be used to pay enforceable obligations in existence at the time of dissolution and is subject to the control of the Oversight Board.

The Successor Agency is allocated revenue only 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 City also provides the financial and accounting services for the Woodland-Davis Clean Water Agency. It is a joint-powers authority (JPA) between the Cities of Woodland and Davis to develop a sustainable, high-quality water supply. The JPA is responsible for its own financial statements.

PROFILE OF THE GOVERNMENT

The City of Davis was founded in 1868, and was originally named Davisville after Jerome C. Davis, who was a prominent local farmer. In 1907, the Davisville post office shortened the town name and the change became official when the City incorporated in March 1917. 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 whom 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. 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 and is responsible for City operations.

The City of Davis is a university and residential community internationally known for its commitment to implementing progressive and innovative programs. Located 13 miles west of the State Capital in Sacramento and home to UC Davis, the City's local economy has traditionally mirrored employment trends

Dedicated to citizen participation, the City has thirteen 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.

BUDGET INFORMATION

The development of the Annual Operating Budget begins in January. The City Manager meets with departments to discuss budget changes and requests and to obtain additional information to assist in the assessment of the requests. The proposed budget is submitted to the City Council for consideration in June and must be adopted by the Council by July 1st which is the start of the new fiscal year.

FINANCIAL CONTROLS

The City's accounting records are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts and fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The City's financial statements have been prepared in accordance with the recent requirements of GASB 65 that reclassifies certain assets and liabilities as outflows and inflows of resources or as deferred outflows and inflows of resources.

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

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council via the annual appropriation ordinance. Funds for all operating, special revenue, debt service, and capital improvement activities of the City are appropriated in the annual budget. The legal level of budgetary control is at the fund level.

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

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

CASH MANAGEMENT

The City pools all cash funds not held by fiscal agents in order to maximize investment opportunities and increase flexibility. Investment earnings are credited back to all funds contributing to the pool, based on the fund's cash balance as a percentage of the pool. Investment responsibility is located organizationally within the Finance Division, and 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 2013-14, a significant portion of the City's pooled cash remained invested in the Local Agency Investment Fund, an investment pool for local agencies operated by the State of California Treasurer's Office. Investments may also be placed in federally sponsored agency notes where opportunities present themselves to enhance investment yield while maintaining safety and liquidity. Total year-end investment earnings for all funds held in the City treasury totaled \$304,569, a return of 0.248%.

In fiscal year 1997-98, the City adopted the requirements of Governmental Accounting Standards Board Statement 31, which calls for the recognition in the City's accounts of the unrealized net market value gain or loss on investments held by the City and its fiscal agents. On June 30, 2014 the City's treasury, including Fiduciary funds, held \$169,572,002 in cash and investments.

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 \$1,000 and for workers comp is \$1,000. This limits the City's risk to an insignificant amount.

LOCAL ECONOMY

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 September 2014 for the region is currently at 893,500, a net increase of 18,300 jobs from September 2013, with educational and health services industry adding the greatest number of jobs. Regional unemployment currently stands at 6.6 percent, a drop of 1.5 percent for the year. September 2014 unemployment numbers for the City of Davis stood at 4.0 percent. A drop of 1.2 percent from October 2013 and 5.8 percent from the high of 9.8 percent in January 2011.

UC Davis represents the largest employer in the Davis area with approximately 23,800 full time and part-time employees. The University has approximately 35,400 students enrolled and it is projected to continue growing. The university has been estimated to contribute over \$2.5 billion annually to the regional economy.

Like many regions across the state, the Sacramento Valley is recovering from the recession. The region enjoyed the highest percentage gains in population, employment, income, and retail sales of any other region in the State and merged as a center for high-tech manufacturing and research & development firms. Beginning in 2008, the region, along with the national economy, experienced a severe recession which affected home values and consumer spending. The region was also feeling negative impacts from reductions in spending and some downsizing of State agencies in response to budget challenges facing the State. The good news is that City of Davis and the region are beginning to see a turnaround from this economic situation and property tax and sales tax revenues are again beginning to improve. In June, the voters approved an additional half-cent sales tax measure which will bring in approximately \$3.6 million annually for six years.

The region's residential real estate market has returned to steady rises in home values. From the third quarter of 2013 to the second quarter of 2014 home prices in the region have increased an average of 3.63% per quarter. The median home price in the City of Davis now stands at \$550,500.

LONG-RANGE PLANNING

In November 2014, the Davis City Council adopted its Goals for the following two years. Eight goal areas were identified.

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

Drive Innovation and Economic Vitality – Promote economic development and innovation consistent with our community values and niche as home of a world-class university.

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

Build and Promote a Vibrant Downtown – Ensure downtown Davis remains the vibrant economic, cultural, and social center of the community.

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

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Fund, Maintain and Improve Infrastructure – Fund, maintain and improve current infrastructure to meet community needs now and into the future.

Ensure a Safe and Healthy Community – Keep Davis a safe, secure and healthy place for residents, visitors and neighborhoods.

Foster Positive Workplace Dynamics – Ensure that the City of Davis organization is a positive workplace, where the community and government work cooperatively to achieve shared goals and improve quality of life.

City staff is working towards implementing these goals and will be making periodic progress reports to the Council.

AWARD AND ACKNOWLEDGEMENTS

Last year the Government Finance Officers Association (GFOA) awarded the City a Certificate of Achievement for Excellence in Financial Reporting. This is a prestigious award and we were proud to receive it.

The preparation of the CAFR is a team effort. We would like to thank the dedicated department and Finance staff who strive throughout the year to improve the quality of service and financial information provided to the citizens of Davis. And, a special thanks to the Pam Day and Karen Bordigon who worked long hours in order to prepare this Comprehensive Annual Financial Report. Finally, none of this would have been possible without the leadership of the Mayor and City Council to build a better financial future.

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

Respectfully submitted,



Dirk Brazil
City Manager


for Yvonne Quiring

Assistant City Manager/
Administrative Services Director



Government Finance Officers Association

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

Presented to

**City of Davis
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

PRINCIPAL OFFICIALS

CITY OF DAVIS

JUNE 30, 2014

CITY COUNCIL

Mayor	Joe Krovoza (Term expired 6/30/14)
Mayor Pro-Tem	Dan Wolk
Councilmember	Brett Lee
Councilmember	Lucas Freichs
Councilmember	Rochelle Swanson
Councilmember	Robb Davis (Appointment 7/1/14)

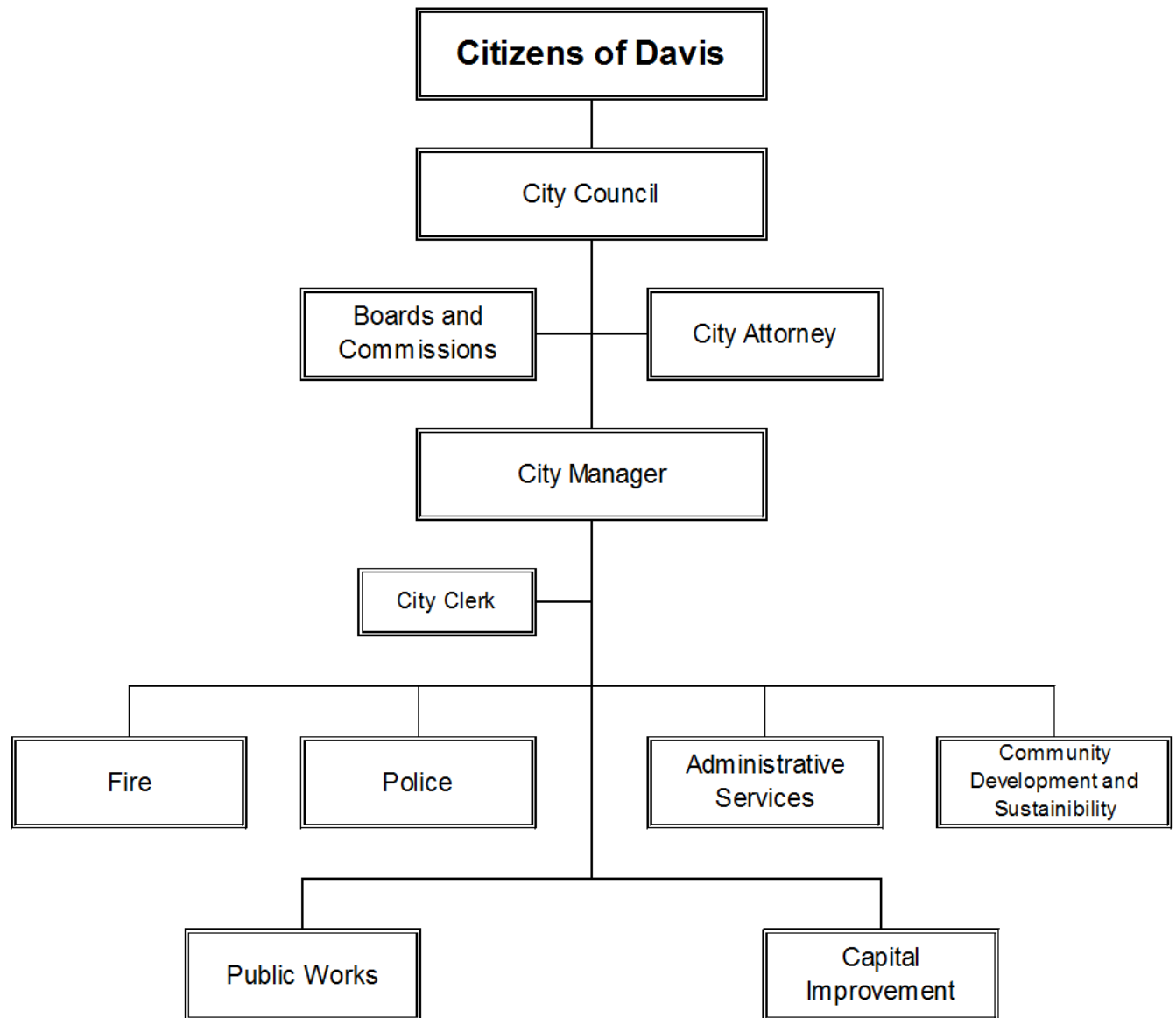
ADMINISTRATIVE OFFICIALS

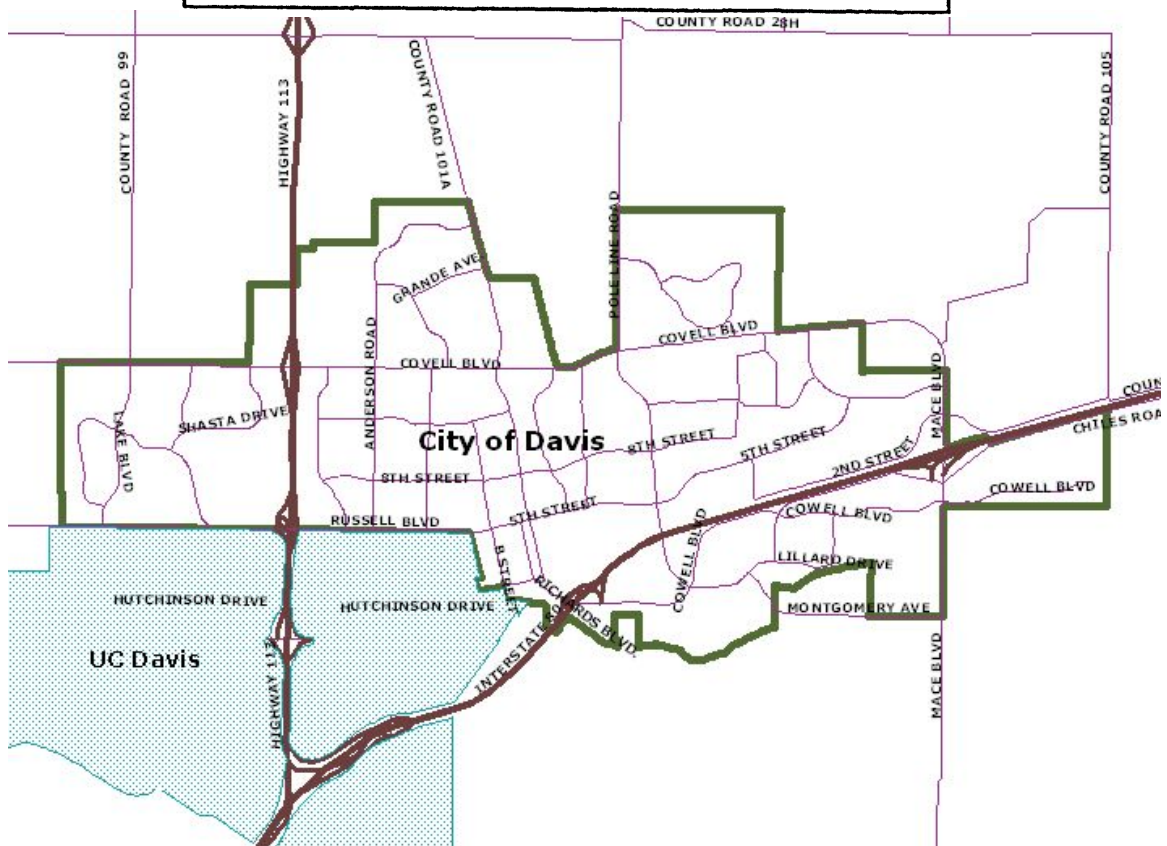
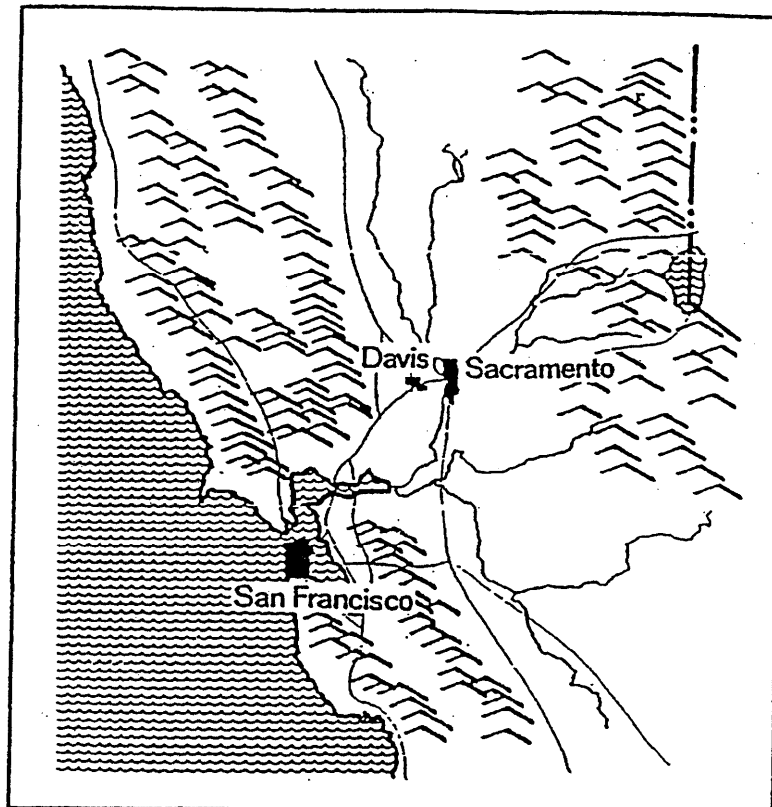
City Manager	Dirk Brazil (11/3/14 to present)
Interim City Manager	Gene Rogers (4/28/14 to 10/31/14)
City Attorney	Harriet Steiner
Assistant City Manager/ Administrative Service Director	Yvonne Quiring
City Clerk	Zoe Mirabile
Chief of Police	Landy Black
Community Development Director	Michael Webb
Fire Chief	Nate Trauernicht
General Manager of Utilities, Development and Operations	Herb Niederberger
Public Works Director	Bob Clarke

ADMINISTRATIVE STAFF

Accountant	Pamela Day
Budget Manager	Kelly Fletcher
Accounting & Fiscal Analyst	Kellie Bruton
Accounting & Fiscal Analyst	Robert Blyth
Financial Associate	Karen Bordigon

City of Davis Organizational Chart







INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Child Care Grant Fund (a major fund), which represents the following percentages of assets, net position/fund balances and revenues as of and for the fiscal year ended June 30, 2014:

Opinion Unit	Assets	Net Position/ Fund Balance	Revenues
Governmental Activities	0.2%	0.1%	6.5%
Child Care Grant Fund (Major Fund)	100%	100%	100%

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Child Care Grant Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

Implementation of New Accounting Standards

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

Redevelopment Asset Transfers

As described in Note 17 to the financial statements, the City received a letter from the Department of Finance (DOF) dated May 3, 2013 and determined that the City of Davis was to transmit \$5.6 million to the County of Yolo Auditor-Controller, to be distributed to the various taxing entities within five working days of receiving the letter. As of the date of the financial statements, payment has not been submitted to the County of Yolo Auditor-Controller. Until the issue is resolved there is a continuing risk that the State Controller and the DOF will require the City to transmit \$5.6 million from the City's Downtown Area Capital Revitalization capital project fund to the County of Yolo Auditor-Controller. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 23, 2014

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014. 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 on pages i-v of this report.

FINANCIAL HIGHLIGHTS

Financial highlights for the 2013-2014 fiscal year include the following:

Government-Wide Level

- The City's total net position increased \$8.3 million to \$612.2 million at June 30, 2014 from \$603.9 million on June 30, 2013. Business-type activities accounted for \$8.2 million of the increase primarily due to increases in revenue in sewer and water of \$6.3 million, and an increase of \$1.4 million in grant revenue in Public Transit.
- Total Government-wide revenues, including program and general revenues were \$115.8 million, which was an increase of \$9.4 million from the prior year's \$106.4 million. The revenues for Governmental activities increased \$3.0 million, with Program Revenues increasing \$2.2 million. The Business-Type activities revenue increased \$6.3 million, due in part to the Water fund charging for City water usage for the current and past 3 years and an increase in grants in the Public Transit Fund.
- Governmental Activities program revenues increased \$2.2 million from fiscal year 2012-2013's \$28.4 million. Capital Grants and Contributions increased \$3.5 million due to grant revenue received for projects, such as Fifth Street Corridor, and Urban Greening, and a grant from the Natural Resource Conservation in the Open Space fund. Charges for Services increased \$1.3 million, due in part to rent collected from the Enterprise funds for land use. Operating Grants decreased \$2.7 million, due in part to \$1.0 million less in HOME grant funding and \$.8 million less in Child Care grants.
- Governmental Activities program expenses increased \$3.3 million from \$64.6 million in fiscal 2012-2013. Public Works had an increase of \$0.7 million due to capital outlay for non-capitalized expenditures and Police expenditures increased \$0.6 million due to increased benefit costs. In addition, Parks and Community Services increased \$1.8 million, partially due to payment for water usage for the current and prior 3 years.
- Expenses of Business-type Activities increased \$3.7 million in fiscal 2013-2014 from \$35.9 million in fiscal 2012-2013. In fiscal 2013-14, the enterprise funds paid \$2.3 million in rent to the General Fund for land use for wells and infrastructure. In addition, the Public Transit fund expenses increased \$1.4 million, due to an increase in grant funding.

Fund Financial Statement Level

- The total Governmental fund balances increased to \$86.3 million in fiscal 2013-2014 from the prior year's \$83.0 million.
- Total Governmental Fund revenues increased \$0.5 million to \$66.3 in fiscal 2013-2014 from the prior year's \$65.8 million. The General Fund revenues increased \$3.5 million, primarily due to an increase in property taxes (\$1.2 million) and collection of rent from the Enterprise funds (\$2.4 million). Child Care Grant revenue decreased by \$0.8 from the prior year, due to decreased funding from the State. Other revenue also decreased \$.6 million, due to proceeds from the sale on an asset in the Development Deferred Improvement fund in the prior year. The Open Space Fund had \$3.0 million in Other Financing Sources from the proceeds of the sale of the Leland Ranch/Mace Curve property.
- Total Governmental Fund expenditures increased to \$66.0 million in fiscal 2013-2014, up \$3.7 million from the prior year's \$62.3 million. Public Works and Parks and Community Services had the largest increases. Public Works increased \$1.5 million due to increased spending by the TDA Non-Transit Use

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

fund for street and roadway projects. The increase in expenditures of \$1.2 million for Parks and Community Services is partially due to the City paying for water use.

- The General Fund's ending fund balance of \$9.5 million in fiscal 2013-2014 is up \$1.6 million from the prior year's \$7.9 million.
- General Fund revenues increased to \$48.1 million, up \$3.5 million from the prior year's \$44.6 million and expenditures increased \$3.0 million from prior year's \$43.5 million. Property taxes increased \$1.2 million and Use of Money and Property increased \$2.5 million, mainly due to rent collected from the Enterprise funds for land use.

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 position* presents financial information on all of the City's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

The government-wide financial statements can be found on pages 22-24 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.

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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 30 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 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 25 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 Required Supplementary Information section of this report.

The City adopts an annual appropriated budget for governmental funds that includes both operational and capital improvement expenditures. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25-30 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, with the exception of 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 31-35 of this report.

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.

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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 Redevelopment Agency. The Agency fund reports resources held by the City in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on pages 36-37 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 38-80 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 81-88 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 89-138 of this report.

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FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

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

Government-wide Statement of Net Position

Table 1 provides a summary of the Net Position for the governmental and business-type activities for the year ended June 30, 2014, and compares the activities to the prior fiscal year. Following Table 1 is an analysis of the activities.

Table 1
Net Position - June 30, 2014 and 2013

(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Cash and investments	\$ 63.715	\$ 57.579	\$ 59.189	\$ 52.407	\$ 122.904	\$ 109.986
Other assets	46.329	45.783	5.401	6.578	51.730	52.361
Capital assets	<u>242.576</u>	<u>247.798</u>	<u>269.529</u>	<u>252.238</u>	<u>512.105</u>	<u>500.036</u>
Total Assets	<u>352.620</u>	<u>351.160</u>	<u>334.119</u>	<u>311.223</u>	<u>686.739</u>	<u>662.383</u>
Other liabilities	7.559	5.831	7.843	18.544	15.402	24.375
Long-term debt outstanding	<u>14.265</u>	<u>14.626</u>	<u>44.832</u>	<u>19.480</u>	<u>59.097</u>	<u>34.106</u>
Total Liabilities	<u>21.824</u>	<u>20.457</u>	<u>52.675</u>	<u>38.024</u>	<u>74.499</u>	<u>58.481</u>
Net position:						
Net investment						
in capital assets	242.576	247.798	225.975	222.669	468.551	470.467
Restricted	69.746	67.365			69.746	67.365
Unrestricted	<u>18.474</u>	<u>15.540</u>	<u>55.469</u>	<u>50.530</u>	<u>73.943</u>	<u>66.070</u>
Total Net Position	<u>\$ 330.796</u>	<u>\$ 330.703</u>	<u>\$ 281.444</u>	<u>\$ 273.199</u>	<u>\$ 612.240</u>	<u>\$ 603.902</u>

Analysis of Governmental Activities

While the City's governmental activities presented no discernable change from fiscal year 2012-2013 to fiscal year 2013-2014, there were changes in the various components, which are explained below:

- Cash and investments increased \$6.1 million to \$63.7 million from \$57.6 million on June 30, 2013. While cash balances vary as a normal function of business, there are a few transactions that can be attributed to the change. An easement that was recorded in the Open Space fund was sold for \$3.9 million. In addition, revenues in the General fund increased \$3.5 million, primarily due to an increase in property taxes (\$1.2 million) and collection of rent from the Enterprise funds (\$2.4 million).
- Capital assets decreased \$5.2 million, as depreciation of \$7.1 million exceeded the net increase of \$1.9 million. Work in progress increased \$2.3 million due in part to the Street Light Conversion and the Gateway projects.
- Other assets consist primarily of accounts receivables, loans, and other receivables. The increase of \$0.5 million in other assets was due to an increase in transportation grants receivable.

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- Other liabilities consist primarily of accounts and claims payable, as well as the City's compensated absences liability. Other liabilities increased \$1.7 million from \$5.8 million on June 30, 2013. Accounts Payable accounted for \$1.6 million of the total increase.
- Net position invested in capital assets net of related debt, which represents the net value of capital assets financed through borrowing, decreased to \$242.6 million from \$247.8 on June 30, 2013. This \$5.2 million decrease is a result of depreciation, a decrease in capital assets and no new long term debt.
- Restricted net position consist of net position that is legally restricted to be spent on capital projects, special revenue funded projects, and debt service reserves. Restricted net position increased from \$67.4 million on June 30, 2013 to \$69.7 million on June 30, 2014. The increase of \$2.3 million is for restricted fund balance for low and moderate income housing.
- Unrestricted net position is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Unrestricted net position increased \$2.9 million to \$18.4 million, which is available to finance day-to-day operations and other expenses approved by City Council.

Analysis of Business-Type Activities

The net position of business-type activities consist primarily of capital assets used in operations. The City's Business-Type Activities net position increased \$8.2 million from \$273.2 million on June 30, 2013.

- Cash and Investments increased \$6.8 million to \$59.2 million from \$52.4 million on June 30, 2013. Of this amount, \$49.0 million is cash and investments held by the City; \$10.2 million is cash with fiscal agents. The City issued \$30.0 million in Water Revenue bonds in October, 2013, with net proceeds of approximately \$16 million after the repayment of the Wells Fargo Line of Credit and the Department of Water Resources loan. \$10.2 million of unspent proceeds remains with the fiscal agent.
- Capital asset additions of \$23.7 million less depreciation of \$6.4 million, netted to an increase of \$17.3 million in capital assets. Work in progress for Waste Water Treatment Plant and Surface Water Project increased \$6.7 million and \$15.6 million, respectively.
- Other Liabilities decreased \$10.7 million to \$7.8 million on June 30, 2014, due to paying off the Wells Fargo Line of Credit in the amount of \$12.0 million. The remaining net increase is primarily in accounts payable and deposits, and is a function of typical business activity.
- Long-term debt increased \$25.4 million from \$19.5 million on June 30, 2013, due issuance of Wells Fargo 2013 Water Revenue Bonds in the amount of \$30 million, and the retirement of the Department of Water Resources loan in the amount of \$3 million. Note 9 – Long Term-Debt on pages 63-65 provides further detail regarding these transactions.
- Net investment in capital assets net of related debt, which represents the net value of capital assets financed through borrowing, increased \$3.3 million.
- Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Unrestricted net position increased \$5.0 million to \$55.5 million and is available to finance day-to-day operations and other expenses approved by City Council. The change in unrestricted net position was primarily due to the increase in total operating income for the water fund.

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Government-wide Statement of Activities

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

Table 2
Changes in Net Position
For the Year Ended June 30, 2014 and 2013
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses						
General government:						
City Council	\$ 0.124	\$ 0.160	\$ -	\$ -	\$ 0.124	\$ 0.160
City Attorney	0.545	0.256	-	-	0.545	0.256
City Manager	2.676	2.480	-	-	2.676	2.480
Administrative Services	2.638	2.928	-	-	2.638	2.928
Community Development	3.987	3.720	-	-	3.987	3.720
Public Works	9.777	9.073	-	-	9.777	9.073
Special Projects	1.871	1.945	-	-	1.871	1.945
Parks and community services:						
Parks and Community Services	20.403	18.631	-	-	20.403	18.631
Public safety:						
Fire	9.809	10.047	-	-	9.809	10.047
Police	16.018	15.333	-	-	16.018	15.333
Interest on Long-Term Debt			-	-	-	-
Water		-	11.723	10.069	11.723	10.069
Sanitation	-	-	9.944	9.627	9.944	9.627
Sewer	-	-	8.368	8.230	8.368	8.230
Storm Sewer	-	-	3.714	3.733	3.714	3.733
Public transit	-	-	5.818	4.255	5.818	4.255
Total Expenses	<u>67.848</u>	<u>64.573</u>	<u>39.567</u>	<u>35.914</u>	<u>107.415</u>	<u>100.487</u>
Revenues						
Program Revenues:						
Charges for Services	13.898	12.554	41.942	36.562	55.840	49.116
Operating Contributions and Grants	9.602	12.305	5.714	4.329	15.316	16.634
Capital Grants and Contributions	7.125	3.576			7.125	3.576
General Revenues:						
Taxes	31.376	30.684			31.376	30.684
Motor vehicle in-lieu	5.291	4.980			5.291	4.980
Investment income	0.418	0.301	0.077	0.110	0.495	0.411
Miscellaneous	0.231	0.531	0.079	0.431	0.310	0.962
Total Revenues	<u>67.941</u>	<u>64.931</u>	<u>47.812</u>	<u>41.432</u>	<u>115.753</u>	<u>106.363</u>
Transfers, net	<u>-</u>	<u>(0.094)</u>	<u>-</u>	<u>0.094</u>	<u>-</u>	<u>-</u>
Special and Extraordinary Items:						
Total Transfers, Special and Extraordinary Items:	<u>-</u>	<u>(0.094)</u>	<u>-</u>	<u>0.094</u>	<u>-</u>	<u>-</u>
Changes in Net Position	0.093	0.264	8.245	5.612	8.338	5.876
Net Position - Beginning (as restated)	<u>330.703</u>	<u>330.439</u>	<u>273.199</u>	<u>267.587</u>	<u>603.902</u>	<u>598.026</u>
Net Position - Ending	<u>\$ 330.796</u>	<u>\$ 330.703</u>	<u>\$281.444</u>	<u>\$ 273.199</u>	<u>\$612.240</u>	<u>\$ 603.902</u>

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Analysis of Governmental Activities

Revenues

The City's governmental activities rely on several sources of revenue to finance ongoing operations. Property Tax (\$11.93 million), Sales Tax (\$10.28 million), Operating Grants & Contributions (\$9.60 million), and Charges for Services (\$13.90 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 2013-2014, total governmental activities revenue was \$67.9 million, an increase of \$3.0 million compared to the prior year. General Revenues had a small increase of \$0.8 million from \$36.5 million in fiscal year 2012-2013, while Program Revenues had an overall increase of \$2.2 million from \$28.4 million in fiscal year 2012-2013 to \$30.6 million in fiscal year 2013-2014.

Property Taxes increased \$1.2 million, primarily due to an increase in assessed values and \$0.7 million of excess tax increment was returned to the City. Charges for Service increased \$1.3 million, due, in part, to rent collected from the Enterprise funds for land use. Capital Grants and Contributions increased \$3.5 million due to grant revenue received for projects, such as Fifth Street Corridor, and Urban Greening, and a grant from the Natural Resource Conservation in the Open Space fund.

Expenses

Total Governmental Activities expenses increased \$3.3 million from \$64.6 million in the prior year. Parks and Community services increased \$1.8 million, due to the City paying for water usage for the current and prior 3 years. Public Works had an increase of \$0.7 million due to capital outlay for non-capitalized expenditures and Police expenditures increased \$0.6 million due to increased benefit costs.

Analysis of Business-Type 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 position for fiscal year ended June 30, 2014 is \$8.2 million. The change in net position was primarily due to increases in revenue in the Water and Sanitation funds, and an increase in the grant revenue in the Public Transit fund.

Further analysis can be found on page 14 in the Proprietary section.

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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 30 individual governmental funds, which include five Major Funds (General Fund, Child Care Grant 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 25 governmental funds combined into a single aggregated presentation.

At June 30, 2014, the City's governmental funds reported combined fund balances of \$86.3 million, which is an increase of \$3.4 million compared with last year. The assets for Governmental funds increased \$5.5 million. Governmental funds liabilities decreased \$0.9 million due primarily to a decrease in deferred revenue.

Total Governmental Fund revenues increased \$0.5 million to \$66.3 in fiscal 2013-2014 from the prior year's \$65.8 million. The General Fund revenue increased \$3.5 million, primarily due to an increase in property taxes (\$1.2 million) and collection of rent for land use from the Enterprise funds (\$2.4 million). Child Care Grant revenue decreased by \$0.8 million from the prior year, due to decreased funding from the State. In addition, the TDA Non-Transit fund revenue decreased \$1.0 million. The grant revenue was not received in time to accrue for the 2013-2014 fiscal year and will be recognized in fiscal 2014-2015. Other revenue also decreased \$0.6 million, due to proceeds from the sale on an asset in the Development Deferred Improvement fund in the prior year. The Open Space Fund had \$3.0 in Other Financing Sources from the proceeds of the sale of the Leland Ranch/Mace Curve property.

Table 3 provides a summary of the governmental fund revenues for the year ended June 30, 2014, 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, 2014 and 2013

Revenue Sources	2014		2013		Change	
	Amount	% of Total	Amount	% of Total	Amount	%
Taxes	\$37,095,829	55.8%	\$36,141,112	54.9%	\$954,717	2.6%
License and permits	301	0.0%	353	0.0%	(52)	-14.7%
Fines and forfeitures	833,513	1.3%	826,972	1.3%	6,541	0.8%
Use of money and property	3,362,708	5.1%	648,065	1.1%	2,714,643	418.9%
Intergovernmental	10,294,581	15.7%	12,410,582	18.8%	(2,116,001)	-17.0%
Charges for current services	9,614,559	14.5%	9,939,479	15.1%	(324,920)	-3.3%
Development fees	2,011,157	3.0%	2,238,192	3.4%	(227,035)	-10.1%
Administrative fees	2,626,107	4.0%	2,541,485	3.8%	84,622	3.3%
Other	476,872	0.6%	1,069,522	1.6%	(592,650)	-55.4%
Totals	\$66,315,627	100.0%	\$65,815,762	100.0%	\$499,865	0.8%

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The increase in Taxes is due primarily to a \$1.1 million increase in sales tax, \$0.3 million increase in Transient Occupancy Tax and \$0.7 million decrease in Construction Tax. Use of Money and Property increased \$2.7 million. The General fund recorded \$2.5 million in revenue from rent the enterprise funds for land use for the current and prior three years.

Table 4 provides a summary of the governmental fund expenditures for the year ended June 30, 2014, and compares the expenditures to the prior fiscal year. Following Table 4 is an analysis of the expenditures.

Table 4
Expenses in the Governmental Funds
For the Year Ended June 30, 2014 and 2013

Function	2014		2013		Change	
	Amount	% of Total	Amount	% of Total	Amount	%
City Council	\$124,507	0.2%	\$150,439	0.2%	(\$25,932)	-17.2%
City Attorney	555,619	0.9%	265,804	0.4%	289,815	109.0%
City Manager	2,710,000	4.1%	2,469,750	4.0%	240,250	9.7%
Administrative Services	2,728,275	4.1%	2,983,681	4.8%	(255,406)	-8.6%
Public Safety	26,368,580	39.9%	25,616,115	41.1%	752,465	2.9%
Public Works	5,173,502	7.8%	3,702,414	5.9%	1,471,088	39.7%
Community Development	4,096,916	6.2%	3,780,789	6.1%	316,127	8.4%
Parks and Community Services	18,163,238	27.5%	16,938,350	27.2%	1,224,888	7.2%
Special Projects	1,926,030	2.9%	1,996,757	3.2%	(70,727)	-3.5%
Capital Outlay	4,199,574	6.4%	4,402,828	7.1%	(\$203,254)	-4.6%
Totals	\$66,046,241	100.0%	\$62,306,927	100.0%	\$3,739,314	6.0%

Expenditures for Governmental funds increased \$3.7 million to \$66.0 million. Public Works increased \$1.5 million due to increased spending by the TDA Non-Transit Use fund for street and roadway projects. The increase in expenditures of \$1.2 million for Parks and Community Services is partially due to the City paying for water use. Community Development's expenditures increased by \$0.3 million for Bicycle and Pedestrian transportation projects.

Analysis of Major Governmental Funds

General Fund

At June 30, 2014, the General Fund held \$9.5 million in fund balance. The assigned balance of \$1.4 million is the appropriation of existing fund balance utilized in the 2014-2015 budget. \$8.0 million is classified as Unassigned and \$0.1 million classified as Nonspendable. The \$8.0 million unassigned fund balance represents available liquid resources. The fund balance increased \$1.6 million from the prior fiscal year.

Table 5 provides a summary of the General Fund revenues for the year ended June 30, 2014, and compares the revenues to the prior fiscal year. Following Table 5 is an analysis of the revenues.

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Table 5
Revenues in the General Fund
For the Year Ended June 30, 2014 and 2013

<u>General Fund Revenues</u>	2014	2013	\$ Change	% Change
Taxes				
Property Tax	\$11,926,326	\$10,741,612	\$1,184,714	11.0%
Sales tax	10,282,592	10,267,444	15,148	0.1%
Real Property Transfer	225,977	194,326	31,651	16.3%
Municipal Services	2,669,472	2,578,655	90,817	3.5%
Business License	1,669,289	1,470,124	199,165	13.5%
Construction Tax	229,579	905,411	(675,832)	-74.6%
Franchise	575,083	551,285	23,798	4.3%
Transient Occupancy	1,250,725	1,436,067	(185,342)	-12.9%
Motor Vehicle in-lieu	5,262,856	4,979,748	283,108	5.7%
Sub-total Taxes	34,091,899	33,124,672	967,227	2.9%
Licenses and permits	301	353	(52)	-14.7%
Fines and Forfeitures	833,513	826,972	6,541	0.8%
Use of money and property	2,903,593	422,341	2,481,252	587.5%
Intergovernmental	280,545	208,442	72,103	34.6%
Charges for current services	6,899,349	6,987,895	(88,546)	-1.3%
Admin fee - Enterprise Fund	2,626,107	2,541,485	84,622	3.3%
Other	452,435	484,772	(32,337)	-6.7%
	<u>\$48,087,742</u>	<u>\$44,596,932</u>	<u>\$3,490,810</u>	<u>7.8%</u>

General Fund revenues increased \$3.5 million to \$48.1 million. Fund revenues consist primarily of property taxes and other taxes, which accounts for 70.9% of total fund revenue for the year ended June 30, 2014. Property tax increased \$1.2 million. In addition to growth in property tax, \$0.7 million of excess tax increment was returned to the city, due to the dissolution of the Redevelopment Agency. Motor Vehicle In-Lieu increased \$0.3 million, while Construction Tax decreased \$0.7 million, due to sub-divisions completed in 2013. Use of money and property increased \$2.5 million (587.5%) due to rent charged to the enterprise funds for land use for the current and prior three years.

Table 6 provides a summary of the General Fund expenditures for the year ended June 30, 2014, and compares the expenditures to the prior fiscal year. Following Table 6 is an analysis of the expenditures.

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Table 6
Expenditures in the General Fund
For the Year Ended June 30, 2014 and 2013

<u>General Fund Expenditures</u>	2014	2013	\$ Change from Prior	% Change from Prior	% of Total Increase
City Council	\$124,507	\$150,439	(\$25,932)	-17.2%	-0.86%
City Attorney	555,619	265,804	289,815	109.0%	9.57%
City Manager	2,132,160	1,900,696	231,464	12.2%	7.64%
Administrative Services	2,452,791	2,603,321	(150,530)	-5.8%	-4.97%
Community Development	3,881,272	3,779,609	101,663	2.7%	3.36%
Public Works	1,679,091	1,904,732	(225,641)	-11.8%	-7.45%
Parks & Community Services	11,834,326	9,802,109	2,032,217	20.7%	67.11%
Fire	8,500,700	8,853,543	(352,843)	-4.0%	-11.65%
Police	14,800,248	14,077,888	722,360	5.1%	23.86%
Capital Outlay	510,193	104,857	405,336	386.6%	13.39%
	<u>\$46,470,907</u>	<u>\$43,442,998</u>	<u>\$3,027,909</u>	<u>7.0%</u>	<u>100.0%</u>

General Fund expenditures increased \$3.0 million with a majority of the increase in Parks and Community Services (67.1%), Police (23.9%), and Capital Outlay (13.4%) for the year ended June 30, 2014. The \$2.0 million increase in Parks and Community Services is due to water charges for the current fiscal year and the prior 3 years. Expenditures for Police increased \$0.7 due to increases in pension and retiree medical allocations. Capital Outlay increases (\$0.4) were for citywide irrigation and First Street Path Lighting projects.

Child Care Grant Fund

Child Care Grant Fund revenues consist primarily of grant revenue, which decreased \$0.9 million and totaled \$4.6 million for the year ended June 30, 2014. The provider payments from Yolo County were reduced in the contract for 2013 and 2014. In addition, State funding was reduced due to legislative budget decisions.

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, 2014, the Child Care Grant Fund balance held \$396,554 in fund balance, with the total classified as restricted.

Development Deferred Improvement Fund

The Development Deferred Improvement Fund revenues decreased \$0.8 million. Revenues for the year ended June 30, 2014 primarily consists of development impact fees in the amount of \$1.7 million (97.5%) of total fund revenues). In the prior year this fund recognized a gain on sale of land, which accounts for the majority of the decrease in revenue. 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 increased \$1.3 million, totaling \$1.9 million.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

At June 30, 2014, the Development Deferred Improvement Fund held \$24.9 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 increased \$404,832 to \$659,546 for the year ended June 30, 2014. Revenues are comprised of charges for service, interest on loans and investments and monitoring fees.

Primary expenditures for the Low/Mod Housing fund are for special projects. Special projects expenditures increased \$156,768 to \$438,735 and comprise 100% of total expenditures.

At June 30, 2014, the Low/Mod Housing Fund held \$33.7 million in fund balance.

Open Space Fund

The Open Space Fund revenues increased \$2.5 million from the prior fiscal year. Use of money and property increased due to the sale of the Leland Ranch/ Mace Curve property. Grant revenue decreased by \$0.5 million from the prior year.

Expenditures decreased from the prior fiscal year by \$2.7 million due to the purchase of the Leland Ranch/ Mace Curve property in the prior year.

At June 30, 2014 the Open Space restricted fund balance was \$3.9 million, an increase in fund balance of \$4.2 million, due to the sale of the land.

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 Position for the Enterprise Funds increased \$8.2 million due to positive and negative changes in the five major funds. The Water, Sewer, and Sanitation Funds had a positive change in net position of \$10.2 million, with a combined decrease in net position of \$2.0 million in the Public Transit and Storm Sewer funds.

Water Fund

Water Fund operating revenues, which are charges for services to the residents of Davis and some residents in the County, total \$15.8 million. This is a \$4.5 million increase from the prior fiscal year. Operating revenues represent 99.9% of total fund revenue. The increase is due to an increase in rates and charging for City water usage for the current and past 3 years.

Operating expenses for the Water Fund totaled \$11.4 million, with the primary expenses for water production, distribution, and system maintenance totaling \$8.0 million. There was a \$1.6 million increase in operating expenses from the prior year, with Water Production increasing \$2.1 million. This is due to \$1.9 million for rent paid to the General Fund for land use for the current and prior 3 years.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Long-term debt, due in less than one year decreased \$11.4 million to \$1.1 million. The Wells Fargo Line of Credit (\$12.0 million) was retired, using the proceeds from \$30 million in Water Revenue Bonds that were issued in October, 2013.

Sanitation Fund

Sanitation Fund operating revenues consist of charges for services to the residents of Davis and totaled \$10.1 million, or 99.6% of total fund revenues. Operating revenues increased \$0.6 million from the prior year.

Primary expenses are for waste removal, solid waste management and street sweeping totaling \$9.3 million. Fund operating expenses increased \$0.3 million from the prior year primarily due to the increased costs in waste removal.

Overall, the Sanitation Fund had a change in net position of \$0.2 million, compared to a decrease in net position of \$(120,681) 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 \$14.3 million, or 99.7% of total fund revenues. Sewer fund operating revenue increased \$0.2 million from the prior year.

Primary operating expenses are for sewage collection and treatment totaling \$5.2 million. The Sewer Fund operating expenses decreased from \$8.3 million to \$8.1 million due to decreased treatment costs.

The Sewer Fund ended the year with a change in net position of \$6.0 million. Operating revenues are in excess of operating expenses due to the increase in sewer rates to fund the sewer treatment plant. Construction is due to begin in fiscal 2014-2015.

Storm Sewer Fund

Storm Sewer Fund operating revenues consist of charges for services to the residents of Davis and totaled \$1.7 million, or 96.7% of total fund revenues. Charges for service increased \$39,481 from the prior year.

Primary operating expenses are for maintenance of the storm drainage system totaling \$1.4 million. Total operating expenses decreased \$18,571 from the prior year.

The Storm Sewer Fund ended the year with a net loss of \$1.9 million due to insufficient storm sewer rate charges covering the cost of system operations and maintenance and depreciation. There was a rate increase for drainage on July 1, 2014, which will improve the net fund position in future years.

Public Transit Fund

Public Transit Fund revenues consist primarily of operating grants and contributions in the amount of \$5.7 million, or 99.9% of total fund revenues. Grants and contributions increased \$1.4 million from the prior year.

Primary operating expenses are for the provision of public and special transportation services totaling \$5.8 million. This reflects an increase in expenses of \$1.6 million from the previous year. While the Public Transit

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Fund ended the year with a net loss of \$86,826, this is primarily attributed to depreciation cost of \$135,615. The fund net position was \$3.0 million.

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 calendar quarter. Appropriation requests in excess of the City Manager's authorization go to the City Council for approval.

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 \$47.5 million and Actual Expenditures \$44.6 million resulting in a positive variance of unspent funds of \$2.9 million.

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.

- Administrative Services \$241,375, 9.0% savings – Professional services contracts for work related to executive recruitments as well as lower than anticipated costs related negotiations with City bargaining units resulted in a reduction of expenses for the year.
- Community Development \$611,471 22.2% savings – Expenditures related to the proposed development of the Nishi Gateway were postponed until FY 14/15. Additionally professional service contracts to assist City staff with anticipated development activity above normal levels was not realized, resulting in cost savings.
- Parks and Community Services, \$413,726, 3.4% savings – Recreation expenses were below budget due to salary savings from vacant regular positions that were being backfilled by temporary part time employees as well as a reduction in maintenance and repair services costs as part of an overall effort to reduce costs where appropriate.
- Capital Outlay \$1,606,175, 77.3% savings – Work that was budgeted for the Transportation Infrastructure Rehab was budgeted in fiscal 2013/14, but carried over to the following fiscal year.

Total General Fund revenues for the year ended June 30, 2014 showed \$2.6 million in additional revenue compared to the Final Budget. Major areas accounting for the change are as follows:

- Taxes \$2.7 million, 8.4% increase – Property Tax saw positive variance of \$1.4 million, coming in 10.0% over budget. Sales tax was \$0.8 million ahead of budget due to additional pass-through from the State.

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the City's investment in capital assets totaled \$512.1 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 7 below (further detail can be found in Note 8 to the financial statements):

Table 7
Capital Assets at June 30, 2014 and 2013
(in Millions)

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Governmental Activities:			
Land	\$ 56.067	\$ 59.870	(3.803)
Construction in progress	8.026	5.712	2.314
Buildings and improvements	43.528	43.413	0.115
Equipment	9.566	8.518	1.048
Infrastructure - Streets	257.029	256.059	0.970
Infrastructure - Parks	63.101	62.906	0.195
Infrastructure - Bike/Ped Paths	<u>14.992</u>	<u>13.941</u>	<u>1.051</u>
Less accumulated depreciation	<u>(209.733)</u>	<u>(202.621)</u>	<u>(7.112)</u>
Total	<u>\$ 242.576</u>	<u>\$ 247.798</u>	<u>\$ (5.222)</u>
Business-Type Activities:			
Land	\$ 21.783	\$ 21.783	\$ -
Construction in progress	53.789	33.503	20.286
Buildings	150.156	147.711	2.445
Pipes and Lines	167.723	166.776	0.947
Equipment	<u>11.080</u>	<u>11.052</u>	<u>0.028</u>
Less accumulated depreciation	<u>(135.002)</u>	<u>(128.587)</u>	<u>(6.415)</u>
Total	<u>\$ 269.529</u>	<u>\$ 252.238</u>	<u>\$ 17.291</u>

The decrease in Land for the Governmental Activities is due to the sale of the Leland Ranch-Mace Curve conservation land easement. The increase in Construction in Progress for the Business-Type Activities is primarily due to work in progress for the Alternative Water Supply System (\$6.7 million) and the Waste Water Treatment Plant (\$15.6 million), while the increase for Governmental Activities was primarily for the Fifth Street Corridor project (\$1.2 million) and Street Light Conversion (\$0.9 million).

CITY OF DAVIS, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Debt Administration

Each of the City's debt issues is discussed in detail in Note 9 to the financial statements. At June 30, 2014, the City's debt comprised:

Table 8
Outstanding Debt at June 30, 2014 and 2013
(in Millions)

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
Governmental activities: *	\$ 14.192	\$ 14.448	\$ (0.256)
Business-type activities:	<u>47.199</u>	<u>33.206</u>	<u>13.993</u>
Total	<u>\$ 61.391</u>	<u>\$ 47.654</u>	<u>\$ 13.737</u>

* Note: The 2013 balance of Governmental activities was restated from \$15.015 to \$14.448, due to a mathematical correction in Note 8 of the 2012-13 Comprehensive Annual Financial Report

Governmental activities debt decreased by \$0.3 million primarily due to a decrease in the net liability for Other Postemployment Benefits of \$0.2 million. The Business-type activities debt increased \$14.0 million due to issuing \$30 million in water revenue bonds, and retiring the Wells Fargo Line of Credit (\$12.0 million) and the Department of Water Resources loan (3.0 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. The balance of tax allocation bond debt is \$41.9 million and related unamortized discounts are \$0.7 million, to be amortized over the life of the bonds.

Special Assessment District Debt

At June 30, 2014, a total of \$27.1 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

JUNE 30, 2014

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Economic Factors

As current economic projections continue to project gradual improvement in economic growth, the City continues to struggle with providing a high level of service with rising costs and fewer financial resources. The citizens voted to approve a sales tax increase of ½ cent in June, which took effect October 1, 2014 and will generate an estimated \$2.7 million in fiscal 2014-2015. Property tax revenues saw an 8.7% increase in FY 13/14 and current year assessed valuations have seen an additional increase over the prior year which will result in further increased revenues in fiscal 2014-2015.

Next Year's Budget

Next year's budget will include the costs of two large capital projects, the Alternative Water Supply and Wastewater Treatment Plant. In conjunction with the water supply project an ancillary Surface Water Local Facilities project will install and improve the existing distribution lines. These three projects comprise 85% or nearly \$140 million of the budget for Capital Improvements. These projects are multiyear projects that will expense their budgets over that time.

The General Fund's budget for fiscal 2014-2015 appropriates \$48.1 million, an increase of 2.3% from the prior year. General Fund revenue is projected to be \$48.1 million, which is \$4.4 million, or 9.0% more than the revenue for budget for fiscal 2013-2014.

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, CA 95616 or visit the City's website at www.cityofdavis.org

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF DAVIS, CALIFORNIA

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and investments	\$ 63,715,364	\$ 48,978,671	\$ 112,694,035
Cash and investments with fiscal agent	-	10,210,208	10,210,208
Accrued interest	29,105	62,546	91,651
Receivables:			
General accounts	3,991,110	2,078,879	6,069,989
Grants	3,971,907	2,647,346	6,619,253
Utility accounts	450,567	3,714,721	4,165,288
Loans	34,046,625	-	34,046,625
Mortgages	383,733	-	383,733
Inventory	353,624	-	353,624
Internal balances	3,101,910	(3,101,910)	-
Capital assets:			
Non-depreciable	64,093,436	75,571,674	139,665,110
Depreciable, net of depreciation	178,482,118	193,957,445	372,439,563
Total Assets	<u>352,619,499</u>	<u>334,119,580</u>	<u>686,739,079</u>
LIABILITIES			
Payables:			
Accounts	3,100,197	2,563,617	5,663,814
Wages payable	1,006,972	139,757	1,146,729
Grants	10,236	-	10,236
Interest	-	407,203	407,203
Deposits	1,847,069	63,225	1,910,294
Unearned revenue	1,307,564	2,302,829	3,610,393
Current portion of long-term obligations:			
Claims payable	147,786	-	147,786
Compensated absences	139,051	429,982	569,033
Other long-term obligations	-	1,936,552	1,936,552
Noncurrent portion of long-term obligations:			
Claims payable	290,112	-	290,112
Compensated absences	2,085,825	-	2,085,825
Other long-term obligations	-	41,617,128	41,617,128
Other post employment benefits	11,888,733	3,215,043	15,103,776
Total Liabilities	<u>21,823,545</u>	<u>52,675,336</u>	<u>74,498,881</u>
NET POSITION			
Net investment in capital assets	242,575,554	215,765,231	458,340,785
Restricted for:			
Capital projects	27,898,151	-	27,898,151
Debt service	383,420	-	383,420
Low and moderate income housing	33,725,931	-	33,725,931
Other specific projects and programs	7,738,778	-	7,738,778
Unrestricted	18,474,120	65,679,013	84,153,133
Total Net Position	<u>\$ 330,795,954</u>	<u>\$ 281,444,244</u>	<u>\$ 612,240,198</u>

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government:				
City Council	\$ 123,958	\$ -	\$ -	\$ -
City Attorney	545,258	10,131	-	-
City Manager	2,675,550	1,685,900	884,355	50,728
Administrative Services	2,638,260	2,025,757	-	-
Community Development	3,986,695	2,410,773	12,608	131,126
Public Works	9,777,341	1,110,862	798,968	5,534,084
Special Projects	1,870,664	-	-	-
Parks and Recreation:				
Parks and Community Services	20,402,817	4,510,095	4,392,984	1,408,709
Public Safety:				
Fire	9,809,462	1,028,781	1,539,432	-
Police	16,018,339	1,115,365	1,973,961	-
Total Governmental Activities	<u>67,848,344</u>	<u>13,897,664</u>	<u>9,602,308</u>	<u>7,124,647</u>
Business-Type Activities:				
Water	11,723,007	15,825,471	-	-
Sanitation	9,943,532	10,118,187	18,651	-
Sewer	8,368,186	14,264,259	-	-
Storm sewer	3,713,758	1,701,784	-	-
Public Transit	5,818,308	32,241	5,695,812	-
Total Business-Type Activities	<u>39,566,791</u>	<u>41,941,942</u>	<u>5,714,463</u>	<u>-</u>
Total	<u>\$ 107,415,135</u>	<u>\$ 55,839,606</u>	<u>\$ 15,316,771</u>	<u>\$ 7,124,647</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

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See accompanying notes to financial statements.

Net Revenue (Expense) and Change in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (123,958)	\$ -	\$ (123,958)
(535,127)	-	(535,127)
(54,567)	-	(54,567)
(612,503)	-	(612,503)
(1,432,188)	-	(1,432,188)
(2,333,427)	-	(2,333,427)
(1,870,664)	-	(1,870,664)
(10,091,029)	-	(10,091,029)
(7,241,249)	-	(7,241,249)
(12,929,013)	-	(12,929,013)
(37,223,725)	-	(37,223,725)
-	4,102,464	4,102,464
-	193,306	193,306
-	5,896,073	5,896,073
-	(2,011,974)	(2,011,974)
-	(90,255)	(90,255)
-	8,089,614	8,089,614
(37,223,725)	8,089,614	(29,134,111)
11,926,326	-	11,926,326
10,282,592	-	10,282,592
2,669,472	-	2,669,472
1,669,289	-	1,669,289
1,339,536	-	1,339,536
229,577	-	229,577
640,980	-	640,980
1,141,883	-	1,141,883
225,977	-	225,977
1,250,725	-	1,250,725
5,291,098	-	5,291,098
417,751	77,279	495,030
231,174	78,838	310,012
37,316,380	156,117	37,472,497
92,655	8,245,731	8,338,386
330,703,299	273,198,513	603,901,812
\$ 330,795,954	\$ 281,444,244	\$ 612,240,198

FUND FINANCIAL STATEMENTS

CITY OF DAVIS, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	General	Child Care Grant	Development Deferred Improvement	Low / Mod Income Housing Fund
ASSETS				
Cash and investments	10,002,173	673,373	19,328,178	1,463,972
Accrued interest	3,199	188	11,417	636
Receivables:				
General accounts	3,517,221	91	1,115	110,951
Grants	903,591	142,831	-	88,312
Utility accounts	241,214	-	-	-
Loans	104,343	-	-	32,146,749
Mortgages	-	-	-	383,733
Due from other funds	-	-	6,206,435	-
Total Assets	<u>\$ 14,771,741</u>	<u>\$ 816,483</u>	<u>\$ 25,547,145</u>	<u>\$ 34,194,353</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts	1,135,227	375,018	415,319	124,704
Wages Payable	799,530	15,230	7,892	2,545
Grants	-	10,236	-	-
Deposits	1,648,950	-	172,988	11,806
Unearned revenue	777,610	19,445	-	241,055
Due to other funds	-	-	-	-
Total Liabilities	<u>4,361,317</u>	<u>419,929</u>	<u>596,199</u>	<u>380,110</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>873,642</u>			<u>88,312</u>
Fund Balances:				
Nonspendable	104,343	-	-	-
Restricted	-	396,554	24,950,946	33,725,931
Committed	-	-	-	-
Assigned	1,458,749	-	-	-
Unassigned	7,973,690	-	-	-
Total Fund Balance	<u>9,536,782</u>	<u>396,554</u>	<u>24,950,946</u>	<u>33,725,931</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,771,741</u>	<u>\$ 816,483</u>	<u>\$ 25,547,145</u>	<u>\$ 34,194,353</u>

See accompanying notes to financial statements.

Open Space Fund	Other Governmental Funds	Total Governmental Funds
3,913,318	\$ 12,706,640	\$ 48,087,654
1,660	5,350	22,450
32,558	297,405	3,959,341
-	2,837,173	3,971,907
-	209,353	450,567
-	1,795,533	34,046,625
-	-	383,733
-	-	6,206,435
<u>\$ 3,947,536</u>	<u>\$ 17,851,454</u>	<u>\$ 97,128,712</u>

2,099	\$ 303,673	\$ 2,356,040
4,678	13,220	843,095
-	-	10,236
13,325	-	1,847,069
-	264,865	1,302,975
-	1,461,312	1,461,312
<u>20,102</u>	<u>2,043,070</u>	<u>7,820,727</u>

	<u>2,010,381</u>	<u>2,972,335</u>
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-	1,795,533	1,899,876
3,927,434	4,656,255	67,657,120
-	8,058,386	8,058,386
-	383,420	1,842,169
-	(1,095,591)	6,878,099
<u>3,927,434</u>	<u>13,798,003</u>	<u>86,335,650</u>
<u>\$ 3,947,536</u>	<u>\$ 17,851,454</u>	<u>\$ 97,128,712</u>

CITY OF DAVIS, CALIFORNIA

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

JUNE 30, 2014

Fund Balance of Governmental Funds	\$ 86,335,650
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Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	237,258,122
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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.	2,972,335
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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 Statement of Net Position.	18,204,405
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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	(11,888,733)
Noncurrent portion of compensated absences	<u>(2,085,825)</u>

Net Position of Governmental Activities (page 22)	<u><u>\$ 330,795,954</u></u>
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CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	General	Child Care Grant	Development Deferred Improvement	Low / Mod Income Housing Fund
REVENUES				
Taxes	\$ 34,091,899	\$ -	\$ -	\$ -
Licenses and permits	301	-	-	-
Fines and forfeitures	833,513	-	-	-
Use of money and property	2,903,593	638	42,378	298,522
Intergovernmental	280,545	4,518,601	-	18,437
Charges for current services	6,899,349	78,315	-	319,516
Development fees	-	-	1,695,672	-
Administrative fee - other funds	2,626,107	-	-	-
Other	452,435	-	722	23,071
Total Revenues	48,087,742	4,597,554	1,738,772	659,546
EXPENDITURES				
Current:				
General government:				
City council	124,507	-	-	-
City attorney	555,619	-	-	-
City manager	2,132,160	-	-	-
Administrative services	2,452,791	-	129,901	-
Community development	3,881,272	-	-	-
Public works	1,679,091	-	325,916	-
Special projects	-	-	148,515	438,735
Parks and recreation:				
Parks and community services	11,834,326	4,584,279	-	-
Public Safety:				
Fire	8,500,700	-	-	-
Police	14,800,248	-	-	-
Capital outlay	510,193	-	1,896,568	-
Total Expenditures	46,470,907	4,584,279	2,500,900	438,735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,616,835	13,275	(762,128)	220,811
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of property	-	-	-	-
Transfers in	-	-	-	8,832,713
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	8,832,713
NET CHANGE IN FUND BALANCE	1,616,835	13,275	(762,128)	9,053,524
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	7,919,947	383,279	25,713,074	24,672,407
FUND BALANCES AT END OF YEAR	\$ 9,536,782	\$ 396,554	\$ 24,950,946	\$ 33,725,931

See accompanying notes to financial statements.

Open Space Fund	Other Governmental Funds	Total Governmental Funds
\$ 640,980	\$ 2,362,950	\$ 37,095,829
-	-	301
-	-	833,513
5,895	111,682	3,362,708
807,084	4,669,914	10,294,581
-	2,317,379	9,614,559
-	315,485	2,011,157
-	-	2,626,107
\$ -	644	476,872
<u>1,453,959</u>	<u>9,778,054</u>	<u>66,315,627</u>
-	-	124,507
-	-	555,619
-	577,840	2,710,000
-	145,583	2,728,275
-	215,644	4,096,916
-	3,168,495	5,173,502
-	1,338,780	1,926,030
392,580	1,352,053	18,163,238
-	1,519,625	10,020,325
-	1,548,007	16,348,255
4,957	1,787,856	4,199,574
<u>397,537</u>	<u>11,653,883</u>	<u>66,046,241</u>
<u>1,056,422</u>	<u>(1,875,829)</u>	<u>269,386</u>
3,093,371	-	3,093,371
-	-	8,832,713
-	(8,832,713)	(8,832,713)
<u>3,093,371</u>	<u>(8,832,713)</u>	<u>3,093,371</u>
4,149,793	(10,708,542)	3,362,757
(222,359)	24,506,545	82,972,893
<u>\$ 3,927,434</u>	<u>\$ 13,798,003</u>	<u>\$ 86,335,650</u>

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, 2014

Net Change in Fund Balance - Total Governmental Funds \$ 3,362,757

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. Change in unavailable revenue. 1,593,912

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 capitalize able capital outlays exceeded depreciation, excluding capital outlays and depreciation of Internal Service Funds.

Purchase of capital assets	4,199,574	
Disposal of capital assets	(3,405,678)	
Less current year depreciation	<u>(6,725,997)</u>	
		(5,932,101)

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. 733,137

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 net other postemployment benefits obligation	286,000	
Change in compensated absences	<u>48,950</u>	
		<u>334,950</u>

Change in Net Position of Governmental Activities (pages 23 and 24)	<u>\$ 92,655</u>
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See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2014

	Business-Type Activities Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
ASSETS				
Current Assets:				
Cash and investments	\$ 8,004,120	\$ 1,223,637	\$ 35,063,201	\$ 4,687,713
Cash with fiscal agents	10,210,208	-	-	-
Accrued interest	2,978	769	56,678	2,091
Receivables net:				
General accounts	1,658,636	13,664	400,823	4,954
Grants	-	-	-	-
Utility accounts	1,245,879	934,905	1,245,936	288,001
Inventory	-	-	-	-
Total Current Assets	21,121,821	2,172,975	36,766,638	4,982,759
Noncurrent Assets:				
Advances to other funds	-	-	2,838,766	-
Capital assets:				
Non-depreciable				
City's investment in JPA facilities	25,144,500	-	-	-
Land and construction in progress	11,457,927	-	34,579,711	4,389,536
Depreciable	132,744,027	-	90,470,684	101,483,928
Accumulated depreciation	(47,615,469)	-	(47,428,005)	(38,457,889)
Total Noncurrent Assets	121,730,985	-	80,461,156	67,415,575
Total Assets	142,852,806	2,172,975	117,227,794	72,398,334
LIABILITIES				
Current Liabilities:				
Accounts payable	612,638	77,934	1,509,854	55,005
Wages payable	45,937	5,741	67,310	13,107
Interest payable	293,398	-	113,805	-
Leave benefits payable	158,422	30,648	192,518	36,041
Deposits payable	44,625	-	18,600	-
Unearned revenue	58,058	913,165	1,180,389	151,217
Due to other funds	-	-	-	-
Claims payable	-	-	-	-
Long-term debt, due in one year	1,065,869	-	870,683	-
Total Current Liabilities	2,278,947	1,027,488	3,953,159	255,370
Noncurrent Liabilities:				
Advances from other funds	2,838,766	-	513,238	513,238
Other post employment benefits liability	1,433,489	129,715	1,364,788	277,109
Claims payable	-	-	-	-
Long-term debt, due in more than one year	38,132,402	-	3,484,726	-
Total Noncurrent Liabilities	42,404,657	129,715	5,362,752	790,347
Total Liabilities	44,683,604	1,157,203	9,315,911	1,045,717
NET POSITION				
Net investment in capital assets	72,322,506	-	73,266,981	67,415,575
Unrestricted	25,846,696	1,015,772	34,644,902	3,937,042
Total Net Position	\$ 98,169,202	\$ 1,015,772	\$ 107,911,883	\$ 71,352,617

See accompanying notes to financial statements.

Business-Type Activities Enterprise Funds		Governmental Activities -
Public		Internal
Transit	Total	Service Fund
\$ -	\$ 48,978,671	\$ 15,627,710
-	10,210,208	-
30	62,546	6,655
802	2,078,879	31,769
2,647,346	2,647,346	-
-	3,714,721	-
-	-	353,624
2,648,178	67,692,371	16,019,758
-	2,838,766	1,026,477
-	25,144,500	-
-	50,427,174	177,138
4,260,813	328,959,452	12,777,748
(1,500,644)	(135,002,007)	(7,637,455)
2,760,169	272,367,885	6,343,908
5,408,347	340,060,256	22,363,666
308,186	2,563,617	744,157
7,662	139,757	163,877
-	407,203	-
12,353	429,982	139,051
-	63,225	-
-	2,302,829	4,589
2,075,434	2,075,434	2,669,689
-	-	147,786
-	1,936,552	-
2,403,635	9,918,599	3,869,149
-	3,865,242	-
9,942	3,215,043	-
-	-	290,112
-	41,617,128	-
9,942	48,697,413	290,112
2,413,577	58,616,012	4,159,261
2,760,169	215,765,231	5,317,431
234,601	65,679,013	12,886,974
\$ 2,994,770	\$ 281,444,244	\$ 18,204,405

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
OPERATING REVENUES				
Charges for current services	\$ 15,825,471	\$ 10,118,187	\$ 14,264,259	\$ 1,701,784
Total Operating Revenues	15,825,471	10,118,187	14,264,259	1,701,784
OPERATING EXPENSES				
Administrative and billing	464,330	241,960	832,100	67,881
Payments to general government	237,788	427,795	207,253	151,300
Water production	5,184,927	-	-	-
Water distribution	1,942,837	-	-	-
Water system maintenance	919,407	-	-	-
Street sweeping	-	784,686	-	-
Waste removal and solid waste management	-	8,489,091	-	-
Sewage collection	-	-	1,392,185	-
Sewage treatment	-	-	3,831,761	-
Storm drainage system maintenance	-	-	-	1,373,153
Public transportation service	-	-	-	-
Special transportation service	-	-	-	-
Central stores	-	-	-	-
Central equipment	-	-	-	-
Duplication - postal	-	-	-	-
City administrative facility maintenance	-	-	-	-
City electrical maintenance	-	-	-	-
Insurance administration	-	-	-	-
Insurance premiums	-	-	-	-
Litigation	-	-	-	-
MIS services	-	-	-	-
Depreciation	2,554,200	-	1,719,613	2,005,218
Leave benefits	-	-	-	-
Other	101,240	-	65,645	114,792
Total Operating Expenses	11,404,729	9,943,532	8,048,557	3,712,344
Operating Income (Loss)	4,420,742	174,655	6,215,702	(2,010,560)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	10,740	2,556	56,738	7,216
Interest expense	(318,278)	-	-	(1,414)
Non-Operating grants and contributions	-	18,651	-	-
Other	3,290	19,486	(319,629)	52,662
Total Non-Operating Revenues (Expenses)	(304,248)	40,693	(262,891)	58,464
CHANGE IN NET POSITION	4,116,494	215,348	5,952,811	(1,952,096)
NET POSITION, BEGINNING OF YEAR	94,052,708	800,424	101,959,072	73,304,713
NET POSITION, END OF YEAR	\$ 98,169,202	\$ 1,015,772	\$ 107,911,883	\$ 71,352,617

See accompanying notes to financial statements.

Business-Type Activities Enterprise Funds		Governmental Activities - Internal Service Funds
Public Transit	Total	
\$ 32,241	\$ 41,941,942	\$ 23,482,722
32,241	41,941,942	23,482,722
-	1,606,271	-
-	1,024,136	-
-	5,184,927	-
-	1,942,837	-
-	919,407	-
-	784,686	-
-	8,489,091	-
-	1,392,185	-
-	3,831,761	-
-	1,373,153	-
5,153,793	5,153,793	-
528,480	528,480	-
-	-	209,679
-	-	1,586,341
-	-	164,740
-	-	673,511
-	-	1,336,791
-	-	615,789
-	-	12,569,464
-	-	25,584
-	-	1,961,643
136,035	6,415,066	917,207
-	-	3,017,626
-	281,677	-
5,818,308	38,927,470	23,078,375
(5,786,067)	3,014,472	404,347
29	77,279	31,460
-	(319,692)	-
5,695,812	5,714,463	-
3,400	(240,791)	297,330
5,699,241	5,231,259	328,790
(86,826)	8,245,731	733,137
3,081,596	273,198,513	17,471,268
\$ 2,994,770	\$ 281,444,244	\$ 18,204,405

CITY OF DAVIS, CALIFORNIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	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	\$ 16,529,256	\$ 10,203,390	\$ 14,866,053	\$ 1,706,408	\$ 61,182	\$ 43,366,289	\$ 23,503,711
Payments to suppliers	(8,329,136)	(10,644,401)	(5,444,027)	(1,560,244)	(5,699,697)	(31,677,505)	(18,927,396)
Payments to employees	(31,791)	21,253	(25,690)	25,652	254	(10,322)	(3,017,471)
Claims paid	-	-	-	-	-	-	284,117
Other revenue (expenses)	(97,950)	19,486	(385,274)	(62,130)	3,400	(522,468)	297,330
Net Cash Provided (Used) by Operating Activities	8,070,379	(400,272)	9,011,062	109,686	(5,634,861)	11,155,994	2,140,291
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES							
Non-operating grants and contributions	-	18,651	-	-	5,695,812	5,714,463	-
Interfund (payments)	-	-	(2,838,766)	-	(60,951)	(2,899,717)	-
Interfund receipts	2,838,766	-	-	-	-	2,838,766	34,195
Advances from other funds (Advances to other funds)	-	-	(57,027)	(57,027)	-	(114,054)	114,053
Net Cash Provided (Used) by Noncapital Financing Activities	2,838,766	18,651	(2,895,793)	(57,027)	5,634,861	5,539,458	148,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Sales (acquisition) of capital assets	(16,174,871)	-	(7,815,829)	-	-	(23,990,700)	(1,938,226)
Proceeds from the issuance of debt	30,000,000	-	-	-	-	30,000,000	-
Principal payments on capital debt	(14,857,573)	-	(848,356)	-	-	(15,705,929)	-
Interest paid	(248,230)	(5,616)	(22,329)	(1,414)	-	(277,589)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,280,674)	(5,616)	(8,686,514)	(1,414)	-	(9,974,218)	(1,938,226)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	13,477	3,172	34,558	9,230	-	60,437	39,472
Net Cash Provided by Investing Activities	13,477	3,172	34,558	9,230	-	60,437	39,472
Net Increase (Decrease) in Cash and Cash Equivalents	9,641,948	(384,065)	(2,536,687)	60,475	-	6,781,671	389,785
Cash and Cash Equivalents at Beginning of Year	8,572,380	1,607,702	37,599,888	4,627,238	-	52,407,208	15,237,925
Cash and Cash Equivalents at End of Year	\$ 18,214,328	\$ 1,223,637	\$ 35,063,201	\$ 4,687,713	\$ -	\$ 59,188,879	\$ 15,627,710
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:							
Cash and investments	\$ 8,004,120	\$ 1,223,637	\$ 35,063,201	\$ 4,687,713	\$ -	\$ 48,978,671	\$ 15,627,710
Cash with fiscal agent	10,210,208	-	-	-	-	10,210,208	-
	\$ 18,214,328	\$ 1,223,637	\$ 35,063,201	\$ 4,687,713	\$ -	\$ 59,188,879	\$ 15,627,710
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss):	\$ 4,420,742	\$ 174,655	\$ 6,215,702	\$ (2,010,560)	\$ (5,786,067)	\$ 3,014,472	\$ 404,347
Adjustments to reconcile operating income to cash flows from operating activities:							
Depreciation	2,554,200	-	1,719,613	2,005,218	136,035	6,415,066	917,207
Other Revenues	3,290	19,486	(319,629)	52,663	3,400	(240,790)	297,330
Change in assets and liabilities:							
(Increase) decrease in:							
Receivables:							
General accounts	(1,642,131)	4,371	60,306	12,404	644	(1,564,406)	25,462
Grants	-	-	-	-	28,295	28,295	-
Utility accounts	2,336,459	16,466	559,196	(8,398)	-	2,903,723	-
Inventory	-	-	-	-	-	-	6,349
(Increase) decrease in:							
Accounts payable	420,153	(695,128)	819,272	32,090	(17,424)	558,963	132,536
Prepays	-	-	-	-	-	-	77,261
Leave benefits payable	(31,791)	15,512	(25,690)	25,651	256	(16,062)	155
Claims payable	-	-	-	-	-	-	284,117
Deferred revenue	9,457	64,366	(17,708)	618	-	56,733	(4,473)
Net Cash Provided (Used) By Operating Activities	\$ 8,070,379	\$ (400,272)	\$ 9,011,062	\$ 109,686	\$ (5,634,861)	\$ 11,155,994	\$ 2,140,291

See accompanying notes to financial statements.

CITY OF DAVIS, CALIFORNIA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2014

	RDA Obligation Retirement Private-Purpose Trust Fund	Agency Funds
ASSETS		
Current assets:		
Cash and investments	\$ 2,983,914	\$ 25,381,384
Cash with fiscal agents	16,947,256	1,355,205
Accrued interest receivable	2,318	2,491
Accounts receivable	-	125,570
Loans receivable	38,069	-
Total Assets	<u>\$ 19,971,557</u>	<u>\$ 26,864,650</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 76,422	\$ 3,284,139
Interest payable	498,946	-
Agency funds held for others	-	23,580,511
Current portion of long-term obligations	1,055,000	-
Noncurrent liabilities:		
Bonds payable, net of unamortized discounts	40,283,064	-
Total Liabilities	<u>41,913,432</u>	<u>\$ 26,864,650</u>
NET POSITION		
Held in trust for private-purpose trust participants	<u>\$ (21,941,875)</u>	

See accompanying notes to financial statements

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	RDA Obligation Retirement Private-Purpose Trust Fund
ADDITIONS	
Property tax revenues	\$ 3,521,552
Investment earnings	9,144
Total additions	3,530,696
DEDUCTIONS	
Program expenses	1,187,874
Interest and fiscal charges	2,414,586
Total deductions	3,602,460
CHANGE IN NET POSITION	(71,764)
NET POSITION, BEGINNING OF YEAR, as Restated	(21,870,111)
NET POSITION, END OF YEAR	\$ (21,941,875)

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 Public Facilities Financing Authority, both of which are controlled by and dependent on the City. While the Public Facilities Financing Authority is a separate legal entity, its financial activities are integral to those of the City, and its 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 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 Position 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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 and deferred outflows, liabilities and deferred inflows, 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.

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Redevelopment Obligation Retirement Private-Purpose Trust Fund – The 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.

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 position 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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 monthly basis, on the 1st of the month. Water is billed on a consumption basis in arrears for the prior month. The City also collects two additional charges for general government purposes, a Municipal Service Tax, and Public Safety charge, on the bills with the utility services. Utility billing for all services charges types are included in a single bill on each billing date. In August 2013, the City transitioned from bi-monthly billing to monthly billing.

The City has recorded all utility accounts receivable outstanding at June 30, 2014, and has deferred revenue recognition on the June 1, 2014, 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 Position. Proprietary funds' liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital asset are valued at their estimated fair value on the date contributed. Generally capital assets acquisitions in excess of \$25,000 are capitalized if they have an expected useful life of greater than three years, and 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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statements of Net Position and governmental fund balance sheet may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then. The City does not have any of these items for the year ended June 30, 2014.

This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: intergovernmental and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

The government-wide, business type activities, and fiduciary fund financial statements utilize a net position presentation. These classifications are described below.

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

Restricted describes the portion of net position 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 assets restricted to low-and-moderate-income housing purposes.

Unrestricted describes the portion of net position which is not restricted to use.

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

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 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, both of which are equally binding), 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.

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

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. The City became subject to the following GASB Statements for the year ended June 30, 2014:

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 effective for the year ending June 30, 2014 and has been implemented by the City.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Future 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. 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 the fiscal year ending 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 the fiscal year ending June 30, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement should be applied simultaneously with the provisions of Statement No. 68. The City has not determined the effect of this Statement.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

The following funds have deficit fund equity:

Nonmajor Fund

TDA Non-Transit Use Fund	\$	954,928
Capital Grants Fund		140,663
Employee Benefits Fund		3,121,191

TDA Non-Transit Use Fund – The deficit of \$954,928 is due to receiving grant revenue from Local Transit Funds (TDA grant) after the period of availability and will be eliminated in fiscal year 2014/15.

Capital Grants Fund – The deficit of \$140,663 is due to Urban Greening Grant expenditures in FY 2013/14 that will be reimbursed in FY 2014/15 and will be eliminated in fiscal year 2014/15.

Employee Benefits Fund – The deficit of \$3,121,191 will be reduced over the next few years by increasing the revenue to the fund through internal charges.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 – RESTATEMENT OF FUND NET POSITION

Effective July 1, 2013, the City adopted GASB 65 requiring debt issuance costs previously capitalized to be expensed. The adjustment resulted in a restatement of beginning net position.

	<u>Fiduciary Funds</u>
	<u>RDA Obligation Retirement Private Purpose Trust Fund</u>
Net position/ Fund Balance, June 30, 2013 as previously reported	<u>\$ (21,597,302)</u>
Restatement:	
Bond issuance costs	<u>(272,809)</u>
Total Restatement:	<u>(272,809)</u>
Net Position/ Fund Balance, June 30, 2013, as restated	<u><u>\$ (21,870,111)</u></u>

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.

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 4 – CASH AND INVESTMENTS, *Continued*

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 of 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

JUNE 30, 2014

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

JUNE 30, 2014

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 City agreements. Cash and investments as of June 30, 2014, are as follows:

City Cash and Investments in Primary Government:

Cash and investments	\$ 112,694,035
Cash and investments with fiscal agents	10,210,208
Total City Cash and Investments in Primary Government	<u>122,904,243</u>

Cash and Investments in Fiduciary Funds

Cash and investments	28,365,298
Cash and investments with fiscal agents	18,302,461
Total Fiduciary Funds Cash and Investments	<u>46,667,759</u>

Total Cash and Investments	<u><u>\$ 169,572,002</u></u>
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Cash and Investments as of June 30, 2014, consist of the following:

Cash on hand	\$ 9,500
Cash with financial institutions	1,433,076
Investments	168,129,426
Total Cash and Investments	<u><u>\$ 169,572,002</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

JUNE 30, 2014

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	Total
<i>Held by City:</i>		
California Asset Management Program	\$ 41,873,161	\$ 41,873,161
California Local Agency Investment Fund	96,743,596	96,743,596
Certificates of Deposit	1,000,000	1,000,000
<i>Held by Trustees:</i>		
Money Market Mutual Funds	28,512,669	28,512,669
Total Investments	<u>\$ 168,129,426</u>	<u>\$ 168,129,426</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.

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, 2014, the fair value approximated is the City's cost.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, are as follows:

Investment Type	AAAm/Aaa-mf/Aaa	Total
<i>Held by City:</i>		
California Asset Management Program	\$ 41,873,161	\$ 41,873,161
<i>Held by Trustees:</i>		
Money Market Mutual Funds	28,512,669	28,512,669
	<u>\$ 70,385,830</u>	<u>70,385,830</u>
<i>Not rated:</i>		
California Local Agency Investment Fund		96,743,596
Certificates of Deposit		1,000,000
Total Investments		<u>\$ 168,129,426</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 Depositary Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits. At June 30, 2014, the City was not exposed to custodial credit risk and there was no securities lending.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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	Non Major Governmental Funds	\$ 1,461,312
	Public Transit Proprietary Fund	2,075,434
	Employee Benefits Internal Service Fund	2,669,689
		<u>\$ 6,206,435</u>

All balances pertain to short-term loans to cover cash shortages as of June 30, 2014. The City expects these balances to be repaid in fiscal year 2014-15.

Interfund Advances

At June 30, 2014, 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>
Sewer Fund	Water Fund	\$ 2,838,766
		<u>2,838,766</u>
General Services Internal Services Fund	Sewer Fund	513,238
	Storm Sewer Fund	513,238
		<u>1,026,476</u>
		<u>\$ 3,865,242</u>

Sewer and Storm Sewer Funds make annual principal and interest payment on July 1, with final repayment by fiscal year 2023. The Water Fund borrowed \$2,838,766 from the Sewer Fund to finance certain improvements to the City's municipal water system in conjunction with the City's share of the expenditures related to a surface water treatment plan. The loan bears an interest rate of 1.9% compounded annually and is to be paid off by October 1, 2033.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 – INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2014, were as follows:

Transfer in	Transfer out	Amount
Low/ Mod Housing Fund	Other Non-Major Governmental Funds	\$ 8,832,713
	Total	<u>\$ 8,832,713</u>

Transfers between funds primarily occur when expenditures are made in a fund that did not receive the revenue to fund that expenditure. Contribution transfers were made in fiscal year 2014 to transfer assets to the Low/ Mod Housing Fund from the Operational Grants Fund for better accountability in relation to those funds assets.

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.

NOTE 6 – UNEARNED/UNAVAILABLE INCOME

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also delay revenue recognition in connection with resources that have been received, but not yet earned and report those as unearned revenue. As of June 30, 2014, the various components of unavailable and unearned revenue reported in the governmental funds are as follows:

	Deferred Inflow of Resources-Unavailable	Unearned	Total
Receivables collected after the 60-day period of availability	\$ 2,972,335	\$ -	\$ 2,972,335
Grants, fees, and other receipts received prior to meeting all eligibility requirements	-	1,302,975	1,302,975
Total Governmental Funds	<u>\$ 2,972,335</u>	<u>\$ 1,302,975</u>	<u>\$ 4,275,310</u>

Proprietary funds also delay revenue recognition in connection with resources that have been received, but not yet earned and report those as unearned revenue. As of June 30, 2014, the unearned revenue reported in proprietary funds are \$2,302,829.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE

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

	Balance at June 30, 2014
Loans Receivable:	
Davis Mutual Housing Association	\$ 4,981,679
New Harmony Loan	8,938,627
Windmere II	1,140,937
Walnut Terrace	3,474,055
Tremont Green	2,722,379
Moore Village	3,811,415
Eleanor Roosevelt	4,250,000
Oakshade East	1,937,485
Other Commercial Rehabilitation, Housing Rehabilitation, and Affordable Housing	1,040,209
Community Housing Opportunities Corp	1,645,496
Davis Musical Theater	41,878
Employee Computer Loans	62,465
Total Loans Receivable - Governmental Activities	<u>34,046,625</u>
Mortgages Receivable	<u>383,733</u>
Total Loans and Mortgages Receivable - Governmental Activities	<u><u>\$ 34,430,358</u></u>

Davis Mutual Housing Association

The former Redevelopment Agency (Agency) and the City entered into two agreements with the Davis Mutual Housing Association (the 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, 2014, the Association has a remaining balance of \$4,981,679.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, LLP 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, 2014, the loan amount outstanding is \$8,938,627.

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, 2014, was \$1,140,937.

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE, Continued

Walnut Terrace, Continued

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, 2014, 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, 2014 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, 2014, was \$3,811,415.

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, 2014, was \$4,250,000.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE, Continued

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 \$1,937,485 at June 30, 2014.

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, 2014, was \$1,040,209.

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, 2014, was \$1,645,496.

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, 2014 is \$41,878.

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, 2014, the loans outstanding amounted to \$62,465.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 – LOANS AND MORTGAGES RECEIVABLE, Continued

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, 2014, was \$383,733.

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

JUNE 30, 2014

NOTE 8 – CAPITAL ASSETS

Capital Asset Additions and Retirements

Capital assets activity of governmental activities for the year ended June 30, 2014, is as follows:

	Balance at July 1, 2013	Additions and Transfers	Retirements and Transfers	Balance at June 30, 2014
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 59,870,076	\$ -	\$ (3,802,578)	\$ 56,067,498
Construction in progress	5,711,675	3,672,015	(1,357,752)	8,025,938
Total capital assets not being depreciated	65,581,751	3,672,015	(5,160,330)	64,093,436
Capital assets being depreciated:				
Buildings	29,230,126			29,230,126
Improvements	14,183,303	114,460		14,297,763
Vehicles	6,276,793	1,378,663	(579,664)	7,075,792
Computer and equipment	2,241,542	199,430	49,082	2,490,054
Infrastructure				
Streets	256,058,689	970,193		257,028,882
Parks and greenbelts	62,906,027	194,608		63,100,635
Bike and pedestrian pathways	13,940,688	1,051,750		14,992,438
Total capital assets being depreciated	384,837,168	3,909,104	(530,582)	388,215,690
Less accumulated depreciation:				
Buildings	(10,086,111)	(575,895)		(10,662,006)
Improvements	(3,629,100)	(619,572)		(4,248,672)
Vehicles	(5,127,062)	(605,315)	530,582	(5,201,795)
Computer and equipment	(1,729,591)	(217,892)		(1,947,483)
Infrastructure				
Streets	(129,333,658)	(4,898,982)		(134,232,640)
Parks and greenbelts	(40,275,166)	(685,003)		(40,960,169)
Bike and pedestrian pathways	(12,440,261)	(40,546)		(12,480,807)
Total accumulated depreciation	(202,620,949)	(7,643,205)	530,582	(209,733,572)
Net capital assets being depreciated	182,216,219	(3,734,101)	-	178,482,118
Governmental Activities Capital Assets, Net	\$ 247,797,970	\$ (62,086)	\$ (5,160,330)	\$ 242,575,554

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8 – CAPITAL ASSETS, Continued

Capital Asset Additions and Retirements, (Continued)

Capital assets activity of business-type activities for the year ended June 30, 2014, is as follows:

	Balance at June 30, 2013	Additions and Transfers	Retirements and Transfers	Balance at June 30, 2014
<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	11,073,000	14,071,500		25,144,500
Other	22,429,802	8,667,355	(\$2,453,362)	28,643,795
Total capital assets not being depreciated	55,286,181	22,738,855	(2,453,362)	75,571,674
Capital assets, being depreciated:				
Buildings and Improvements	4,226,505		-	4,226,505
Water Wells, Pumps and Related Assets	70,418,518		-	70,418,518
Water Distribution System	60,281,062	947,138	-	61,228,200
Sewer Treatment Plant	42,000,000	2,444,902	-	44,444,902
Sewer Pipes and Pipelines	36,077,312		-	36,077,312
Drainage Facilities	101,483,928		-	101,483,928
Equipment	11,051,775	28,312	-	11,080,087
Net capital assets being depreciated	325,539,100	3,420,352	-	328,959,452
Less accumulated depreciation for:				
Buildings and Improvements	(1,461,428)	(103,190)	-	(1,564,618)
Water Wells, Pumps and Related Assets	(24,789,760)	(1,310,489)	-	(26,100,249)
Water Distribution System	(19,395,440)	(1,213,514)	-	(20,608,954)
Sewer Treatment Plant	(27,346,336)	(842,243)	-	(28,188,579)
Sewer Pipes and Pipe Lines	(13,823,155)	(681,089)	-	(14,504,244)
Drainage Facilities	(36,452,670)	(2,005,218)	-	(38,457,888)
Equipment	(5,318,151)	(259,324)	-	(5,577,475)
Total accumulated depreciation	(128,586,940)	(6,415,067)	-	(135,002,007)
Net capital assets being depreciated	196,952,160	(2,994,715)	-	193,957,445
Business-Type Activities Capital Assets, Net	\$ 252,238,341	\$ 19,744,140	\$ (2,453,362)	\$ 269,529,119

City's share of JPA represents the City's contribution to the Woodland-Davis Clean Water Agency JPA. The JPA is a legally separate entity. Further details of the JPA are disclosed in Note 15.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8 – CAPITAL ASSETS, Continued

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	\$	8,036
City Manager		41,451
Parks and community services		2,111,839
Public safety - fire		99,784
Public safety - police		174,365
Public works		5,207,730
Total Governmental Activities	\$	<u>7,643,205</u>

Business-Type Activities

Water	\$	2,554,200
Sewer		1,719,615
Storm sewer		2,005,218
Public transit		136,034
Total Business-Type Activities	\$	<u>6,415,067</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, is as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
<i>Governmental Activities Long-Term Debt:</i>					
Compensated Absences	\$ 2,273,671	\$ 2,628,405	\$ (2,677,200)	\$ 2,224,876	\$ 139,051
Other Postemployment Benefits	12,174,733		(286,000)	11,888,733	-
Total Governmental Activities Long-Term Debt	<u>\$ 14,448,404</u>	<u>\$ 2,628,405</u>	<u>\$ (2,963,200)</u>	<u>\$ 14,113,609</u>	<u>\$ 139,051</u>
<i>Business-Type Activities Long-Term Debt:</i>					
State Revolving Fund Loan #1 2.70%, due 7/25/2015	\$ 835,839	\$ -	\$ (271,285)	564,554	\$ 278,609
State Revolving Fund Loan #2 2.60%, due 5/01/2019	4,367,926	-	(577,071)	3,790,855	592,074
Department of Water Resources #2 2.60%, due 9/30/2022	2,960,053	-	(2,960,053)	-	-
East Area Water Storage Tank Loan 4.00%, due 8/01/2038	9,410,645	-	(212,374)	9,198,271	220,869
Wells Fargo Line of Credit	11,970,000	-	(11,970,000)	-	-
Wells Fargo Water Bonds	-	30,000,000	-	30,000,000	845,000
Compensated Absences	446,044	414,525	(430,587)	429,982	429,982
Other postemployment benefits	3,215,043	-	-	3,215,043	-
Total Business-Type Activities Long-Term Debt	<u>\$ 33,205,550</u>	<u>\$ 30,414,525</u>	<u>\$ (16,421,370)</u>	<u>\$ 47,198,705</u>	<u>\$ 2,366,534</u>

* Note: In the table above, the 2013 balance of Governmental activities was restated from \$15,014,559 to \$14,448,404, due to a mathematical correction in Note 8 of the 2012-13 Comprehensive Annual Financial Report

CITY OF DAVIS, CALIFORNIA**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2014****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, 2014:

Fiscal Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2015	\$ 1,936,552	\$ 676,619	\$ 2,613,171
2016	1,993,117	634,899	2,628,016
2017	1,757,154	596,357	2,353,511
2018	1,807,914	564,588	2,372,502
2019	1,859,479	531,845	2,391,324
2020-2024	7,262,965	2,972,838	10,235,803
2025-2029	7,660,809	2,275,921	9,936,730
2030-2034	8,909,460	1,474,090	10,383,550
2035-2039	10,366,230	532,893	10,899,123
Total	<u>43,553,680</u>	<u>\$ 10,260,050</u>	<u>\$ 53,813,730</u>

Description of the City's Long-Term Debt IssuesState 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, 2014, the City owed \$564,554 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, 2014, the City owed \$3,790,855 on the loan.

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 this loan was made in the current fiscal year in conjunction with the issuance of the water revenue bonds.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9 – LONG-TERM DEBT, Continued

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. As of June 30, 2014, the City owed \$9,198,271 on the loan.

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. 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 2013-2014, the City repaid \$11,970,000 which eliminated the outstanding balance.

Wells Fargo 2013 Water Revenue Bonds

In October 2013, the City of Davis Public Facilities Financing Authority executed an installment purchase agreement issuing \$30,000,000 in water revenue bonds for the purpose 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. The outstanding principal balance on the bonds as of June 30, 2014 is \$30,000,000.

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

JUNE 30, 2014

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, 2014, is as follows:

Description	Issue Year	Maturity Year	Outstanding June 30, 2014
University Research Park Improvement, \$2,265,000 original principal	1993	2018	\$ 790,000
Public Facilities Financing Authority, \$5,355,000 original principal	2004	2016	1,045,000
Community Facilities District No. 1991-2, \$14,115,000 original principal	2007	2026	10,775,000
Community Facilities District No. 2007-2, \$5,510,000 original principal	2008	2037	4,955,000
Public Facilities Financing Authority, \$9,570,000 original principal	2009	2030	9,570,000
Total			<u>\$ 27,135,000</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11 – CLASSIFICATION OF FUND BALANCE

Detailed classifications of the City's fund balances, as of June 30, 2014, are below.

Fund Balance Classifications	General Fund	Child Care Grant	Deferred Improvement	Income Housing Fund	Open Space	Governmental Funds	Total
Nonspendables:							
Loans Receivable	\$ 104,343	\$ -	\$ -	\$ -	\$ -	\$ 1,795,533	\$ 1,899,876
Total Nonspendable	<u>104,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,795,533</u>	<u>1,899,876</u>
Restricted for:							
Child Care Services	-	396,554	-	-	-	-	396,554
Development Services	-	-	1,398,489	-	-	-	1,398,489
Roadways & Street Improvements	-	-	12,384,341	-	-	1,479,071	13,863,412
Parks	-	-	5,576,140	-	3,927,434	-	9,503,574
Public Safety	-	-	2,572,775	-	-	-	2,572,775
General Facilities	-	-	1,646,618	-	-	-	1,646,618
Open Space	-	-	1,372,583	-	-	-	1,372,583
Grants	-	-	-	-	-	180,395	180,395
Public Facilities	-	-	-	-	-	218,472	218,472
Land Acquisition	-	-	-	-	-	1,561,549	1,561,549
District Improvements	-	-	-	-	-	1,216,768	1,216,768
Low Income Housing	-	-	-	33,725,931	-	-	33,725,931
Total Restricted	<u>-</u>	<u>396,554</u>	<u>24,950,946</u>	<u>33,725,931</u>	<u>3,927,434</u>	<u>4,656,255</u>	<u>67,657,120</u>
Committed to:							
Cable TV	-	-	-	-	-	1,646,968	1,646,968
In Lieu of Parking and Parking	-	-	-	-	-	729,828	729,828
Parks	-	-	-	-	-	341,101	341,101
Agriculture Land Acquisition	-	-	-	-	-	425,653	425,653
Municipal Arts	-	-	-	-	-	45,384	45,384
Public Safety	-	-	-	-	-	9,269	9,269
Capital Projects	-	-	-	-	-	4,849,888	4,849,888
Other Special Revenues	-	-	-	-	-	10,295	10,295
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,058,386</u>	<u>8,058,386</u>
Assigned to:							
Next Year's Budget	1,458,749	-	-	-	-	-	1,458,749
Debt Service	-	-	-	-	-	383,420	383,420
Total Assigned	<u>1,458,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,420</u>	<u>1,842,169</u>
Unassigned:	<u>7,973,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,095,591)</u>	<u>6,878,099</u>
Total Unassigned	<u>7,973,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,095,591)</u>	<u>6,878,099</u>
Total Fund Balances	<u>\$ 9,536,782</u>	<u>\$ 396,554</u>	<u>\$ 24,950,946</u>	<u>\$ 33,725,931</u>	<u>\$ 3,927,434</u>	<u>\$ 13,798,003</u>	<u>\$ 86,335,650</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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	52
Monthly benefits, as a % of annual salary	2-2.7%	1-2.5%
Required employee contribution rates	11.25%	6.25%
Required employer contribution rates	27.82%	21.13%

Annual Pension Cost, Actuarial Methods, and Assumptions

For fiscal year 2013-2014, the plan's annual pension cost was \$8,625,838. 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 pension obligation.

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

JUNE 30, 2014

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>
2012	\$ 8,507,850	100%
2013	8,433,449	100%
2014	8,625,838	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>Market 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>
6/30/2013	\$ 81,812,117	\$ 100,830,782	\$ 19,018,665	81.1%	\$ 9,556,561	199.0%

Miscellaneous Plan

<u>Actuarial Valuation Date</u>	<u>Market 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>
6/30/2013	\$ 120,779,916	\$ 159,828,392	\$ 39,048,476	75.6%	\$ 17,591,739	222.0%

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.

Asset Valuation Method

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, approximately 235 participants were eligible to receive benefits.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2013, 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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS, Continued

Funding Policy and Actuarial Assumptions, Continued

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, 2014, the City made contributions toward the ARC amounting to \$6,405,000 to the plan which represented 18.43 percent of the \$34,760,973 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 obligation and actual contributions, as presented below:

Annual required contribution	\$ 6,405,000
Interest on net OPEB obligation	1,116,000
Amortization of net OPEB obligation	(1,402,000)
Annual OPEB cost	<u>6,119,000</u>
Contributions made:	
Benefit payments	2,863,361
Trust pre-funding	3,541,639
Total contributions	<u>6,405,000</u>
Net increase (decrease) in net OPEB obligation	(286,000)
Net OPEB obligation at July 1, 2013	<u>15,389,776</u>
Net OPEB obligation at June 30, 2014	<u>\$ 15,103,776</u>
Percentage of ARC contributed	100.00%

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
6/30/2012	\$ 5,813,000	\$ 3,635,574	62.54%	\$ 14,470,000
6/30/2013	6,844,000	5,924,224	86.56%	15,389,776
6/30/2014	6,119,000	6,405,000	104.67%	15,103,776

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS, Continued

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

Actuarial Valuation Date	Actuarial 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)
6/30/2013	\$ 8,739,000	\$ 70,628,000	\$ 61,889,000	12.37%	\$ 28,818,000	214.76%

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.

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 15 – RISK MANAGEMENT, *Continued*

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, workers' compensation, property, fidelity, boiler and machinery, and pollution legal liability claims. Once the City's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. The City's underground storage tank is insured by ACE American Insurance Company. In addition, the California Joint Powers Risk Management Authority (CJPRMA), Fidelity and Deposit of MD, and CSAC-EIA, provide coverage for amounts in excess of YCPARMIA's limits. During the fiscal year ended June 30, 2014, the City contributed \$1,742,425 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	959,357,100
Fidelity Coverage	1,000	2,000,000
Boiler and Machinery Coverage	1,000	100,000,000
Pollution Legal Liability	-	10,000,000
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, 2014, 2013, and 2012, the amount of settlement did not exceed insurance coverage.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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:

	2014	2013
Beginning balance	\$ 45,000	\$ 34,500
Liability for current fiscal year claims	115,000	45,000
Decrease in estimated liability for prior year claims	(42,348)	(4,346)
Payments made on current year claims	(27,926)	(5,000)
Payments made on prior year claims	(30,000)	(25,154)
Ending balance	<u>\$ 59,726</u>	<u>\$ 45,000</u>
Current Portion	<u>\$ 59,726</u>	<u>\$ 45,000</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:

	2014	2013
Beginning balance	\$ 12,460	\$ 18,208
Liability for current fiscal year claims	7,016	23,000
Decrease in estimated liability for prior year claims	39,358	(7,108)
Payments made on current year claims	(26,887)	(10,540)
Payments made on prior year claims	(18,103)	(11,100)
Ending balance	<u>\$ 13,844</u>	<u>\$ 12,460</u>
Current Portion	<u>\$ 13,844</u>	<u>\$ 12,460</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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:

	2014	2013
Beginning balance	\$ 412,244	\$ 469,291
Increase in estimated liability for prior year claims	26,300	39,274
Payments made on prior year claims	(74,216)	(96,321)
Ending balance	<u>\$ 364,328</u>	<u>\$ 412,244</u>
Current Portion	<u>\$ 74,216</u>	<u>\$ 96,321</u>

NOTE 16 – JOINTLY GOVERNED ORGANIZATION / INVESTEMENT IN JOINT VENTURE

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 \$14,071,500 for the year ended June 30, 2014. Financial statements of the Agency may be obtained by mailing a request to the City of Davis, 23 Russell Blvd., Davis, California 95616.

NOTE 17 – CONTINGENCIES

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.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 17 – CONTINGENCIES, Continued

Due Diligence Agreed-Upon Procedures Engagements

The City received its original Other Funds and Accounts Due Diligence Review (OFA) determination letter from the California Department of Finance (DOF) dated March 27, 2013. The City subsequently requested a meet and confer session with the DOF and held this meeting on April 17, 2013. The DOF then submitted the final letter determination of the OFA balances dated May 3, 2013 and determined that the City of Davis was to transmit \$5,575,699 to the Auditor-Controller's Office, to be distributed back to the taxing entities within five working days of receiving the letter. As of the date of the financial statements, payment has not been submitted to the Auditor-Controller. Failure to transmit the payment may result in offsets to the City's sales, use, or property tax allocation. Failure to transmit the funds will also prevent the City from receiving a finding of completion from the DOF. Until the issue is resolved there is a continuing risk that the State Controller and the DOF will require the City to return the \$5.6 million from the City's Downtown Area Capital Revitalization capital project fund to the Auditor-Controller. See Note 19.

NOTE 18 – PROGRAM CESSATION/ GOING CONCERN

Child Care Grant Fund

The City of Davis Child Development Fund (the Fund) has verbally informed all grantors that the Fund will cease operations effective July 1, 2015. A formal decision and notification is expected to occur in late December 2014.

The ability to continue as a going concern for a reasonable period of time is dependent on a formal decision and whether the Fund continues to receive funding from grantors. The financial statements do not include any adjustments that might be necessary if management makes the decision to cease the operations of the Fund.

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY

Background

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 (the City) that 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 August 23, 2011, 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).

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY, Continued

The Successor Agencies will only be allocated revenues 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.

The All Other Redevelopment Funds Due Diligence Review was submitted to the DOF on January 15, 2013. See Note 17.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City and any assets currently held by the City, that were transferred from the former redevelopment agency 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.

Property Taxes

Property taxes are assessed under various legislative provisions, contained in the Government Code and the Revenue and Taxation Code, by the County Assessor. Taxes on real property are limited to one percent of assessed valuation plus additional taxes for repayment of any existing voted indebtedness. The Successor Agency receives a portion of the property tax income based on a formula prescribed in Section 26912(b) of the Government Code and Sections 95-100 of the California Revenue and Taxation Code and as amended by the passage of AB 454.

The Successor Agency's main source of funding is property taxes allocated by the County Auditor-Controller (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former Redevelopment Agency's enforceable obligations. The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January – June and July – December). The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF).

The Successor Agency receives allocation of property taxes for its approved ROPS items after payment of the County's administrative costs and pass-through payments to affected taxing entities. Property tax revenue allocations are reported under tax increment revenues in the statement of changes in fiduciary net position and are recognized in the same fiscal year as the underlying six month ROPS to which they pertain. In addition to the ROPS payments, the Successor Agency is allocated an annual administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of \$250,000, whichever is greater.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY, *Continued*

Cash and Investments

The Successor Agency's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The Successor Agency pools cash from all sources, except Cash with Fiscal Agents, with the City of Davis so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. See footnote four for the City's Investment Policy and the California Government Code. The total cash and investments balance of \$3,369,828 is presented in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments held in the City's cash and investments pool are available on demand and are stated at fair value.

Cash and investments with Fiscal Agents

The total cash and investments with fiscal agents balance of \$17,184,802 represents cash held by third party trustees as determined by bond covenants.

Current Liabilities

Interest Payable

The Successor Agency accrues for interest payments on the debt of an enforceable obligation identified on the approved Successor Agency ROPS schedule. Interest payable on the long term obligations is \$498,436 as of June 30, 2014.

Long-Term Obligations

The following is a summary of long-term debt transactions of the Successor Agency for the fiscal year ended June 30, 2014:

<u>Tax Allocation Bonds:</u>	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
2003 Tax Allocation Refunding Bonds 2.00% - 5.00%, due 9/01/2033	\$ 7,980,000	\$ -	\$ (180,000)	\$ 7,800,000	\$ 185,000
2007 Tax Allocation Refunding Bonds 2.00% - 5.00%, due 9/01/2030	10,090,000	-	(385,000)	9,705,000	410,000
2007 Taxable Housing Tax Allocation Bonds 5.50%, due 9/01/2037	7,700,000	-	(145,000)	7,555,000	155,000
2011 Subordinate Tax Allocation Bonds, Series A 6.50% - 7.00%, due 12/01/2036	13,310,000	-	-	13,310,000	-
B 3.25% - 5.00%, due 12/01/2022	3,820,000	-	(295,000)	3,525,000	305,000
Less Bond Issuance Discounts	(589,527)		32,591	(556,936)	32,591
Total	<u>\$ 42,310,473</u>	<u>\$ -</u>	<u>\$ (972,409)</u>	<u>\$ 41,338,064</u>	<u>\$ 1,087,591</u>

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY, *Continued*

Debt Service Requirements

Future principal and interest payments on all of the Successor Agency's long-term debt were as follows at June 30, 2014:

Fiscal Year Ending				
June 30,	Principal	Interest	Total	
2015	\$ 1,055,000	\$ 2,365,980	\$ 3,420,980	
2016	1,100,000	2,312,593	3,412,593	
2017	1,160,000	2,251,496	3,411,496	
2018	1,225,000	2,186,393	3,411,393	
2019	1,285,000	2,117,245	3,402,245	
2020-2024	8,245,000	9,390,184	17,635,184	
2025-2029	10,185,000	7,025,966	17,210,966	
2030-2034	12,865,000	3,855,550	16,720,550	
2035-2038	4,775,000	666,645	5,441,645	
Total	\$ 41,895,000	\$ 32,172,052	\$ 74,067,052	

Description of the Successor Agency's Long-Term Debt

2003 Tax Allocation Refunding Bonds and 2007 Tax Allocation Refunding Bonds

On October 30, 2003, the former Redevelopment Agency of the City of Davis issued the 2003 Tax Allocation Refunding Bonds in the amount of \$9,625,000. The proceeds from the sale of the bonds were used to refund the former Redevelopment Agency's outstanding Davis Redevelopment Project 1994 Tax Allocation Bonds. The Successor Agency's tax increment revenue; less amounts required to be set aside in the Redevelopment Agency Low Income Housing Fund and certain tax increment pass through payments, is pledged for the repayment of these bonds. Principal payments are payable annually on September 1 and interest is payable semi-annually each March 1 and September 1 through 2034.

The pledge of future tax increment revenues ends upon repayment of the \$12,938,438 in remaining debt service on this bond issue which is scheduled to occur in 2034. For fiscal year 2013-2014 debt service amounted to \$559,178.

On February 20, 2007, the former Redevelopment Agency of the City of Davis issued the 2007 Tax Allocation Refunding Bonds in the amount of \$12,140,000. The proceeds from the sale of the bonds were used to refund the former Redevelopment Agency's outstanding Davis Redevelopment Project 2000 Tax Allocation Refunding Bonds. The bonds are secured on parity with the 2003 Tax Allocation Refunding Bonds by a pledge of and first lien on Successor Agency tax increment revenues less amounts required to be set aside in the Redevelopment Agency Low Income Housing Fund and certain tax increment pass through payments, from the former Redevelopment Agency's Redevelopment Project. Interest is payable semi-annually each March 1 and September 1 and principal payments are payable annually on September 1 through 2031.

The pledge of future tax increment revenues ends upon repayment of the \$13,509,419 in remaining debt service on this bond issue which is scheduled to occur in 2031. For fiscal year 2013-2014 debt service amounted to \$791,300.

CITY OF DAVIS, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY, Continued

2007 Taxable Housing Tax Allocation Bonds

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

The pledge of future tax increment revenues ends upon repayment of the \$13,793,207 in remaining debt service on this bond issue which is scheduled to occur in 2038. For fiscal year 2013-2014 debt service amounted to \$573,778.

2011 Subordinate Tax Allocation Bonds, Series A, and Series B

On March 1, 2011, the former Redevelopment Agency of the City of Davis issued the 2011 Subordinate Tax Allocation Bonds, Series A, in the amount of \$13,310,000, and 2011 Subordinate Taxable Tax Allocation Bond, Series B, in the amount of \$4,690,000. The proceeds will be used to fund certain redevelopment activities of benefit to the former Redevelopment Agency's Davis Redevelopment Successor Agency Project.

The bonds are payable from subordinate tax revenues which consist primarily of tax increment revenues payable to the Successor Agency.

The pledge of future tax increment revenues ends upon repayment of the \$33,825,988 in remaining debt service on this bond issue which is scheduled to occur in 2038. For fiscal year 2013-2014 debt service amounted to \$1,491,475.

As discussed above, the Successor Agency has pledged all future tax increment revenues for the repayment of the Tax Allocation Bonds. Debt service for the 2003 Tax Allocation Refunding Bonds and 2007 Tax Allocation Refunding Bonds is senior to the 2011 Series A and B Tax Allocation Refunding Bonds. The pledge of all future tax increment revenues end upon repayment of the combined remaining debt service of \$74,067,052 on the Bonds above, which is scheduled to occur in 2038. For fiscal year 2013-2014, net tax increment revenues amounted to \$3,522,521 while debt service of the bonds amounted to \$3,415,731.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAVIS, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS FOR EMPLOYEES RETIREMENT PLAN

FOR THE YEAR ENDED JUNE 30, 2014

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	Actuarial 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)
6/30/2010	\$ 73,120,141	\$ 88,235,535	\$ 15,115,394	82.9%	\$ 9,433,404	160.2%
6/30/2011	77,458,408	96,568,277	19,109,869	80.2%	9,715,719	196.7%
6/30/2013	81,812,117	100,830,782	19,018,665	81.1%	9,556,561	199.0%

City of Davis Miscellaneous Plan - Employees Retirement Plan

Actuarial Valuation Date	Actuarial 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)
6/30/2010	\$ 109,980,468	\$ 142,260,115	\$ 32,279,647	77.3%	\$ 20,173,591	160.0%
6/30/2011	115,603,690	152,651,865	37,048,175	75.7%	19,710,807	188.0%
6/30/2013	120,779,916	159,828,392	39,048,476	75.6%	17,591,739	222.0%

Asset Valuation Method

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

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, 2014

City of Davis
Other Post Employment Benefits (OPEB)

Actuarial Valuation Date	Actuarial 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)
6/30/2010	\$ 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%
6/30/2013	8,739,000	70,628,000	61,889,000	12.37%	28,818,000	214.76%

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.

See notes to required supplementary information.

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	\$ 31,751,569	\$ 31,120,810	\$ 33,862,322	\$ 2,741,512
Licenses and permits	150	150	301	151
Fines and forfeitures	868,400	868,400	833,513	(34,887)
Use of money and property	1,354,046	3,096,757	2,901,196	(195,561)
Intergovernmental	87,636	169,118	251,559	82,441
Charges for current services	5,829,525	5,215,073	5,380,942	165,869
Administrative fee - Enterprise Fund	2,626,107	2,626,107	2,626,107	-
Other	63,166	568,790	452,435	(116,355)
Total Revenues	42,580,599	43,665,205	46,308,375	2,643,170
EXPENDITURES:				
Current:				
General government:				
City council	137,290	137,290	124,507	12,783
City attorney	362,967	557,967	555,619	2,348
City manager	2,168,359	2,169,609	2,120,268	49,341
Administrative Services	2,643,838	2,694,166	2,452,791	241,375
Community development	3,437,786	2,758,135	2,146,664	611,471
Public works	1,275,016	1,543,547	1,544,807	(1,260)
Parks and recreation:				
Parks and community services	10,730,528	12,248,052	11,834,326	413,726
Public safety:				
Fire	8,277,052	8,506,461	8,500,700	5,761
Police	14,483,319	14,815,939	14,800,248	15,691
Capital outlay	1,287,341	2,077,787	471,612	1,606,175
Total Expenditures	44,803,496	47,508,953	44,551,542	2,957,411
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,222,897)	(3,843,748)	1,756,833	5,600,581
CHANGE IN FUND BALANCE	(2,222,897)	(3,843,748)	1,756,833	5,600,581
Budgetary Fund Balance, Beginning of Year	6,489,662	6,489,662	6,489,662	-
Budgetary Fund Balance, End of Year	\$ 4,266,765	\$ 2,645,914	\$ 8,246,495	\$ 5,600,581

(Continued)

See notes to required supplementary information.

CITY OF DAVIS, CALIFORNIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGET BASIS (Continued)**

FOR THE YEAR ENDED JUNE 30, 2014

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: \$ 46,308,375

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 260,304

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 1,519,063

Total revenues as reported on the statement of revenues expenditures and changes in fund balances - governmental funds \$ 48,087,742

Budgetary Expenditures:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule: \$ 44,551,542

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 228,745

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 1,690,620

Total expenditures as reported on the statement of revenues expenditures and changes in fund balances - governmental funds \$ 46,470,907

See notes to required supplementary information.

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 638	\$ (362)
Intergovernmental	6,549,820	4,810,946	4,518,601	(292,345)
Charges for current services	56,800	56,800	78,315	21,515
Total Revenues	<u>6,607,620</u>	<u>4,868,746</u>	<u>4,597,554</u>	<u>(271,192)</u>
EXPENDITURES:				
Current:				
Parks and recreation:				
Parks and community services	<u>6,606,120</u>	<u>4,861,017</u>	<u>4,584,279</u>	<u>276,738</u>
Total Expenditures	<u>6,606,120</u>	<u>4,861,017</u>	<u>4,584,279</u>	<u>276,738</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,500	7,729	13,275	5,546
Fund Balance, Beginning of Year	<u>383,279</u>	<u>383,279</u>	<u>383,279</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 384,779</u>	<u>\$ 391,008</u>	<u>\$ 396,554</u>	<u>\$ 5,546</u>

See notes to required supplementary information.

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 40,000	\$ 44,957	\$ 42,378	\$ (2,579)
Development Fees	1,173,920	434,682	1,695,672	1,260,990
Other	-	-	722	722
Total Revenues	1,213,920	479,639	1,738,772	1,259,133
EXPENDITURES:				
Current:				
General government:				
Administrative Services	119,216	178,617	129,901	48,716
Public works	347,671	376,418	325,916	50,502
Special projects	76,376	156,871	148,515	8,356
Capital outlay	3,896,636	2,183,266	1,896,568	286,698
Total Expenditures	4,439,899	2,895,172	2,500,900	394,272
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,225,979)	(2,415,533)	(762,128)	1,653,405
OTHER FINANCING SOURCES				
Transfers out	139,834	139,834	-	139,834
Total Other Financing Sources	139,834	139,834	-	139,834
NET CHANGE IN FUND BALANCE	(3,086,145)	(2,275,699)	(762,128)	1,513,571
Fund Balance, Beginning of Year	25,713,074	25,713,074	25,713,074	-
Fund Balance, End of Year	\$ 22,626,929	\$ 23,437,375	\$ 24,950,946	\$ 1,513,571

See notes to required supplementary information.

CITY OF DAVIS, CALIFORNIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
LOW/ MODERATE INCOME HOUSING FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 38,300	\$ 38,300	\$ 298,522	\$ 260,222
Intergovernmental	58,520	58,520	18,437	(40,083)
Charges for services	369,232	393,701	319,516	(74,185)
Other	40,000	40,000	23,071	(16,929)
Total Revenues	506,052	530,521	659,546	129,025
EXPENDITURES:				
Current:				
General government:				
Special projects	949,317	682,300	438,735	243,565
Total Expenditures	949,317	682,300	438,735	243,565
OTHER FINANCING SOURCES				
Transfers in	-	-	8,832,713	8,832,713
Total Other Financing Sources	-	-	8,832,713	8,832,713
NET CHANGE IN FUND BALANCE	(443,265)	(151,779)	9,053,524	9,205,303
Fund Balance, Beginning of Year	24,672,407	24,672,407	24,672,407	-
Fund Balance, End of Year	\$ 24,229,142	\$ 24,520,628	\$ 33,725,931	\$ 9,205,303

See notes to required supplementary information.

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 671,000	\$ 671,000	\$ 640,980	\$ (30,020)
Use of money and property	4,500	4,500	5,895	1,395
Intergovernmental	807,084	807,084	807,084	-
Total Revenues	<u>1,482,584</u>	<u>1,482,584</u>	<u>1,453,959</u>	<u>(28,625)</u>
EXPENDITURES:				
Current:				
Parks and recreation:				
Parks and community services	402,873	394,241	392,580	1,661
Capital Outlay	-	4,957	4,957	-
Total Expenditures	<u>402,873</u>	<u>399,198</u>	<u>397,537</u>	<u>1,661</u>
NET CHANGE IN FUND BALANCE	1,079,711	1,083,386	1,056,422	(26,964)
Fund Balance, Beginning of Year	<u>(222,359)</u>	<u>(222,359)</u>	<u>(222,359)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 857,352</u>	<u>\$ 861,027</u>	<u>\$ 834,063</u>	<u>\$ (26,964)</u>

See notes to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAVIS, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – BUDGET

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, 2014. 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.

Departments shall observe the budget document to ensure their financial activities comply for their respective departments and/or areas of operations. Where funds are restricted by law, such as developer fees, gas tax funds, trust funds, etc., departments shall ensure compliance with legal restrictions for such funds under their control.

Each department shall establish internal budget controls to administer compliance with the City's policy.

Expenditures in Excess of Appropriations

The following non-major funds exceeded the appropriations for the year ended June 30, 2014,

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
TDA Non-Transit Fund	\$ 1,846,195	\$ 2,050,876	\$ (204,681)
Operational Grants	332,000	657,800	(325,800)

The excess expenditures were covered by residual balances within the fund.

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF DAVIS, CALIFORNIA

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

JUNE 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments	4,480,131	\$ 383,253	\$ 7,843,256	\$ 12,706,640
Accrued interest	1,762	167	3,421	5,350
Receivables:				
General accounts	297,405	-	-	297,405
Grants	2,615,869	-	221,304	2,837,173
Utility accounts	209,353	-	-	209,353
Loans	1,755,324	-	40,209	1,795,533
Total Assets	<u>\$ 9,359,844</u>	<u>\$ 383,420</u>	<u>\$ 8,108,190</u>	<u>\$ 17,851,454</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Payables:				
Accounts	\$ 248,603	\$ -	\$ 55,070	\$ 303,673
Wages	13,136	-	84	13,220
Unearned revenue	264,865	-	-	264,865
Due to other funds	1,375,803	-	85,509	1,461,312
Total Liabilities	<u>1,902,407</u>	<u>-</u>	<u>140,663</u>	<u>2,043,070</u>
Deferred Inflows of Resources:				
Unavailable Revenue	<u>1,789,077</u>	<u>-</u>	<u>221,304</u>	<u>2,010,381</u>
Fund Balances:				
Nonspendable	1,755,324	-	40,209	1,795,533
Restricted	1,659,466	-	2,996,789	4,656,255
Committed	3,208,498	-	4,849,888	8,058,386
Assigned	-	383,420	-	383,420
Unassigned	(954,928)	-	(140,663)	(1,095,591)
Total Fund Balances	<u>5,668,360</u>	<u>383,420</u>	<u>7,746,223</u>	<u>13,798,003</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,359,844</u>	<u>\$ 383,420</u>	<u>\$ 8,108,190</u>	<u>\$ 17,851,454</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$ 2,362,950	\$ -	\$ -	\$ 2,362,950
Use of money and property	96,901	580	14,201	111,682
Intergovernmental	4,347,723	-	322,191	4,669,914
Charges for current services	2,317,379	-	-	2,317,379
Development fees	315,485	-	-	315,485
Other	644	-	-	644
Total Revenues	<u>9,441,082</u>	<u>580</u>	<u>336,392</u>	<u>9,778,054</u>
EXPENDITURES				
Current:				
General government:				
City manager	577,840	-	-	577,840
Administrative services	145,583	-	-	145,583
Community development	215,644	-	-	215,644
Public works	3,168,495	-	-	3,168,495
Special projects	1,338,780	-	-	1,338,780
Parks and recreation:				
Parks and community services	1,352,053	-	-	1,352,053
Public safety:				
Fire	1,519,625	-	-	1,519,625
Police	1,548,007	-	-	1,548,007
Capital outlay	1,039,836	-	748,020	1,787,856
Total Expenditures	<u>10,905,863</u>	<u>-</u>	<u>748,020</u>	<u>11,653,883</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(1,464,781)</u>	<u>580</u>	<u>(411,628)</u>	<u>(1,875,829)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(8,832,713)</u>	<u>-</u>	<u>-</u>	<u>(8,832,713)</u>
Total Other Financing Sources (Uses)	<u>(8,832,713)</u>	<u>-</u>	<u>-</u>	<u>(8,832,713)</u>
Net Change in Fund Balances	(10,297,494)	580	(411,628)	(10,708,542)
Fund Balances at Beginning of Year, as restated	<u>15,965,854</u>	<u>382,840</u>	<u>8,157,851</u>	<u>24,506,545</u>
Fund Balances at End of Year	<u>\$ 5,668,360</u>	<u>\$ 383,420</u>	<u>\$ 7,746,223</u>	<u>\$ 13,798,003</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.

Agriculture Land Acquisition

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

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, 2014

	Gas Tax	TDA Non-Transit Use	Park Maintenance Tax	Cable TV	Public Safety
ASSETS					
Cash and investments	\$ 1,325,380	\$ -	\$ -	\$ 1,476,275	\$ -
Accrued interest	305	-	-	649	90
Receivables:					
General accounts	-	-	67,229	149,608	80,383
Grants	198,256	1,015,052	-	33,897	8,620
Utility accounts	-	-	-	-	209,353
Loans	-	-	-	-	-
Total Assets	<u>\$ 1,523,941</u>	<u>\$ 1,015,052</u>	<u>\$ 67,229</u>	<u>\$ 1,660,429</u>	<u>\$ 298,446</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	\$ 79,593	\$ 89,415	\$ -	\$ 10,130	\$ 23,793
Wages payable	3,535	-	-	3,331	-
Deferred revenue	-	-	-	-	202,735
Due to other funds	-	865,513	67,229	-	62,649
Total Liabilities	<u>83,128</u>	<u>954,928</u>	<u>67,229</u>	<u>13,461</u>	<u>289,177</u>
Deferred Inflows of Resources:					
Unavailable Revenue		<u>1,015,052</u>			
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,440,813	-	-	-	-
Committed	-	-	-	1,646,968	9,269
Unassigned	-	(954,928)	-	-	-
Total Fund Balances	<u>1,440,813</u>	<u>(954,928)</u>	<u>-</u>	<u>1,646,968</u>	<u>9,269</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,523,941</u>	<u>\$ 1,015,052</u>	<u>\$ 67,229</u>	<u>\$ 1,660,429</u>	<u>\$ 298,446</u>

Municipal Arts	Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Parking	Federal/State Highway Grant	Community Development Block Grant	Operational Grants
\$ 45,367 17	\$ 340,915 186	\$ 460,167 201	\$ 270,048 111	\$ - -	\$ - 2	\$ 126,222 10
-	-	-	185	-	-	-
-	-	-	-	913,404	274,421	172,219
-	-	-	-	-	-	-
-	-	-	-	-	1,755,324	-
<u>\$ 45,384</u>	<u>\$ 341,101</u>	<u>\$ 460,368</u>	<u>\$ 270,344</u>	<u>\$ 913,404</u>	<u>\$ 2,029,747</u>	<u>\$ 298,451</u>
\$ -	\$ -	\$ -	\$ 884	-	\$ 16,647	\$ 28,141
-	-	-	-	-	1,295	4,975
-	-	-	-	-	-	62,130
-	-	-	-	268,055	112,357	-
-	-	-	884	268,055	130,299	95,246
				607,091	81,936	84,998
-	-	-	-	-	1,755,324	-
-	-	-	-	38,258	62,188	118,207
45,384	341,101	460,368	269,460	-	-	-
-	-	-	-	-	-	-
<u>45,384</u>	<u>341,101</u>	<u>460,368</u>	<u>269,460</u>	<u>38,258</u>	<u>1,817,512</u>	<u>118,207</u>
<u>\$ 45,384</u>	<u>\$ 341,101</u>	<u>\$ 460,368</u>	<u>\$ 270,344</u>	<u>\$ 913,404</u>	<u>\$ 2,029,747</u>	<u>\$ 298,451</u>

CITY OF DAVIS

COMBINING BALANCE SHEET, Continued
SPECIAL REVENUE FUNDS

JUNE 30, 2014

	Agriculture Land Acquisition	Davisville Book	Historical Fund	Binley/Hattie Weber	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and investments	\$ 425,467	\$ 1,251	\$ 6,612	\$ 2,427	\$ 4,480,131
Accrued interest	186	1	3	1	1,762
Receivables:					
General accounts	-	-	-	-	297,405
Grants	-	-	-	-	2,615,869
Utility accounts	-	-	-	-	209,353
Loans	-	-	-	-	1,755,324
Total Assets	<u>\$ 425,653</u>	<u>\$ 1,252</u>	<u>\$ 6,615</u>	<u>\$ 2,428</u>	<u>\$ 9,359,844</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Payables:					
Accounts	\$ -	\$ -	\$ -	\$ -	\$ 248,603
Wages payable	-	-	-	-	13,136
Deferred revenue	-	-	-	-	264,865
Due to other funds	-	-	-	-	1,375,803
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,902,407</u>
Deferred Inflows of Resources:					
Unavailable Revenue					1,789,077.00
Fund Balances:					
Nonspendable	-	-	-	-	1,755,324
Restricted	-	-	-	-	1,659,466
Committed	425,653	1,252	6,615	2,428	3,208,498
Unassigned	-	-	-	-	(954,928)
Total Fund Balances	<u>425,653</u>	<u>1,252</u>	<u>6,615</u>	<u>2,428</u>	<u>5,668,360</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 425,653</u>	<u>\$ 1,252</u>	<u>\$ 6,615</u>	<u>\$ 2,428</u>	<u>\$ 9,359,844</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Gas Tax	TDA Non-Transit Use	Park Maintenance Tax	Cable TV	Public Safety	Municipal Arts
REVENUES						
Taxes	\$ -	\$ -	\$ 1,339,534	\$ 566,800	\$ 456,616	\$ -
Use of money and property	754	939	-	2,222	240	69
Intergovernmental	2,086,009	-	-	129,268	118,218	-
Charges for current services	-	-	-	-	2,316,130	-
Development fees	-	-	-	-	-	9,583
Other	-	-	-	643	-	1
Total Revenues	2,086,763	939	1,339,534	698,933	2,891,204	9,653
EXPENDITURES						
Current:						
General government:						
City manager	-	-	-	577,840	-	-
Administrative Services	-	-	-	87,889	38,819	-
Community development	-	185,779	-	-	-	15,204
Public works	990,398	1,865,097	-	-	-	-
Special projects	-	-	-	-	-	-
Parks and recreation:						
Parks and community services	-	-	1,321,553	-	-	30,500
Public safety:						
Fire	-	-	-	-	1,519,625	-
Police	-	-	-	-	1,548,007	-
Capital outlay	18,999	-	-	19,495	-	-
Total Expenditures	1,009,397	2,050,876	1,321,553	685,224	3,106,451	45,704
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,077,366	(2,049,937)	17,981	13,709	(215,247)	(36,051)
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	1,077,366	(2,049,937)	17,981	13,709	(215,247)	(36,051)
Fund Balances at Beginning of Year, as restated	363,447	1,095,009	(17,981)	1,633,259	224,516	81,435
Fund Balances at End of Year	\$ 1,440,813	\$ (954,928)	\$ -	\$ 1,646,968	\$ 9,269	\$ 45,384

Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Parking	Federal/State Highway Grants	Community Development Block Grant	Operational Grants	Agriculture Land Acquisition
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
675	695	90,439	195	11	-	645
-	-	-	508,543	725,917	779,768	-
-	-	-	-	-	-	-
301,902	4,000	-	-	-	-	-
-	-	-	-	-	-	-
302,577	4,695	90,439	508,738	725,928	779,768	645
-	-	-	-	-	-	-
-	-	18,875	-	-	-	-
-	-	13,555	-	-	-	1,106
-	-	-	313,000	-	-	-
-	-	-	-	680,980	657,800	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
257,224	-	-	744,118	-	-	-
257,224	-	32,430	1,057,118	680,980	657,800	1,106
45,353	4,695	58,009	(548,380)	44,948	121,968	(461)
-	-	-	-	-	(8,832,713)	-
-	-	-	-	-	(8,832,713)	-
45,353	4,695	58,009	(548,380)	44,948	(8,710,745)	(461)
295,748	455,673	211,451	586,638	1,772,564	8,828,952	426,114
\$ 341,101	\$ 460,368	\$ 269,460	\$ 38,258	\$ 1,817,512	\$ 118,207	\$ 425,653

CITY OF DAVIS, CALIFORNIA

SPECIAL REVENUE FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2014

	Davisville Book	Historical Fund	Brinley/Hattie Weber	Total Non-Major Special Revenue Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 2,362,950
Use of money and property	3	10	4	96,901
Intergovernmental	-	-	-	4,347,723
Charges for current services	1,249	-	-	2,317,379
Development fees	-	-	-	315,485
Other	-	-	-	644
Total Revenues	1,252	10	4	9,441,082
EXPENDITURES				
Current:				
General government:				
City manager	-	-	-	577,840
Administrative Services	-	-	-	145,583
Community development	-	-	-	215,644
Public works	-	-	-	3,168,495
Special projects	-	-	-	1,338,780
Parks and recreation:				
Parks and community services	-	-	-	1,352,053
Public safety:				
Fire	-	-	-	1,519,625
Police	-	-	-	1,548,007
Capital outlay	-	-	-	1,039,836
Total Expenditures	-	-	-	10,905,863
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,252	10	4	(1,464,781)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(8,832,713)
Total Other Financing Sources (Uses)	-	-	-	(8,832,713)
Net Change in Fund Balances	1,252	10	4	(10,297,494)
Fund Balances at Beginning of Year, as restated	-	6,605	2,424	15,965,854
Fund Balances at End of Year	\$ 1,252	\$ 6,615	\$ 2,428	\$ 5,668,360

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 300	\$ 300	\$ 754	\$ 454
Intergovernmental	1,934,679	1,934,679	2,086,009	151,330
Total Revenues	<u>1,934,979</u>	<u>1,934,979</u>	<u>2,086,763</u>	<u>151,784</u>
EXPENDITURES:				
Current:				
General government:				
Public works	2,009,615	1,212,336	990,398	221,938
Capital Outlay	-	-	18,999	(18,999)
Total Expenditures	<u>2,009,615</u>	<u>1,212,336</u>	<u>1,009,397</u>	<u>202,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(74,636)	722,643	1,077,366	354,723
Fund Balance, Beginning of Year	<u>363,447</u>	<u>363,447</u>	<u>363,447</u>	-
Fund Balance, End of Year	<u>\$ 288,811</u>	<u>\$ 1,086,090</u>	<u>\$ 1,440,813</u>	<u>\$ 354,723</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 939	\$ 939
Intergovernmental	1,132,934	1,015,052	-	(1,015,052)
Total Revenues	1,132,934	1,015,052	939	(1,014,113)
EXPENDITURES:				
Current:				
General government:				
Community development	-	-	185,779	(185,779)
Public works	663,499	1,846,195	1,865,097	(18,902)
Total Expenditures	663,499	1,846,195	2,050,876	(204,681)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	469,435	(831,143)	(2,049,937)	(1,218,794)
Fund Balance, Beginning of Year	1,095,009	1,095,009	1,095,009	-
Fund Balance, End of Year	\$ 1,564,444	\$ 263,866	\$ (954,928)	\$ (1,218,794)

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,339,534	\$ (60,466)
Total Revenues	1,400,000	1,400,000	1,339,534	(60,466)
EXPENDITURES:				
Current:				
Parks and recreation:				
Parks and community services	1,436,710	1,436,710	1,321,553	115,157
Total Expenditures	1,436,710	1,436,710	1,321,553	115,157
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36,710)	(36,710)	17,981	54,691
Fund Balance, Beginning of Year	(17,981)	(17,981)	(17,981)	-
Fund Balance, End of Year	\$ (54,691)	\$ (54,691)	\$ -	\$ 54,691

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 525,000	\$ 525,000	\$ 566,800	\$ 41,800
Use of money and property	2,800	2,800	2,222	(578)
Intergovernmental	130,000	130,000	129,268	(732)
Other	200	200	643	443
Total Revenues	658,000	658,000	698,933	40,933
EXPENDITURES:				
Current:				
General government:				
City manager	572,226	596,604	577,840	18,764
Administrative services	110,934	153,634	87,889	65,745
Capital Outlay	-	82,700	19,495	63,205
Total Expenditures	683,160	832,938	685,224	147,714
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,160)	(174,938)	13,709	188,647
Fund Balance, Beginning of Year	1,633,259	1,633,259	1,633,259	-
Fund Balance, End of Year	\$ 1,608,099	\$ 1,458,321	\$ 1,646,968	\$ 188,647

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 450,000	\$ 450,000	\$ 456,616	\$ 6,616
Use of money and property	500.00	500	240	(260)
Intergovernmental	74,860.00	105,140	118,218	13,078
Charges for current services	2,400,000.00	2,400,000	2,316,130	(83,870)
Total Revenues	<u>2,925,360.00</u>	<u>2,955,640</u>	<u>2,891,204</u>	<u>(64,436)</u>
EXPENDITURES:				
Current:				
General government:				
Administrative services	47,001	47,001	38,819	8,182
Public safety:				
Fire	1,470,378	1,568,990	1,519,625	49,365
Police	1,560,378	1,575,518	1,548,007	27,511
Total Expenditures	<u>3,077,757</u>	<u>3,191,509</u>	<u>3,106,451</u>	<u>85,058</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(152,397)	(235,869)	(215,247)	20,622
Fund Balance, Beginning of Year	<u>224,516</u>	<u>224,516</u>	<u>224,516</u>	-
Fund Balance, End of Year	<u>\$ 72,119</u>	<u>\$ (11,353)</u>	<u>\$ 9,269</u>	<u>\$ 20,622</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 400	\$ 400	\$ 69	\$ (331)
Development fees	-	-	9,583	9,583
Other	-	-	1	1
Total Revenues	400	400	9,653	9,253
EXPENDITURES:				
Current:				
General government:				
Community development	21,667	20,339	15,204	5,135
Parks and recreation:				
Parks and community services	-	31,798	30,500	1,298
Total Expenditures	21,667	52,137	45,704	6,433
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(21,267)	(51,737)	(36,051)	15,686
Fund Balance, Beginning of Year	81,435	81,435	81,435	-
Fund Balance, End of Year	\$ 60,168	\$ 29,698	\$ 45,384	\$ 15,686

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 500	\$ 500	\$ 675	\$ 175
Development fees	82,400	82,400	301,902	219,502
Total Revenues	82,900	82,900	302,577	219,677
EXPENDITURES:				
Capital Outlay	-	257,224	257,224	-
Total Expenditures	-	257,224	257,224	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	82,900	(174,324)	45,353	219,677
Fund Balance, Beginning of Year	295,748	295,748	295,748	-
Fund Balance, End of Year	\$ 378,648	\$ 121,424	\$ 341,101	\$ 219,677

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
IN-LIEU OF PARKING PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 900	\$ 900	\$ 695	\$ (205)
Other	-	-	4,000	4,000
Total Revenues	900	900	4,695	3,795
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	900	900	4,695	3,795
Fund Balance, Beginning of Year	455,673	455,673	455,673	-
Fund Balance, End of Year	<u>\$ 456,573</u>	<u>\$ 456,573</u>	<u>\$ 460,368</u>	<u>\$ 3,795</u>

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
PARKING
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 81,950	\$ 81,950	\$ 90,439	\$ 8,489
Total Revenues	81,950	81,950	90,439	8,489
EXPENDITURES:				
Current:				
Administrative services	14,517	18,980	18,875	105
Community development	106,685	13,485	13,555	(70)
Total Expenditures	121,202	32,465	32,430	35
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(39,252)	49,485	58,009	8,524
Fund Balance, Beginning of Year	211,451	211,451	211,451	-
Fund Balance, End of Year	\$ 172,199	\$ 260,936	\$ 269,460	\$ 8,524

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 195	\$ 195
Intergovernmental	1,260,495	1,260,495	508,543	(751,952)
Total Revenues	1,260,495	1,260,495	508,738	(751,757)
EXPENDITURES:				
Current:				
General government:				
Public works	-	313,000	313,000	-
Capital Outlay	225,720	947,495	744,118	203,377
Total Expenditures	225,720	1,260,495	1,057,118	203,377
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,034,775	-	(548,380)	(548,380)
Fund Balance, Beginning of Year	586,638	586,638	586,638	-
Fund Balance, End of Year	\$ 1,621,413	\$ 586,638	\$ 38,258	\$ -

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 300	\$ 300	\$ 754	\$ 454
Intergovernmental	1,934,679	1,934,679	2,086,009	151,330
Total Revenues	<u>1,934,979</u>	<u>1,934,979</u>	<u>2,086,763</u>	<u>151,784</u>
EXPENDITURES:				
Current:				
General government:				
Public works	2,009,615	1,212,336	990,398	221,938
Capital Outlay	-	-	18,999	(18,999)
Total Expenditures	<u>2,009,615</u>	<u>1,212,336</u>	<u>1,009,397</u>	<u>202,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(74,636)	722,643	1,077,366	354,723
Fund Balance, Beginning of Year	<u>363,447</u>	<u>363,447</u>	<u>363,447</u>	-
Fund Balance, End of Year	<u>\$ 288,811</u>	<u>\$ 1,086,090</u>	<u>\$ 1,440,813</u>	<u>\$ 354,723</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Intergovernmental	385,709	355,157	779,768	424,611
Total Revenues	<u>387,709</u>	<u>357,157</u>	<u>779,768</u>	<u>422,611</u>
EXPENDITURES:				
Current:				
General government:				
Special projects	306,752	332,000	657,800	(325,800)
Total Expenditures	<u>306,752</u>	<u>332,000</u>	<u>657,800</u>	<u>(325,800)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>80,957</u>	<u>25,157</u>	<u>121,968</u>	<u>96,811</u>
OTHER FINANCING (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(8,832,713)</u>	<u>(8,832,713)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(8,832,713)</u>	<u>(8,832,713)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>80,957</u>	<u>25,157</u>	<u>(8,710,745)</u>	<u>(8,735,902)</u>
Fund Balance, Beginning of Year	<u>8,828,952</u>	<u>8,828,952</u>	<u>8,828,952</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,909,909</u>	<u>\$ 8,854,109</u>	<u>\$ 118,207</u>	<u>\$ (8,735,902)</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 645	\$ (355)
Total Revenues	1,000	1,000	645	(355)
EXPENDITURES:				
Current:				
General government:				
Community development	14,106	1,106	1,106	-
Total Expenditures	14,106	1,106	1,106	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,106)	(106)	(461)	(355)
Fund Balance, Beginning of Year	426,114	426,114	426,114	-
Fund Balance, End of Year	\$ 413,008	\$ 426,008	\$ 425,653	\$ (355)

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 50	\$ 50	\$ 3	\$ (47)
Charges for current services	-	-	1,249	1,249
Total Revenues	50	50	1,252	1,202
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50	50	1,252	1,202
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ 50	\$ 50	\$ 1,252	\$ (1,202)

CITY OF DAVIS, CALIFORNIA

**SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
HISTORICAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 10	\$ 10	\$ 10	\$ -
Total Revenues	10	10	10	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10	10	10	-
Fund Balance, Beginning of Year	6,605	6,605	6,605	-
Fund Balance, End of Year	<u>\$ 6,615</u>	<u>\$ 6,615</u>	<u>\$ 6,615</u>	<u>\$ -</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 4	\$ 4
Total Revenues	-	-	4	4
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	4	4
Fund Balance, Beginning of Year	2,424	2,424	2,424	-
Fund Balance, End of Year	<u>\$ 2,424</u>	<u>\$ 2,424</u>	<u>\$ 2,428</u>	<u>\$ 4</u>

NON-MAJOR DEBT SERVICE FUND

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.

CITY OF DAVIS, CALIFORNIA

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2014

	Association of Bay Area Government COPs	Total Non-Major Debt Service Funds
ASSETS		
Cash and investments	\$ 383,253	\$ 383,253
Accrued interest	167	167
Total Assets	<u>\$ 383,420</u>	<u>\$ 383,420</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Payables:		
Accounts	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balances:		
Assigned to Debt Service	383,420	383,420
Total Fund Balances	<u>383,420</u>	<u>383,420</u>
Total Liabilities and Fund Balances	<u>\$ 383,420</u>	<u>\$ 383,420</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Association of Bay Area Governments COPs	Total Non-Major Debt Service Funds
REVENUES		
Use of money and property	\$ 580	\$ 580
Total Revenues	580	580
EXPENDITURES		
Debt service:		
Interest and fiscal charges	-	-
Total Expenditures	-	-
Net Change in Fund Balances	580	580
Fund Balances at Beginning of Year	382,840	382,840
Fund Balances at End of Year	\$ 383,420	\$ 383,420

CITY OF DAVIS, CALIFORNIA**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
ASSOCIATION OF BAY AREA GOVERNMENT COPS****FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 400	\$ 400	\$ 580	\$ 180
Total Revenues	400	400	580	180
EXPENDITURES:				
Debt service:				
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	400	400	580	180
Fund Balance, Beginning of Year	382,840	382,840	382,840	-
Fund Balance, End of Year	\$ 383,240	\$ 383,240	\$ 383,420	\$ 180

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.

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, 2014

	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants	Davis Land Acquisition
ASSETS				
Cash and investments	\$ 789,273	\$ 377,402	\$ -	\$ 1,560,868
Accrued interest	344	165	-	681
Receivables:				
Grants	-	-	221,304	-
Loans	-	-	-	-
Total Assets	<u>\$ 789,617</u>	<u>\$ 377,567</u>	<u>\$ 221,304</u>	<u>\$ 1,561,549</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Payables:				
Accounts	\$ -	\$ -	\$ 55,070	\$ -
Wages payable			84	
Due to other funds	-	-	85,509	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>140,663</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable Revenue			221,304	
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	789,617	377,567	-	1,561,549
Committed	-	-	-	-
Unassigned	-	-	(140,663)	-
Total Fund Balances	<u>789,617</u>	<u>377,567</u>	<u>(140,663)</u>	<u>1,561,549</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 789,617</u>	<u>\$ 377,567</u>	<u>\$ 221,304</u>	<u>\$ 1,561,549</u>

Public Facilities Financing Authority	Oxford Circle Park and Parking Lot	Downtown Area Capital Revitalization	Total Non-Major Capital Projects Funds
\$ 218,377 95	\$ 49,562 22	\$ 4,847,774 2,114	\$ 7,843,256 3,421
-	-	-	221,304
-	-	40,209	40,209
<u>\$ 218,472</u>	<u>\$ 49,584</u>	<u>\$ 4,890,097</u>	<u>\$ 8,108,190</u>

\$ -	\$ -	\$ -	\$ 55,070
-	-	-	84
-	-	-	85,509
-	-	-	140,663

			221,304
-	-	40,209	40,209
218,472	49,584	-	2,996,789
-	-	4,849,888	4,849,888
-	-	-	(140,663)
<u>218,472</u>	<u>49,584</u>	<u>4,890,097</u>	<u>7,746,223</u>
<u>\$ 218,472</u>	<u>\$ 49,584</u>	<u>\$ 4,890,097</u>	<u>\$ 8,108,190</u>

CITY OF DAVIS, CALIFORNIA

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2014

	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants	Davis Land Acquisition
REVENUES				
Use of money and property	\$ 1,193	\$ 570	\$ 188	\$ 2,360
Intergovernmental	-	-	322,191	-
Total Revenues	1,193	570	322,379	2,360
EXPENDITURES				
Capital outlay	-	-	750,594	-
Total Expenditures	-	-	750,594	-
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,193	570	(428,215)	2,360
Net Change in Fund Balances	1,193	570	(428,215)	2,360
Fund Balances at Beginning of Year	788,424	376,997	287,552	1,559,189
Fund Balances at End of Year	<u>\$ 789,617</u>	<u>\$ 377,567</u>	<u>\$ (140,663)</u>	<u>\$ 1,561,549</u>

Public Facilities Financing Authority	Oxford Circle Park and Parking Lot	Downtown Area Capital Revitalization	Total Non-Major Capital Projects Funds
\$ 330	\$ 75	\$ 9,485	\$ 14,201
-	-	-	322,191
330	75	9,485	336,392
-	-	(2,574)	748,020
-	-	(2,574)	748,020
330	75	12,059	(411,628)
330	75	12,059	(411,628)
218,142	49,509	4,878,038	8,157,851
<u>\$ 218,472</u>	<u>\$ 49,584</u>	<u>\$ 4,890,097</u>	<u>\$ 7,746,223</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,600	\$ 1,600	\$ 1,193	\$ (407)
Total Revenues	1,600	1,600	1,193	(407)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,600	1,600	1,193	(407)
Fund Balance, Beginning of Year	788,424	788,424	788,424	-
Fund Balance, End of Year	<u>\$ 790,024</u>	<u>\$ 790,024</u>	<u>\$ 789,617</u>	<u>\$ (407)</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 800	\$ 800	\$ 570	\$ (230)
Total Revenues	800	800	570	(230)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	800	800	570	(230)
Fund Balance, Beginning of Year	376,997	376,997	376,997	-
Fund Balance, End of Year	\$ 377,797	\$ 377,797	\$ 377,567	\$ (230)

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 188	\$ (812)
Intergovernmental	1,742,346	972,795	322,191	(650,604)
Total Revenues	1,743,346	973,795	322,379	(651,416)
EXPENDITURES:				
Capital Outlay	846,533	960,771	750,594	210,177
Total Expenditures	846,533	960,771	750,594	210,177
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	896,813	13,024	(428,215)	(441,239)
EXCESS OF REVENUES OVER EXPENDITURES	896,813	13,024	(428,215)	(441,239)
Fund Balance, Beginning of Year	287,552	287,552	287,552	-
Fund Balance, End of Year	<u>\$ 1,184,365</u>	<u>\$ 300,576</u>	<u>\$ (140,663)</u>	<u>\$ (441,239)</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,300	\$ 3,300	\$ 2,360	\$ (940)
Total Revenues	3,300	3,300	2,360	(940)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,300	3,300	2,360	(940)
Fund Balance, Beginning of Year	1,559,189	1,559,189	1,559,189	-
Fund Balance, End of Year	<u>\$ 1,562,489</u>	<u>\$ 1,562,489</u>	<u>\$ 1,561,549</u>	<u>\$ (940)</u>

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 500	\$ 500	\$ 330	\$ (170)
Total Revenues	500	500	330	(170)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	500	330	(170)
Fund Balance, Beginning of Year	218,142	218,142	218,142	-
Fund Balance, End of Year	\$ 218,642	\$ 218,642	\$ 218,472	\$ (170)

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 100	\$ 100	\$ 75	\$ (25)
Total Revenues	100	100	75	(25)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100	100	75	(25)
Fund Balance, Beginning of Year	49,509	49,509	49,509	-
Fund Balance, End of Year	\$ 49,609	\$ 49,609	\$ 49,584	\$ (25)

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 9,485	\$ (515)
Other			2,574	2,574
Total Revenues	10,000	10,000	12,059	2,059
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,000	10,000	12,059	2,059
Fund Balance, Beginning of Year	4,878,038	4,878,038	4,878,038	-
Fund Balance, End of Year	<u>\$ 4,888,038</u>	<u>\$ 4,888,038</u>	<u>\$ 4,890,097</u>	<u>\$ 2,059</u>

INTERNAL SERVICE FUNDS

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

General Services Fund

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

Building Maintenance Fund

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

City Self-Insurance Fund

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

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 POSITION**

JUNE 30, 2014

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 14,436,338	\$ 413,812	\$ 777,560	\$ -	\$ 15,627,710
Accrued interest	6,195	167	293	-	6,655
Accounts receivable	4,589	-	27,180	-	31,769
Inventory	353,624	-	-	-	353,624
Total Current Assets	14,800,746	413,979	805,033	-	16,019,758
Noncurrent Assets:					
Advances to other funds	1,026,477	-	-	-	1,026,477
Capital assets:					
Non-depreciable	177,138	-	-	-	177,138
Depreciable	12,540,210	237,538	-	-	12,777,748
Accumulated depreciation	(7,632,308)	(5,147)	-	-	(7,637,455)
Total Noncurrent Assets	6,111,517	232,391	-	-	6,343,908
Total Assets	20,912,263	646,370	805,033	-	22,363,666
LIABILITIES					
Current Liabilities:					
Accounts payable	167,798	47,820	195,273	333,266	744,157
Wages payable	36,930	7,310	9,844	109,793	163,877
Leave benefits	114,016	16,592	-	8,443	139,051
Unearned Revenue	4,589	-	-	-	4,589
Due to other funds	-	-	-	2,669,689	2,669,689
Claims payable	-	-	147,786	-	147,786
Total Current Liabilities	323,333	71,722	352,903	3,121,191	3,869,149
Noncurrent Liabilities:					
Claims payable	-	-	290,112	-	290,112
Total Noncurrent Liabilities	-	-	290,112	-	290,112
Total Liabilities	323,333	71,722	643,015	3,121,191	4,159,261
NET POSITION					
Net investment in capital assets	5,085,040	232,391	-	-	5,317,431
Unrestricted	15,503,890	342,257	162,018	(3,121,191)	12,886,974
Total Net Position	\$ 20,588,930	\$ 574,648	\$ 162,018	\$ (3,121,191)	\$ 18,204,405

CITY OF DAVIS, CALIFORNIA

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

FOR THE YEAR ENDED JUNE 30, 2014

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total Internal Service Funds
OPERATING REVENUES					
Charges for current services	\$ 5,761,190	\$ 1,425,201	\$ 13,353,712	\$ 2,942,619	\$ 23,482,722
Total Operating Revenues	<u>5,761,190</u>	<u>1,425,201</u>	<u>13,353,712</u>	<u>2,942,619</u>	<u>23,482,722</u>
OPERATING EXPENSES					
Central stores	209,679	-	-	-	209,679
Central equipment	1,586,341	-	-	-	1,586,341
Duplication - postal	164,740	-	-	-	164,740
City administrative facility maintenance	671,201	-	2,310	-	673,511
City electrical maintenance	-	1,336,791	-	-	1,336,791
Insurance administration	-	-	615,789	-	615,789
Insurance premiums	-	-	12,569,464	-	12,569,464
Litigation	-	-	25,584	-	25,584
MIS services	1,961,643	-	-	-	1,961,643
Depreciation	912,456	4,751	-	-	917,207
Leave benefits paid	-	-	-	3,017,626	3,017,626
Total Operating Expenses	<u>5,506,060</u>	<u>1,341,542</u>	<u>13,213,147</u>	<u>3,017,626</u>	<u>23,078,375</u>
Operating Income (Loss)	<u>255,130</u>	<u>83,659</u>	<u>140,565</u>	<u>(75,007)</u>	<u>404,347</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	30,414	551	495	-	31,460
Other	290,893	-	6,437	-	297,330
Total Non-Operating Revenues (Expenses)	<u>321,307</u>	<u>551</u>	<u>6,932</u>	<u>-</u>	<u>328,790</u>
Change in Net Position	576,437	84,210	147,497	(75,007)	733,137
Net Position at Beginning of Year	<u>20,012,493</u>	<u>490,438</u>	<u>14,521</u>	<u>(3,046,184)</u>	<u>17,471,268</u>
Net Position at End of Year	<u>\$ 20,588,930</u>	<u>\$ 574,648</u>	<u>\$ 162,018</u>	<u>\$ (3,121,191)</u>	<u>\$ 18,204,405</u>

CITY OF DAVIS, CALIFORNIA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2014

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 5,782,955	\$ 1,425,201	\$ 13,352,936	\$ 2,942,619	\$ 23,503,711
Payments to suppliers	(4,560,131)	(1,318,682)	(13,092,072)	43,489	(18,927,396)
Payments to employees	(186)	3,018	-	(3,020,303)	(3,017,471)
Claims paid	-	-	284,117	-	284,117
Other revenue (expenses)	290,893	-	6,437	-	297,330
Cash Flows provided by (used for) Operating Activities	1,513,531	109,537	551,418	(34,195)	2,140,291
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Interfund receipts (payments)	-	-	-	34,195	34,195
Advances from other funds (Advances to other funds)	114,053	-	-	-	114,053
Cash Flows provided by (used for) Noncapital Financing Activities	114,053	-	-	34,195	148,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Sales (acquisition) of capital assets	(1,622,302)	-	(315,924)	-	(1,938,226)
Cash Flows (used for) Capital and Related Financing Activities	(1,622,302)	-	(315,924)	-	(1,938,226)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	37,140	599	1,733	-	39,472
Cash Flows provided by Investing Activities	37,140	599	1,733	-	39,472
Net Cash Flows	42,422	110,136	237,227	-	389,785
Cash and Cash Equivalents at Beginning of Year	14,393,916	303,676	540,333	-	15,237,925
Cash and Cash Equivalents at End of Year	\$ 14,436,338	\$ 413,812	\$ 777,560	\$ -	\$ 15,627,710
Reconciliation of operating income (loss) to cash flows from operating activities:					
Operating income (loss):	\$ 255,130	\$ 83,659	\$ 140,565	\$ (75,007)	\$ 404,347
Litigation settlement and other					
Adjustments to reconcile operating income to cash flows					
from operating activities:					
Depreciation	912,456	4,751	-	-	917,207
Other revenues	290,893	-	6,437	-	297,330
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	26,238	-	(776)	-	25,462
Inventory	6,349	-	-	-	6,349
Increase (decrease) in:					
Accounts payable	27,124	18,109	43,814	43,489	132,536
Prepays	-	-	77,261	-	77,261
Leave benefits payable	(186)	3,018	-	(2,677)	155
Claims payable	-	-	284,117	-	284,117
Deferred revenue	(4,473)	-	-	-	(4,473)
Net Cash Provided By Operating Activities	\$ 1,513,531	\$ 109,537	\$ 551,418	\$ (34,195)	\$ 2,140,291

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

JUNE 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Public Facilities Financing Authority				
Assets:				
Cash and investments	\$ 3,858,322	\$ 4,414	\$ -	\$ 3,862,736
Cash with fiscal agents	994,201	-	(7,672)	986,529
Accrued interest receivable	3,154	-	(1,586)	1,568
Accounts receivable	30,090	21,046	-	51,136
Total Assets	<u>\$ 4,885,767</u>	<u>\$ 25,460</u>	<u>\$ (9,258)</u>	<u>\$ 4,901,969</u>
Liabilities:				
Agency funds held for others	4,885,767	25,460	(9,258)	4,901,969
Total Liabilities	<u>\$ 4,885,767</u>	<u>\$ 25,460</u>	<u>\$ (9,258)</u>	<u>\$ 4,901,969</u>
Mello Roos Community Facilities District				
Assets:				
Cash and investments	\$ 2,182,047	\$ -	\$ (158,298)	\$ 2,023,749
Cash with fiscal agents	368,679	-	(3)	368,676
Accrued interest receivable	1,550	-	(836)	714
Accounts receivable	70,976	-	(5,412)	65,564
Total Assets	<u>\$ 2,623,252</u>	<u>\$ -</u>	<u>\$ (164,549)</u>	<u>\$ 2,458,703</u>
Liabilities:				
Deposits payable	\$ -	\$ 50,000		\$ 50,000
Agency funds held for others	2,623,252	(50,000)	(164,549)	2,408,703
Total Liabilities	<u>\$ 2,623,252</u>	<u>\$ -</u>	<u>\$ (164,549)</u>	<u>\$ 2,458,703</u>
University Research Park				
Assets:				
Cash and investments	\$ 401,507	\$ -	\$ (2,926)	\$ 398,581
Accrued interest receivable	299	-	(147)	152
Accounts receivable	9,318	-	(448)	8,870
Total Assets	<u>\$ 411,124</u>	<u>\$ -</u>	<u>\$ (3,521)</u>	<u>\$ 407,603</u>
Liabilities:				
Agency funds held for others	\$ 411,124	\$ -	\$ (3,521)	\$ 407,603
Total Liabilities	<u>\$ 411,124</u>	<u>\$ -</u>	<u>\$ (3,521)</u>	<u>\$ 407,603</u>

CITY OF DAVIS, CALIFORNIA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, (Continued)

JUNE 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<u>Special Assessment Parking District #3</u>				
Assets:				
Cash and investments	\$ 132,036	\$ 261	\$ -	\$ 132,297
Accrued interest receivable	119	-	(62)	57
Total Assets	<u>\$ 132,155</u>	<u>\$ 261</u>	<u>\$ (62)</u>	<u>\$ 132,354</u>
Liabilities:				
Agency funds held for others	\$ 132,155	\$ 261	\$ (62)	\$ 132,354
Total Liabilities	<u>\$ 132,155</u>	<u>\$ 261</u>	<u>\$ (62)</u>	<u>\$ 132,354</u>
<u>Woodland-Davis Clean Water Agency JPA</u>				
Assets:				
Cash and investments	\$ 4,792,886	\$ 14,171,135	\$ -	\$ 18,964,021
Accrued interest receivable	4,439	-	(4,439)	-
Accounts receivable	1,183,802	-	(1,183,802)	-
Total Assets	<u>\$ 5,981,127</u>	<u>\$ 14,171,135</u>	<u>\$ (1,188,241)</u>	<u>\$ 18,964,021</u>
Liabilities:				
Accounts payable	\$ 939,556	\$ 2,294,583	\$ -	\$ 3,234,139
Agency funds held for others	5,041,571	11,876,552	(1,188,241)	15,729,882
Total Liabilities	<u>\$ 5,981,127</u>	<u>\$ 14,171,135</u>	<u>\$ (1,188,241)</u>	<u>\$ 18,964,021</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 11,366,798	\$ 14,175,810	\$ (161,224)	\$ 25,381,384
Cash with fiscal agents	1,362,880	-	(7,675)	1,355,205
Accrued interest receivable	9,561	-	(7,070)	2,491
Accounts receivable	1,294,186	21,046	(1,189,662)	125,570
Total Assets	<u>\$ 14,033,425</u>	<u>\$ 14,196,856</u>	<u>\$ (1,365,631)</u>	<u>\$ 26,864,650</u>
Liabilities:				
Deposits payable	\$ -	\$ 50,000	\$ -	\$ 50,000
Accounts payable	939,556	2,294,583	-	3,234,139
Agency funds held for others	13,093,869	11,852,273	(1,365,631)	23,580,511
Total Liabilities	<u>\$ 14,033,425</u>	<u>\$ 14,146,856</u>	<u>\$ (1,365,631)</u>	<u>\$ 26,864,650</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 141-145

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 146-148

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

Debt Capacity 149-150

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 151-153

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 154-156

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 POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$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	\$247,797,970	\$242,575,554
Restricted	28,394,469	62,362,455	77,157,422	82,394,483	90,708,023	87,064,955	95,845,260	66,227,858	67,365,068	69,746,280
Unrestricted	<u>50,347,342</u>	<u>24,637,626</u>	<u>11,068,382</u>	<u>7,754,642</u>	<u>2,784,364</u>	<u>11,656,610</u>	<u>(8,572,349)</u>	<u>13,515,454</u>	<u>15,540,261</u>	<u>18,474,120</u>
Total governmental activities net position	<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>	<u>\$330,703,299</u>	<u>\$330,795,954</u>
Business-type activities										
Net investment in capital assets	\$60,969,494	\$67,057,515	\$223,527,504	\$221,228,535	\$224,029,039	\$228,167,880	\$223,254,657	\$222,630,293	222,668,422	225,975,439
Restricted	85,847	85,847	85,847				69,850			
Unrestricted	<u>19,158,757</u>	<u>14,934,763</u>	<u>23,426,544</u>	<u>29,101,435</u>	<u>31,689,545</u>	<u>28,963,136</u>	<u>37,774,437</u>	<u>44,957,358</u>	<u>50,530,091</u>	<u>55,468,805</u>
Total business-type activities net position	<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>	<u>\$273,198,513</u>	<u>\$281,444,244</u>
Primary government										
Net investment in capital assets	\$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	\$470,466,392	\$468,550,993
Restricted	28,480,316	62,448,302	77,243,269	82,394,483	90,708,023	87,064,955	95,915,110	66,227,858	67,365,068	69,746,280
Unrestricted	<u>69,506,099</u>	<u>39,572,389</u>	<u>34,494,926</u>	<u>36,856,077</u>	<u>344,973,909</u>	<u>40,619,746</u>	<u>29,202,088</u>	<u>58,472,812</u>	<u>66,070,352</u>	<u>73,942,925</u>
Total primary government net position	<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>	<u>\$603,901,812</u>	<u>\$612,240,198</u>

Notes:

Accounting standards require that governments report net position for the last ten years, showing the three components of the Statement of Net Position: Net investment in capital assets; restricted; and unrestricted.

Source:

City of Davis Comprehensive Annual Financial Report

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
City Council	\$124,131	\$139,419	\$104,250	\$113,670	\$165,297	\$120,068	\$174,137	\$171,419	\$159,950	\$123,958
City Attorney	326,401	406,647	417,718	383,943	362,152	331,121	307,893	347,920	256,183	545,258
City Manager	1,820,048	1,892,626	2,187,416	2,305,569	2,247,736	2,157,842	2,464,895	2,655,486	2,479,529	2,675,550
Finance/ Administrative Services	1,287,739	1,709,045	1,932,653	2,157,409	2,305,333	2,113,284	2,206,587	2,007,813	2,928,562	2,638,260
Public Safety	20,723,420	19,574,310	22,754,582	24,805,660	26,156,968	27,772,647	25,224,672	24,116,311	25,379,748	25,827,801
Public Works	92,673,791	92,661,922	20,387,984	21,430,517	23,333,235	27,364,557	28,375,753	11,729,258	11,017,979	11,648,005
Community Development	3,583,231	3,562,456	3,590,336	3,834,291	3,719,243	2,998,509	3,307,303	3,145,307	3,720,192	3,986,695
Parks and Community Services	18,685,011	18,554,243	25,640,697	28,899,628	30,071,359	27,268,525	21,141,859	19,844,557	18,631,071	20,402,817
Interest on Long Term Debt	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	140,469,922	139,777,073	79,829,825	84,449,361	89,752,332	91,555,874	86,001,411	65,630,471	64,573,214	67,848,344
Business-Type Activities:										
Water	6,670,915	6,657,576	8,713,651	9,393,349	9,236,481	10,266,380	9,946,088	9,918,275	10,068,660	11,723,007
Sanitation	7,680,397	7,906,456	8,292,311	8,657,912	8,777,295	8,986,002	9,169,294	9,312,527	9,627,387	9,943,532
Sewer	6,446,797	7,249,341	7,756,636	8,543,712	8,803,769	8,727,978	8,247,337	8,554,364	8,230,219	8,368,186
Storm Sewer	1,704,263	1,827,081	3,058,338	3,145,490	2,832,790	2,947,887	3,868,242	3,529,576	3,733,250	3,713,758
Public transit	3,195,770	4,512,019	3,388,419	5,875,783	7,718,465	11,787,091	4,306,554	4,183,327	4,254,687	5,818,308
Total Business-Type Activities Expenses	25,698,142	28,152,473	31,209,355	35,616,246	37,368,800	42,715,338	35,537,515	35,498,069	35,914,203	39,566,791
Total Primary Government Expenses	\$166,168,064	\$167,929,546	\$111,039,180	\$120,065,607	\$127,121,132	\$134,271,212	\$121,538,926	\$101,128,540	\$100,487,417	\$107,415,135
Program Revenues										
Governmental Activities:										
Charges for Services:										
City Council								\$100,942	\$70,706	
City Attorney			\$15,894	\$14,021	\$13,997	\$44,730	\$15,109	208,453	125,140	\$10,131
City Manager	8,871	51,521	5,777	7,883	59,746	59,294	6,312	1,174,427	1,040,984	1,685,900
Finance/ Administrative Services	1,017,512	983,571	1,264,306	1,686,126	2,335,059	2,399,082	2,593,006	1,331,101	2,010,666	2,025,757
Public Safety	2,264,993	1,964,664	2,192,385	2,438,460	2,104,655	2,095,245	2,169,650	2,173,112	2,002,577	2,144,146
Public Works	165,807	191,953	194,982	548,021	360,110	334,326	333,556	376,451	1,274,263	1,110,862
Community Development	3,246,174	2,590,696	2,132,203	2,204,448	2,009,982	1,780,545	2,378,826	2,675,128	2,897,864	2,410,773
Parks and Community Services	2,135,708	2,255,983	2,546,902	2,594,141	2,743,358	2,733,651	2,740,804	3,123,734	3,132,569	4,510,095
Operating Grants and Contributions	14,240,090	14,423,942	19,531,035	18,585,069	22,869,051	17,535,502	15,277,248	13,784,334	12,304,697	9,602,308
Development impact fees and permits	5,370,574	1,515,806	1,951,891	5,711,509	1,028,625	796,061	655,983			
Capital Grants and Contributions								3,800,498	3,575,866	7,124,647
Total Government Activities Program Revenues	28,449,729	23,978,136	29,835,375	33,789,678	33,524,583	27,778,436	26,170,494	28,748,180	28,435,332	30,624,619
Business-Type Activities:										
Charges for Services:										
Water	5,781,440	6,275,459	8,106,267	9,018,403	9,545,841	9,896,995	10,131,953	10,479,767	11,310,371	15,825,471
Sanitation	7,481,207	8,069,352	8,398,749	8,592,544	8,821,374	8,967,949	8,975,404	9,134,378	9,454,530	10,118,187
Sewer	7,836,303	9,145,774	11,191,703	11,919,343	13,502,462	12,751,768	12,613,144	13,120,690	14,103,581	14,264,259
Storm Sewer	1,295,695	1,451,252	1,486,683	1,567,009	1,506,083	1,519,490	1,561,457	1,605,903	1,662,303	1,701,784
Public transit	15,685	16,043	24,855	28,110	32,644	36,354	32,585	30,012	31,105	32,241
Operating Grants and Contributions	3,275,727	3,958,332	3,596,649	5,891,383	7,374,894	11,750,908	3,998,505	4,103,691	4,328,525	5,714,463
Capital Grants and Contributions	961,984	509,050	1,011,650	238,444	864,944			1,205,085		
Total Business-Type Activities Program Revenue	26,648,041	29,425,262	33,816,556	37,255,236	41,648,242	44,923,464	37,313,048	39,679,526	40,890,415	47,656,405
Total Primary Government Program Revenues	\$55,097,770	\$53,403,398	\$63,651,931	\$71,044,914	\$75,172,825	\$72,701,900	\$63,483,542	\$68,427,706	\$69,325,747	\$78,281,024
Net (Expense)/Revenue										
Governmental Activities	(\$112,020,193)	(\$115,798,937)	(\$49,994,450)	(\$50,659,683)	(\$56,227,749)	(\$63,777,438)	(\$59,830,917)	(\$36,882,291)	(\$36,137,882)	(\$37,223,725)
Business-Type Activities	949,899	1,272,789	2,607,201	1,638,990	4,279,442	2,208,126	1,775,533	4,181,457	4,976,212	8,089,614
Total Primary Government Net Expense	(\$111,070,294)	(\$114,526,148)	(\$47,387,249)	(\$49,020,693)	(\$51,948,307)	(\$61,569,312)	(\$58,055,384)	(\$32,700,834)	(\$31,161,670)	(\$29,134,111)

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

(continued)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$14,150,857	\$17,016,586	\$18,437,026	\$19,717,475	\$19,909,233	\$20,322,775	\$20,462,811	\$10,070,329	\$10,741,612	\$11,926,326
Sales Taxes	8,052,765	8,988,381	8,834,409	9,117,999	7,733,047	8,418,817	7,894,939	8,279,385	10,267,444	10,282,592
Municipal Services	1,921,115	2,001,032	2,076,696	2,165,883	2,239,758	4,336,510	2,417,072	2,492,849	2,578,655	2,669,472
Business License	1,139,725	1,179,106	1,258,072	1,283,451	1,351,827	1,492,242	1,466,725	1,556,797	1,470,124	1,669,289
Park Maintenance	1,312,782	1,315,708	1,315,081	1,337,888	1,341,289	1,344,782	1,329,056	1,334,629	1,334,782	1,339,536
Construction	847,051	787,699	371,489	856,186	237,777	208,859	342,590	925,461	905,411	229,577
Open Space Protection	625,694	627,096	627,345	637,786	640,287	641,221	634,857	637,161	636,293	640,980
Franchise	876,117	877,670	1,003,229	1,022,880	1,066,032	1,034,530	1,067,657	1,089,210	1,119,918	1,141,883
Transient Occupancy Tax	928,090	940,886	1,056,691	1,120,983	1,031,031	912,456	958,434	925,477	1,436,067	1,250,725
Transfer Taxes	334,523	257,580	236,092	(214,596)					194,326	225,977
Other Taxes	309,593									
Motor Vehicle In-Lieu	4,316,129	4,618,842	4,723,196	4,888,366	4,961,873	5,054,571	5,213,376	4,879,324	4,979,748	5,291,098
Investment Earnings	2,045,947	1,295,101	3,542,701	3,313,964	1,895,335	558,490	236,141	281,322	301,030	417,751
Miscellaneous	1,074,961	2,791,561	1,452,218	719,943	1,568,513	542,805	2,495,652	554,551	436,719	231,174
Special Item: Transfer of loan from Successor Agency								1,684,904		
Extraordinary Gain: RDA Dissolution								24,083,029		
Total Government Activities	37,935,349	42,697,248	44,934,245	45,968,208	43,976,002	44,868,058	44,519,310	58,794,428	36,402,129	37,316,380
Business-Type Activities:										
Interest Earnings	480,419	404,646	1,128,852	1,301,203	814,923	318,724	298,741	174,215	110,170	77,279
Miscellaneous	1,307,409	449,358	326,244	135,286	294,249	131,317	336,868	298,808	524,480	78,838
Total Business-Type Activities	1,787,828	854,004	1,455,096	1,436,489	1,109,172	450,041	635,609	473,023	634,650	156,117
Total Primary Government	\$39,723,177	\$43,551,252	\$46,389,341	\$47,404,697	\$45,085,174	\$45,318,099	\$45,154,919	\$59,267,451	\$37,036,779	\$37,472,497
Change in Net Position										
Governmental Activities	(\$74,084,844)	(\$73,101,689)	(\$5,060,205)	(\$4,691,475)	(\$12,251,747)	(\$18,909,380)	(\$15,311,607)	\$21,912,137	\$264,247	\$92,655
Business-Type Activities	2,737,727	2,126,793	4,062,297	3,075,479	5,388,614	2,658,167	2,411,142	4,654,480	5,610,862	8,245,731
Total Primary Government	(\$71,347,117)	(\$70,974,896)	(\$997,908)	(\$1,615,996)	(\$6,863,133)	(\$16,251,213)	(\$12,900,465)	\$26,566,617	\$5,875,109	\$8,338,386

(a) Net position of the governmental activities and business-type activities as of 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 fiscal year ended June 2012

Source: City of Davis Comprehensive Annual Financial Report

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Reserved	\$3,210,614	\$2,887,364	\$3,183,616	\$1,308,154	\$1,304,307	\$1,279,973				
Unreserved	9,846,736	9,038,007	8,200,515	5,071,910	2,327,880	4,253,958				
Nonspendable							\$190,606	\$153,020	\$122,840	\$104,343
Restricted										
Committed										
Assigned										1,458,749
Unassigned							6,350,652	6,101,878	7,797,107	7,973,690
Total General Fund	<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>	<u>\$7,919,947</u>	<u>\$9,536,782</u>
All Other Governmental Funds										
Reserved	\$27,522,772	\$28,319,649	\$28,319,649	\$36,173,371	\$39,121,878	\$37,644,210				
Unreserved, reported in:										
Special revenue funds	11,969,346	15,336,726	15,336,726	19,495,729	24,424,793	23,476,779				
Capital project funds	23,590,901	23,344,253	23,344,253	28,814,920	28,585,987	28,062,545				
Nonspendable								\$33,952,695	\$9,795,953	\$1,795,533
Restricted							\$87,819,702	29,321,073	55,900,967	67,657,120
Committed							9,899,535	8,409,293	7,654,337	8,058,386
Assigned								1,555,674	1,559,189	383,420
Unassigned							(399,822)	(201,277)	142,500	(1,095,591)
Total all other governmental funds	<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>\$73,037,458</u>	<u>\$75,052,946</u>	<u>\$76,798,868</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 errors. Prior year revenue and expenses presented in this schedule have not been restated. Refer to Note 2 in the notes to the financial statements 2012.

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 FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$30,498,312	\$38,633,353	\$39,781,903	\$42,254,186	\$40,737,792	\$41,867,742	\$41,786,803	\$32,472,106	\$36,141,112	\$36,981,511
Licenses, permits and fees	1,004,427	1,540,924	107	115	209	188	182	317	353	301
Fines and forfeitures	1,131,340	888,727	941,447	944,583	884,624	861,131	1,004,144	961,642	826,972	833,513
Use of money and property	1,854,330	1,661,219	3,297,325	3,671,372	2,259,142	1,074,244	1,031,044	715,761	648,017	3,362,708
Intergovernmental revenues	17,226,773	15,320,106	17,973,506	16,785,328	20,546,039	15,243,036	13,442,401	10,975,947	12,410,582	10,408,899
Charges for services	7,879,991	6,510,429	8,586,539	9,054,124	8,432,546	8,279,578	8,698,620	9,541,440	9,939,479	9,614,559
Development fees	3,846,464	701,840	1,423,911	4,705,005	899,051	592,374	494,460	2,583,790	2,238,192	2,011,157
Administrative fee - Enterprise Fund	1,040,717	1,118,422	1,405,458	1,794,961	2,280,423	2,316,719	2,296,790	2,523,552	2,541,485	2,626,107
Other	131,968	1,075,316	629,277	504,120	747,277	2,407,821	1,795,965	254,482	1,069,570	476,872
Total Revenues	64,614,322	67,450,336	74,039,473	79,713,794	76,787,103	72,642,833	70,550,409	60,029,037	65,815,762	66,315,627
Expenditures										
Current:										
City Council	108,450	122,193	111,968	124,862	124,022	129,390	161,532	146,932	150,439	124,507
City Attorney	326,401	389,296	417,718	383,943	362,152	331,121	307,893	362,967	265,804	555,619
City Manager	1,709,993	1,853,785	2,192,138	2,342,020	2,010,671	1,950,261	2,322,778	2,607,106	2,469,750	2,710,000
Finance/Administrative Services	1,236,370	1,699,209	1,987,332	2,237,186	2,140,766	2,048,770	2,119,014	2,051,852	2,983,681	2,728,275
Public safety	19,866,978	20,160,141	22,482,705	24,678,723	24,261,642	25,348,848	24,168,701	24,227,418	25,616,115	26,368,580
Public works	3,530,097	3,893,669	4,647,856	4,431,330	4,262,586	4,485,175	4,210,546	5,103,770	3,702,414	5,173,502
Community development	3,482,608	3,520,994	3,629,991	3,913,194	3,422,430	2,794,363	3,181,665	3,178,808	3,780,789	4,096,916
Parks and Community Services	17,151,735	17,983,887	22,286,696	25,113,063	24,657,652	22,543,846	18,663,508	18,077,634	16,938,350	18,163,238
Special Projects	6,408,977	6,689,316	4,962,370	6,850,876	5,237,321	11,115,111	16,750,622	1,916,055	1,996,757	1,926,030
Debt service:										
Principal repayment	295,000	463,419	685,498	1,107,915	1,060,687	923,828	1,493,799	2,316,295		
Interest and fiscal charges	1,199,786	1,247,229	1,964,862	958,487	1,486,429	1,442,353	2,713,521	1,352,117		
Special assessment	116,907	86,587	87,526	88,231						
Capital Improvements	10,135,957	5,396,131	3,445,108	8,307,585	3,333,909	3,372,261	3,118,144	5,241,669	4,402,828	4,199,574
Total Expenditures	65,569,259	63,505,856	68,901,768	80,537,415	72,360,267	76,485,327	79,211,723	66,582,623	62,306,927	66,046,241
Excess (deficiency) of revenues over (under) expenditures	(954,937)	3,944,480	5,137,705	(823,621)	4,426,836	(3,842,494)	(8,661,314)	(6,553,586)	3,508,835	269,386
Other Financing Sources (Uses)										
Transfers in	5,751,571	6,107,112	5,006,158	3,500,822	4,378,832	4,990,510	29,491,616	8,278,245	660,680	8,832,713
Transfers (out)	(4,972,420)	(7,265,962)	(5,006,158)	(4,003,532)	(4,378,832)	(4,972,076)	(29,687,094)	(8,326,775)	(754,850)	(8,832,713)
Issuance of long-term debt	1,200,000		20,815,000	39,227	473,925	13,289	18,000,000			
Payments to refunded bond escrow			(12,727,516)							
Sale of real property										3,093,371
Total other financing sources (uses)	1,979,151	(1,158,850)	8,087,484	(463,483)	473,925	31,723	17,804,522	(48,530)	(94,170)	3,093,371
Special and Extraordinary Items										
Special Item								1,684,904		
Extraordinary Item								(18,856,040)		
Total special and extraordinary items								(17,171,136)	0	0
Net Change in fund balances	\$1,024,214	\$2,785,630	\$13,225,189	(\$1,287,104)	\$4,900,761	(\$3,810,771)	\$9,143,208	(\$23,773,252)	\$3,414,665	\$3,362,757
Debt service as a percentage of noncapital expenditures	2.9%	3.1%	4.2%	3.0%	3.8%	3.2%	5.5%	6.4%	0.0%	0.0%

Source: City of Davis Comprehensive Annual Financial Report

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

Fiscal Year	Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2005	\$4,510,927,115	\$120,164,717	\$4,631,091,832	\$4,631,091,832	1.0%
2006	4,956,350,623	135,042,126	5,091,392,749	5,091,392,749	1.0%
2007	5,362,509,751	138,051,430	5,500,561,181	5,500,561,181	1.0%
2008	5,684,262,465	147,078,407	5,831,340,872	5,831,340,872	1.0%
2009	5,849,305,791	156,635,502	6,005,941,293	6,005,941,293	1.0%
2010	5,849,305,791	151,696,172	6,001,001,963	6,001,001,963	1.0%
2011	6,040,438,139	152,101,938	6,192,540,077	6,192,540,077	1.0%
2012	6,045,152,582	149,987,064	6,195,139,646	6,195,139,646	1.0%
2013	6,174,002,301	148,643,161	6,322,645,462	6,322,645,462	1.0%
2014	6,532,936,548	149,162,860	6,682,099,408	6,682,099,408	1.0%

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 indrement of not 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 encumpasses more than 15 tax rate areas.

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

Taxpayer	2013-14			2004-05		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Mori Seiki Davis Land Holding Inc	\$53,573,827	1	16.2%			
Centro Watt Property Owener	48,519,053	2	14.7%	\$16,894,220	6	
Marketplace Center Inc	38,812,845	3	11.8%	20,329,766	3	
Kirkwood Village Assoc.	32,116,980	4	9.7%			0.00%
Sequoia Equities-Cypress Point	31,151,940	5	9.4%			0.00%
VTR Covell LP	30,184,646	6	9.1%			0.00%
Target Corporation	25,932,876	7	7.9%			0.00%
Fine Arts LP	24,891,229	8	7.5%	21,563,680	1	12.06%
Olive Drive Partners	23,224,097	9	7.0%	20,429,031	2	11.43%
Buzz Oats LLC	21,642,838	10	6.6%			0.00%
WGA Sycamore Lane LP						0.00%
SE-Davis LLC				17,438,748	5	9.76%
West Davis Associates				17,479,445	4	0.00%
Davis Tanglewood LLC				16,858,664	7	0.00%
Davis Student Housing L P				16,166,067	8	0.00%
F & F Ivy Towne Assoc L P				16,011,697	9	0.00%
Conga Grocery Products Co				15,576,441	10	0.00%
						0.00%
Subtotal	\$330,050,331		100.0%	\$178,747,759		100.0%

Source: Yolo County Top Tax Payers List

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
2005	\$17,463,356	\$17,463,356	100.0000%	\$69,778	\$17,463,356	100.0000%
2006	21,239,917	21,239,917	100.0000%	11,628	21,239,917	100.0000%
2007	22,126,532	22,126,532	100.0000%	18,356	22,126,532	100.0000%
2008	23,286,515	23,286,515	100.0000%	32,657	23,286,515	100.0000%
2009	23,426,537	23,426,537	100.0000%	19,556	23,426,537	100.0000%
2010	23,763,685	23,763,685	100.0000%	5,545	23,763,685	100.0000%
2011	24,165,876	24,165,876	100.0000%	21,275	24,165,876	100.0000%
2012	23,993,724	23,993,724	100.0000%	2,777	23,993,724	100.0000%
2013	24,777,767	24,777,767	100.0000%	1,770	24,777,767	100.0000%
2014	21,233,005	21,233,005	100.0000%	3,998	21,233,005	100.0000%

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

NOTE: (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	
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)					
2013						
2014						

Fiscal Year	Business-Type Activities					Water Revenue Bonds	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				
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	1.91%
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	25,117,396	1.16%
2013	2,960,053	5,203,765		9,410,645	11,970,000		29,544,463	29,544,463	1.35%
2014		4,355,409		9,198,271		30,000,000	43,553,680	43,553,680	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 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
2005	\$21,945,000	0.47%	340.23
2006	21,755,000	0.43%	336.84
2007	29,750,000	0.54%	458.13
2008	28,950,000	0.50%	439.88
2009	27,755,000	0.46%	420.50
2010	27,755,000	0.46%	416.93
2011	45,120,000	0.73%	683.52
2012		N/A	0.00
2013		N/A	0.00
2014		N/A	0.00

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 account for in the Redevelopment Obligation Retirement Trust Fund.

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

CITY OF DAVIS
COMPUTATION OF LEGAL BONDED DEBT MARGIN (UNAUDITED)
WITH 10 YEAR TREND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2013

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	<u>\$6,532,936,548</u>
-----------------------------------------------------------------	------------------------

BONDED DEBT LIMIT (15% OF ASSESSED VALUE) (a)	<u>\$979,940,482</u>
-----------------------------------------------	----------------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt (b)	\$30,000,000
-----------------------	--------------

Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>0</u>
-------------------------------------------------------------------------------------------------------------	----------

Amount of debt subject to limit	<u>30,000,000</u>
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LEGAL BONDED DEBT MARGIN	<u>\$1,009,940,482</u>
--------------------------	------------------------

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
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	30,000,000	876,065,721	3.42%
2012	960,772,887		960,772,887	0.00%
2013	926,100,345	30,000,000	896,100,345	3.35%
2014	1,009,940,482		1,009,940,482	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>
2005	64,500	2,057,421	31,898	3.3%	184,500	34.96%
2006	64,585	2,220,432	34,380	3.0%	190,344	33.93%
2007	64,938	2,348,937	36,172	3.3%	193,983	33.48%
2008	65,814	2,467,235	37,488	4.3%	199,066	33.06%
2009	66,005	2,378,688	36,038	7.0%	200,709	32.89%
2010	66,570	2,430,138	36,505	7.6%	201,105	33.10%
2011	66,011	2,191,235	33,195	7.7%	201,759	32.72%
2012	65,052	2,163,369	33,256	6.9%	202,133	32.18%
2013	66,471	2,187,361	32,907	6.0%	205,999	32.27%
2014	66,656	N/A	N/A	6.7%	206,381	32.30%

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	2013-14			2012-13		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
UC Davis	21,870	1	74.42%	14,796	1	48.38%
California State Unverisity	752	2	2.56%	752	2	2.46%
Davis School District	690	3	2.35%	620	*	2.03%
City of Davis	436	4	1.48%	478	4	1.56%
Sutter Davis Hospital	400	5	1.36%	400	5	1.31%
Nugget Market	268	6	0.91%	268	6	0.88%
PG&E	248	7	0.8%	248	7	0.81%
Safeway Stores	245	8	0.8%	245	8	0.80%
Unitrans	230	9	0.8%	230	9	0.75%
Kaiser Permanente Medical Office	213	10	0.7%	213	10	0.70%
Subtotal	<u>25,352</u>		<u>86.27%</u>	<u>18,250</u>		<u>59.67%</u>
Total City of Davis Employment	<u>29,387</u>			<u>30,585</u>		

Source:

City of Davis Community Development Department

* includes seasonal employees

Historical data not available

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function										
General government	48.68	46.20	53.37	49.78	34.55	31.64	42.23	41.74	46.74	49.24
Public safety	149.42	145.78	152.05	157.22	156.64	151.63	151.27	146.82	145.03	140.03
Public works	57.45	55.38	55.44	57.00	59.45	57.60	52.70	52.37	76.98	76.79
Community development	32.17	31.69	35.01	33.98	35.18	25.57	26.07	26.39	22.30	22.30
Community services	188.82	189.80	195.28	183.83	201.74	193.55	165.62	149.79	113.56	102.58
Water	24.00	24.00	28.96	27.96	27.96	27.96	27.96	27.96	21.00	17.00
Wastewater	29.00	26.00	31.21	34.83	36.68	36.68	38.58	37.20	29.00	25.00
Total	<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>	<u>454.61</u>	<u>432.94</u>

Source: City of Davis

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Public safety:										
Fire:										
Fire calls for service	240	216	216	232	265	229	193	196	255	173
Medical calls for service	2,010	2,036	2,036	2,281	2,432	2,416	2,448	2,538	2,845	3,011
Other calls for service	1,254	1,402	1,402	1,490	1,573	1,524	1,432	1,547	1,210	1,628
Primary fire inspections conducted	1,247	1,590	1,590	1,195	1,563	1,799	1,806	1,503	1,806	1,198
Fire loss	\$792,863	\$792,863	\$905,185	2,569,901	1,980,190	597,732	591,107	576,395	822,500	1,384,310
Police:										
Communication Center calls answered (911)	8,054	21,602	21,602	8,920	9,095	11,203	12,083	12,008	12,538	12,959
Police calls for Service	58,256	61,646	61,646	57,326	61,328	56,315	57,540	60,830	53,630	49,442
Law violations:										
Part I and Part II crimes	2,527	2,368	2,368	2,543	2,464	1,792	1,823	1,603	1,573	1,802
Warrants processed (adult and juvenile)	877	1,083	1,083	1,047	917	727	666	845	742	756
Driving under influence arrests (DUI)	230	305	305	173	245	166	164	265	253	156
Property loss	\$3,079,862	\$2,815,926	\$2,815,926	\$2,555,708	\$3,316,075	\$2,213,102	\$2,235,868	\$1,196,213	1,196,512	2,215,301
Property recovered	\$1,160,869	\$69,142	\$691,422	\$605,887	\$763,045	\$778,997	\$574,448	510,747	511,747	490,507
Cases written	7,902	7,430	7,430	6,968	6,815	5,929	5,407	4,730	4,760	4,667
Animal related calls	471	217	217	588	283	276	353	327	386	402
Citizen complaints	23	34	34	33	20	32	12	15	15	11
Noise complaints	3,526	3,288	3,288	2,708	601	2,751	2,919	2,230	2,073	1,792
Moving violations	3,526	6,698	6,698	6,059	5,651	4,116	2,554	4,963	5,019	5,082
Parking violations	25,466	26,445	26,445	18,483	17,116	17,993	18,020	16,570	15,470	15,253
Public works										
Annual vandalism expenses	\$72,000	\$72,000	\$17,444	37,553	11,415	51,916	84,886	69,367	100,964	65,868
Potholes Repaired	6	10	18	16	9	7	11	9	10	10.5
Parks and Community Service										
Community Services:										
Recreation class participants	16,270	33,640	24,152	24,407	24,720	20,327	19,316	19,746	18,297	15,747
Performing Arts Center performances								192	137	132
Water										
Water service connections	15,371	16,229	16,229	16,292	16,292	16,325	16,430	16,430	16,572	16,139
Average daily consumption (thousands of gallons)	11,548	10,862	11,972	11,551	10,286	10,286	10,699	10,478	10,340	10,306
Wastewater										
Sewer service connections					15,750	16,325	16,430	16,430	16,430	16,572
Average daily treatment (millions of gallons/day) *	5.96	6.98	6.75	5.68	5.54	4.90	4.84	5.07	4.60	4.60
Solid Waste										
Tons of solid waste generated *	91,228	91,926	92,358	91,363	89,124	84,931	89,854	88,519	31,867	N/A
Tons of solid waste diverted from landfill *	45,614	49,640	49,874	52,077	53,474	47,561	58,405	56,652	21,032	N/A

* corrected basis of measurement

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Public safety:										
Fire stations	3	3	3	3	3	3	6	3	3	3
Police stations	1	1	1	1	1	1	1	1	1	1
Number of sworn personnel	60	60	60	61	61	61	61	61	63	63
Police patrol units	42	49	52	38	44	43	34	37	37	37
Public works										
Miles of streets	157	257	157	162	165	165	166	166	165	165
Street lights	5,494	5,494	5,494	5,403	5,426	5,676	5,699	5,699	5,710	5,710
Traffic Signals	54	54	54	60	60	60	61	61	59	58
Culture and recreation:										
Community services:										
City parks	31	31	31	31	31	31	36	36	36	36
City trees *	30,000	30,000	30,000	30,000	26,000	26,000	26,000	26,000	21,500	20,616
Playgrounds	68	68	69	69	69	69	69	69	69	69
Miles of on-street bike lanes	51	51	51	54	54	55	55	55	55	55
Miles of off-street bike paths	51	51	51	55	55	56	56	56	53	53
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	32	33	33	33	33	33	33	33	33	33
City buildings maintained	88	87	87	87	87	87	87	91	92	91
Square footage of City Buildings	29,700	296,694	296,694	301,853	305,093	305,093	305,093	305,093	305,093	305,093
Library:										
City Libraries										
Water										
Miles of water mains	179	180	180	178	179	180	180	183	198	188
Number of wells	23	23	23	21	20	20	20	20	20	20
Fire hydrants	1,938	1,938	1,942	1,699	1,703	1,703	1,703	1,706	1,708	1,078
Wastewater										
Miles of sewer mains	162	162	162	156	157	164	164	164	164	164
Miles of storm sewers	95	95	95	126	127	127	127	127	127	127
Number of treatment plants									1	1
Treatment capacity (millions of gallons)	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5

* corrected basis of measurement

Source: City of Davis

Note: n/a denotes information is not available.