

City of Davis California

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015*



CITY OF DAVIS, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

PREPARED BY THE
FINANCE DEPARTMENT

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**Administrative Services Department
Finance Division**

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



December 23, 2015

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, 2015.

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 2014-2015 will be completed in February of 2016 and a separate Single Audit Report will be issued.

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

REPORTING ENTITY

The enclosed report includes information for all funds of the City of Davis 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 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 fifteen council-appointed commissions and committees 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 October. 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 by June and must be adopted by the Council by June 30th, for 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. 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 2014-15, 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 \$261,406, a return of 0.217%.

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, 2015 the City's treasury, including Fiduciary funds, held \$156,270,935 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 \$5,000 and for workers compensation 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 2015 for the region is currently at 1,066,600, a net increase of 173,100 jobs from September 2014. Regional unemployment currently stands at 5.3 percent, a drop of 1.3 percent for the year. September 2015 unemployment numbers for the City of Davis stood at 4.0 percent, no change from September 2014.

UC Davis represents the largest employer in the Davis area with approximately 23,800 full time and part-time employees. The university has approximately 36,104 students enrolled and it is projected to continue growing. The university has been estimated to contribute over \$6.9 billion annually to the regional economy.

The Sacramento region has finally begun to show solid signs of recovery after the last major recession. Sacramento County and the region in general has shown some of the highest employment growth in the country. Local government revenues usually recover slightly slower than the broader economy as property tax assessments and retail spending begin to increase. The City of Davis has seen strong home value appreciation in the last two years with an average annual rate of over 15%. The median home price in the City currently stands at \$570,200. In June 2014, the voters approved an additional half-cent sales tax measure which will bring in approximately \$3.6 million annually for six years.

LONG-RANGE PLANNING

In December 2014, the Davis City Council adopted its Goals through 2016. 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.

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 toward implementation of specific tasks for each goal 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 City's accountant, Pam Day, 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 City Council to build a better financial future.

We also wish to acknowledge the professional manner in which Maze and Associates conducted the audit and to express appreciation for their assistance.

Respectfully submitted,



Dirk Brazil
City Manager



Kelly Fletcher
Finance Administrator



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, 2014

Executive Director/CEO

PRINCIPAL OFFICIALS

CITY OF DAVIS

JUNE 30, 2015

CITY COUNCIL

Mayor	Dan Wolk
Mayor Pro-Tem	Robb Davis
Councilmember	Lucas Frerichs
Councilmember	Brett Lee
Councilmember	Rochelle Swanson

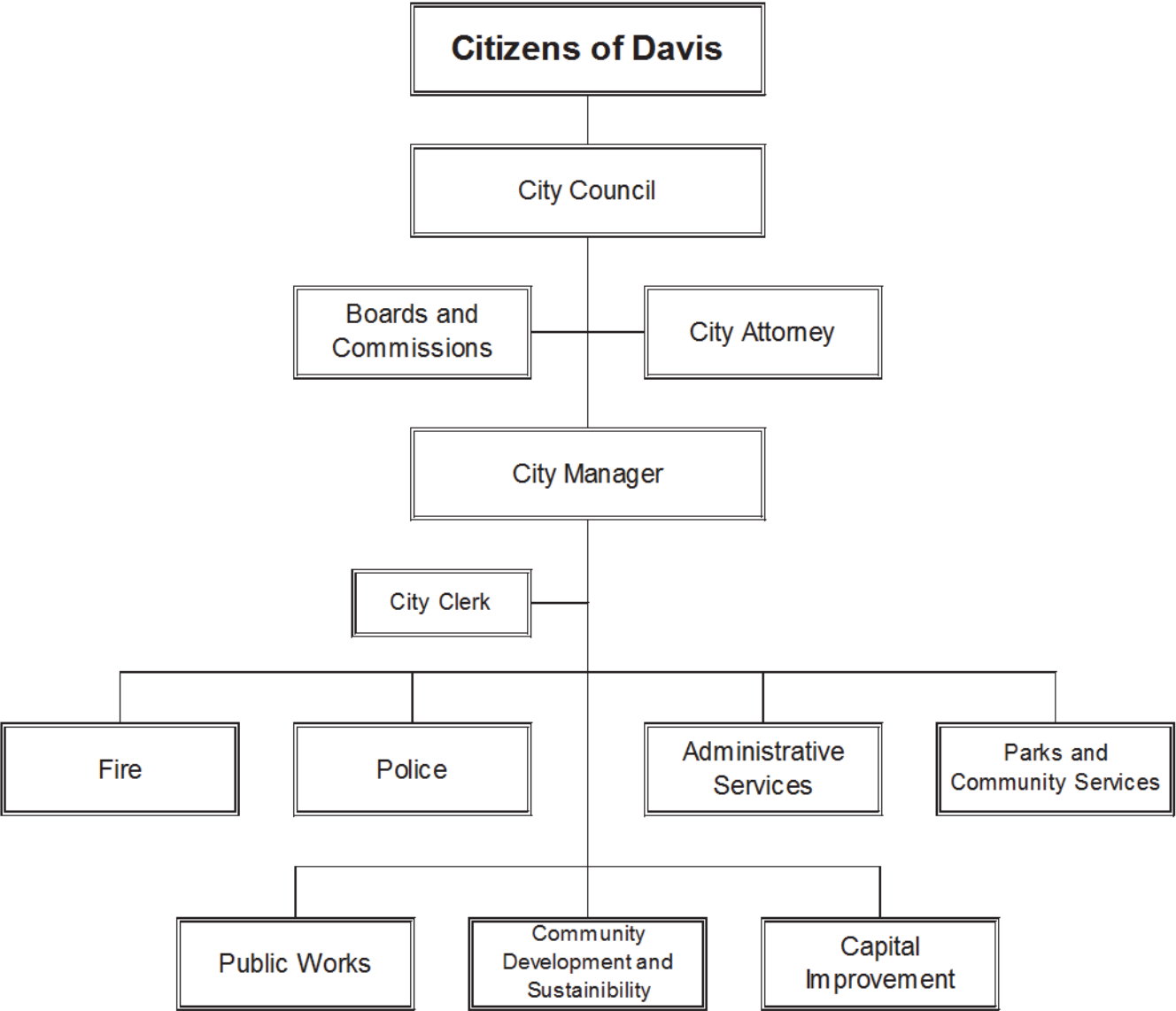
ADMINISTRATIVE OFFICIALS

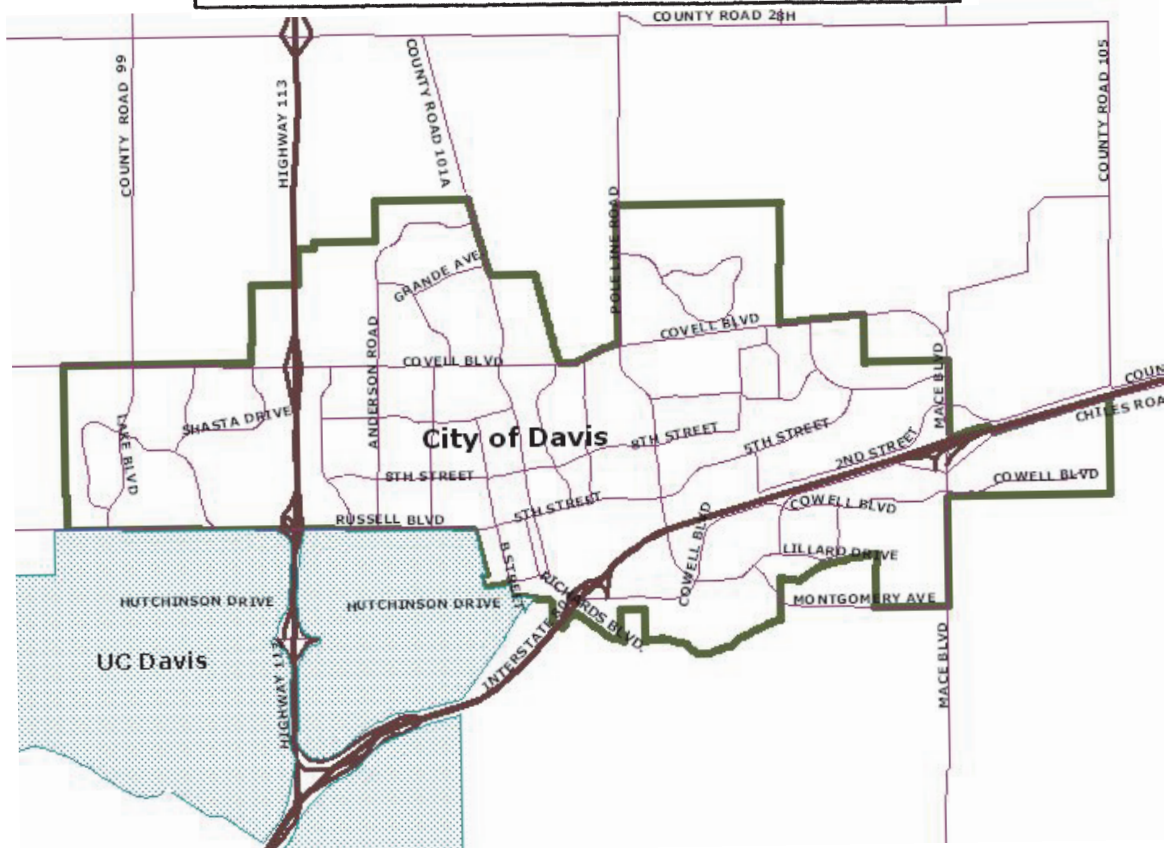
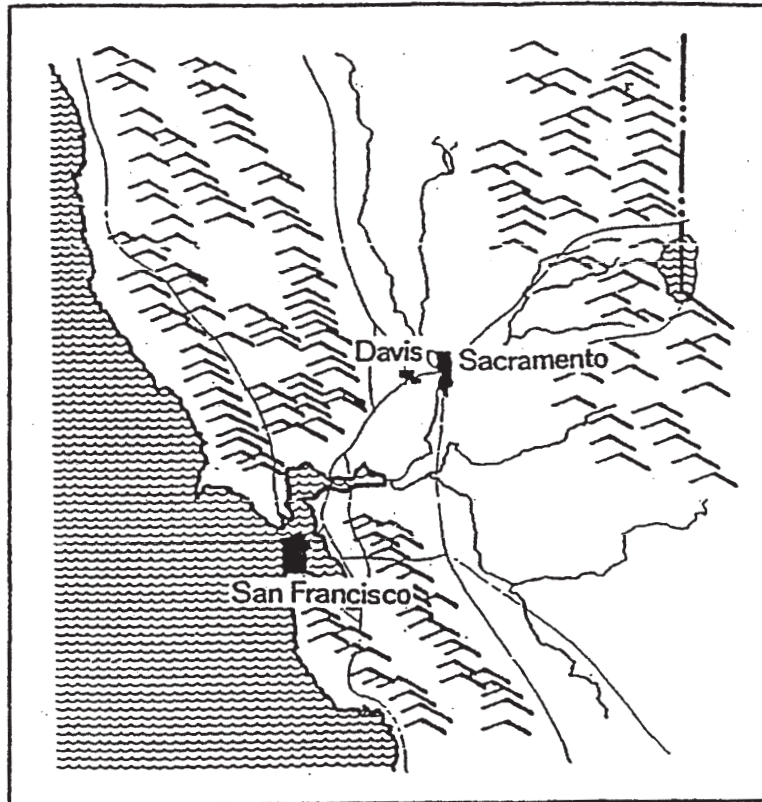
City Manager	Dirk Brazil
City Attorney	Harriet Steiner
Assistant City Manager	Kelly Stachowicz
Assistant City Manager	Mike Webb
City Clerk	Zoe Mirabile
HR Administrator/ Interim Parks Director	Melissa Chaney
Fire Chief	Nate Trauernicht
Police Chief	Landy Black
Public Works Director	Robert Clarke

ADMINISTRATIVE STAFF

Accountant II	Pamela Day
Accounting & Fiscal Analyst II	Bob Blyth
Finance Administrator	Kelly Fletcher

City of Davis Organizational Chart





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INDEPENDENT AUDITOR'S REPORT

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

Report on 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, as of and for the year ended June 30, 2015, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the shown below fund. These fund financial statements were audited by other auditor, whose report thereon has been furnished to us and our opinions, insofar as it relates to the amounts included for this fund, are based solely on the report of this auditor. 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.

<u>Special Revenue Funds:</u>	<u>Percentage of the entity-wide reporting entity</u>		
	<u>Assets</u>	<u>Net Position</u>	<u>Revenue</u>
Childcare Grant	0.73%	0.07%	4.27%

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 City'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 City'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 reports 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, 2015, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 18, The City of Davis Child Development Program has verbally informed all grantors that the Program will cease operations effective July 1, 2015.

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 that required a prior period adjustment to the financial statements, as discussed in Note 1Q to the financial statements:

- *Statement No. 68, Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27.*
- *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68.*

In addition, as discussed in Note 1R, the beginning net position of the RDA Obligation Retirement Private-Purpose Trust Fund was restated.

As discussed in Note 16 to the financial statements, the City of Davis voluntarily terminated the Child Development Fund's child care contracts and operations effective June 30, 2015. The financial statements do not include any adjustments for future liquidation of assets.

The emphasis of these matters do not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information 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

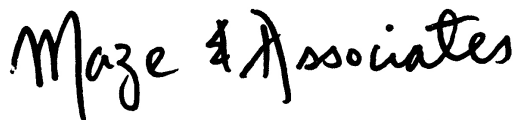
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maze & Associates". The script is cursive and fluid, with the ampersand being particularly stylized.

Pleasant Hill, California
December 23, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2015. 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 v-ix of this report.

FINANCIAL HIGHLIGHTS

Financial highlights for the 2014-2015 fiscal year include the following:

Government-Wide Level

- City total assets increased by \$10.9 million to \$697.7 million, of which \$357.9 million represented governmental assets and \$339.8 million represented business-type assets.
- City total liabilities increased by \$75.3 million to \$149.8 million, of which \$80.9 million were governmental liabilities and \$68.9 million were business-type liabilities.
- Total government-wide revenues were \$118.8 million, an increase of \$3.0 million from the prior year's \$115.7 million. The City's governmental activities generated \$73.0 million in revenue, while the business-type activities generated \$45.8 million in revenue.
- Total expenses for the City decreased \$0.9 million. Governmental expenditures decreased \$0.4 million, from \$67.9 million to \$67.5 million. Expenditures for business-type activities decreased \$0.5 million to \$39.0 million.

Fund Financial Statement Level

- The total governmental fund balances increased to \$93.8 million in fiscal 2014-15 from the prior year's \$86.3 million.
- Total governmental fund revenues increased \$8.0 million to \$74.3 in fiscal 2014-15 from the prior year's \$66.3 million.
- Total governmental fund expenditures increased to \$67.3 million in fiscal 2014-15, up \$1.3 million from the prior year's \$66.0 million.
- The General Fund's ending fund balance of \$15.7 million in fiscal 2014-15 is up \$6.2 million from the prior year's \$9.5 million.
- General Fund revenues increased to \$53.9 million, up \$5.8 million from the prior year's \$48.1 million and expenditures increased \$1.3 million from prior year's \$46.5 million.

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 assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net 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 27-29 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.

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 29 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 24 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 32-38 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 40-45 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.

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 48-49 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 51-103 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 107-122 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 128-157 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section focuses on the net assets and changes in net assets of the City's governmental activities and business-type activities presented in the Government-wide Statement of Net 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, 2015, and compares the activities to the prior fiscal year. Following Table 1 is an analysis of the activities.

Table 1
Net Position - June 30, 2015 and 2014
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Cash and investments	\$ 72.471	\$ 63.715	\$ 34.688	\$ 59.189	\$ 107.159	\$ 122.904
Other assets	45.080	46.329	5.535	5.401	50.615	51.730
Capital assets	240.360	242.576	299.547	269.529	539.907	512.105
Total Assets	<u>357.911</u>	<u>352.620</u>	<u>339.770</u>	<u>334.119</u>	<u>697.681</u>	<u>686.739</u>
Deferred outflows of resources	<u>5.659</u>		<u>1.274</u>		<u>6.933</u>	
Other liabilities	7.909	7.559	8.868	7.843	16.777	15.402
Long-term debt outstanding	<u>72.940</u>	<u>14.265</u>	<u>60.036</u>	<u>44.832</u>	<u>132.976</u>	<u>59.097</u>
Total Liabilities	<u>80.849</u>	<u>21.824</u>	<u>68.904</u>	<u>52.675</u>	<u>149.753</u>	<u>74.499</u>
Deferred inflows of resources	<u>12.955</u>		<u>2.886</u>		<u>15.841</u>	
Net position:						
Net investment in capital assets	240.361	242.576	235.770	225.975	476.131	468.551
Restricted	75.927	69.746			75.927	69.746
Unrestricted	<u>(46.521)</u>	<u>18.474</u>	<u>33.484</u>	<u>55.469</u>	<u>(13.037)</u>	<u>73.943</u>
Total Net Position	<u>\$ 269.767</u>	<u>\$ 330.796</u>	<u>\$ 269.254</u>	<u>\$ 281.444</u>	<u>\$ 539.021</u>	<u>\$ 612.240</u>

GASB 68 was implemented in the current fiscal year so comparable data for deferred outflows, deferred inflows and net pension liability for fiscal year 2013-14 is not available. Previously, pension obligation was only disclosed in the notes to the financial statements. GASB 68 requires governments to report pension liability in the government-wide financial statements, providing greater transparency for the financial statement readers. Please refer to Note 12 in the Notes to the Financial Statements on page 79-90 for more information.

Analysis of Governmental Activities

The City's governmental activities produced a change in net position of \$5.5 million from the prior fiscal year. This increase is explained below:

- Cash and investments increased \$8.8 million to \$72.5 million from \$63.7 million on June 30, 2015. While cash balances vary as a normal function of business, there are a few transactions that can be attributed to the change. General fund revenues increased \$5.8 million, primarily due to an increase in sales taxes (\$3.0 million) and charges for service (\$2.4 million). Additionally, operating grants in the Non-TDA fund increased \$2.0 million.
- Capital assets decreased \$2.2 million, as depreciation of \$7.6 million exceeded the additions of \$5.4 million. Work in progress increased \$4.4 million due to the transportation and street rehabilitation projects, along with expenditures for a new fire truck.
- Other assets consist primarily of accounts receivables, loans, and other receivables. The decrease of \$1.3 million in other assets was due to a decrease in the interfund elimination between the governmental funds and the business-type funds.
- Other liabilities consist primarily of accounts and claims payable, as well as the City's compensated absences liability. Other liabilities increased \$0.4 million from \$7.6 million on June 30, 2014. There were minor fluctuations between payables and debt due within the year.
- Net position invested in capital assets, which represents the net value of capital assets financed through borrowing, decreased to \$240.4 million from \$242.6 on June 30, 2014. This \$2.2 million decrease is a result of a decrease in net capital assets and no new long term debt.
- Restricted net position is the legally restricted balance that is required to be spent on capital projects, special revenue funded projects, and debt service reserves. Restricted net assets increased from \$69.7 million on June 30, 2014 to \$75.9 million on June 30, 2015. The increase of \$6.2 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 decreased \$65.3 million to \$(46.5) million. This is due to the restatement of fund balance and the recognition of estimated pension liability required by GASB 68 (see Note 12 in Notes to the Financial Statements on pages 79-90.)

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 decreased \$12.2 million from \$281.4 million on June 30, 2014.

- Cash and Investments decreased \$24.5 million to \$34.7 million from \$59.2 million on June 30, 2014. Of this amount, \$33.0 million is cash and investments held by the City; \$1.7 million is cash with fiscal agents. Both the water and the sewer funds have a major construction project in process, accounting for \$36.0 million in costs, \$9.0 million of which were paid from cash with fiscal agents.
- Other Liabilities increased \$1.0 million to \$8.9 million on June 30, 2015, with fluctuations in payables and debt due within a year.

- Long-term debt increased \$15.6 million from \$44.8 million on June 30, 2014, due to the recognition of estimated pension liability, and the payment of debt service on loans. Note 9 in the Notes to the Financial Statements on pages 75-76 provides further detail regarding these transactions.
- Net investment in capital assets, which represents the net value of capital assets financed through borrowing, increased \$9.795 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 decreased \$44.1 million to \$11.3 million. The change is primarily due to the adjustment of prior year net position and the recognition of estimated pension liability required by GASB 68 (see Note 12 in the Notes to the Financial Statements on pages 79-90).

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, 2015 and 2014
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Expenses						
General government:						
City Council	\$ 0.161	\$ 0.124	\$ -	\$ -	\$ 0.161	\$ 0.124
City Attorney	0.296	0.545	-	-	0.296	0.545
City Manager	1.950	2.676	-	-	1.950	2.676
Administrative Services	3.038	2.638	-	-	3.038	2.638
Community Development	5.291	3.987	-	-	5.291	3.987
Public Works	11.063	9.777	-	-	11.063	9.777
Special Projects	2.053	1.871	-	-	2.053	1.871
Parks and community services:						
Parks and Community Services	16.284	20.403	-	-	16.284	20.403
Public safety:						
Fire	10.230	9.809	-	-	10.230	9.809
Police	16.753	16.018	-	-	16.753	16.018
Interest on Long-Term Debt			-	-	-	-
Water		-	9.861	11.723	9.861	11.723
Sanitation	-	-	10.359	9.944	10.359	9.944
Sewer	-	-	8.760	8.368	8.760	8.368
Storm Sewer	-	-	3.669	3.714	3.669	3.714
Public transit	-	-	6.387	5.818	6.387	5.818
Total Expenses	<u>67.119</u>	<u>67.848</u>	<u>39.036</u>	<u>39.567</u>	<u>106.155</u>	<u>107.415</u>
Revenues						
Program Revenues:						
Charges for Services	15.045	13.898	39.168	41.942	54.213	55.840
Operating Contributions and Grants	12.610	9.602	6.275	5.714	18.885	15.316
Capital Grants and Contributions	2.850	7.125			2.850	7.125
General Revenues:						
Taxes	35.584	31.376			35.584	31.376
Motor vehicle in-lieu	5.524	5.291			5.524	5.291
Investment income	0.135	0.418	0.075	0.077	0.210	0.495
Miscellaneous	1.265	0.231	0.245	0.079	1.510	0.310
Total Revenues	<u>73.013</u>	<u>67.941</u>	<u>45.763</u>	<u>47.812</u>	<u>118.776</u>	<u>115.753</u>
Transfers, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special and Extraordinary Items:						
Total Transfers, Special and Extraordinary Items:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	5.894	0.093	6.727	8.245	12.621	8.338
Net Position - Beginning (as restated)	263.873	330.703	262.527	273.199	526.400	603.902
Net Position - Ending	<u>\$ 269.767</u>	<u>\$ 330.796</u>	<u>\$ 269.254</u>	<u>\$ 281.444</u>	<u>\$ 539.021</u>	<u>\$ 612.240</u>

Beginning fund balances were restated due to the requirements of GASB 68. Please refer to Note 12 in the Notes to the Financial Statements on page 79-90.

Analysis of Governmental Activities

Revenues

The City's governmental activities rely on several sources of revenue to finance ongoing operations. Taxes (\$35.6 million), Operating Grants & Contributions (\$12.6 million), and Charges for Services (\$15.0 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 2014-15, total revenue for governmental activities was \$73.0 million, an increase of \$5.1 million compared to the prior year. General Revenues accounted for all of the increase, jumping \$5.2 million from \$37.3 million in fiscal year 2013-14. Program Revenues had a small decrease of \$0.1 million, from \$30.6 million in fiscal year 2013-14 to \$30.5 million in fiscal year 2014-15.

Sales tax increased \$3.0 million, primarily due to the passage of Measure P, to collect an additional 1/2 cent in sales tax. Charges for Service increased \$1.2 million, due in part to fees collected for development projects in Community Development. Operating Grants and Contributions increased \$3.0 million due to the prior year's grant revenue received in fiscal year 2014-15. Revenue for capital grants decreased as 2013-14 had large awards 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 expenditures were 67.2 million, an increase of \$1.2 million from the prior year. Parks and Community services decreased \$4.0 million, due in part to the City paying \$1.8 million for water usage for prior years in fiscal year 2013-14. In addition, Parks Maintenance was shifted from Parks and Community Service to Public Works, accounting for an increase in expenditures of \$1.3 million.

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, 2015 is an increase of \$6.7 million. The change in net position was primarily due to an increase in revenue in the Sanitation, Sewer, and Storm Sewer funds and an increase in grant revenue in the Public Transit fund.

Further analysis can be found on page 14 in the Proprietary section of the Management Discussion and Analysis.

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 33 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 28 governmental funds combined into a single aggregated presentation.

At June 30, 2015, the City's governmental funds reported combined fund balances of \$93.3 million, which is an increase of \$6.9 million compared with last year. The assets for Governmental funds increased \$5.3 million. Governmental funds liabilities and deferred inflows decreased \$1.9 million due primarily to a decrease in deferred revenue.

Table 3 provides a summary of the governmental fund revenues for the year ended June 30, 2015, and compares the revenues to the prior fiscal year.

**Table 3: Revenues in the Governmental Funds
For the Year Ended June 30, 2015 and 2014**

Revenue Sources	2015		2014		Change	
	Amount	% of Total	Amount	% of Total	Amount	%
Taxes	\$40,921,164	55.1%	\$37,095,829	55.8%	\$3,825,335	10.3%
License and permits	0	0.0%	301	0.0%	(301)	-100.0%
Fines and forfeitures	661,160	0.9%	833,513	1.3%	(172,353)	-20.7%
Use of money and property	2,097,332	2.8%	3,362,708	5.1%	(1,265,376)	-37.6%
Intergovernmental	14,157,718	19.0%	10,294,581	15.7%	3,863,137	37.5%
Charges for current services	12,080,275	16.3%	9,614,559	14.5%	2,465,716	25.6%
Development fees	923,944	1.3%	2,011,157	3.0%	(1,087,213)	-54.1%
Administrative fees	2,329,522	3.1%	2,626,107	4.0%	(296,585)	-11.3%
Other	1,121,047	1.5%	476,872	0.6%	644,175	135.1%
Totals	<u>\$74,292,162</u>	<u>100.0%</u>	<u>66,315,627</u>	<u>100.0%</u>	<u>\$7,976,535</u>	<u>12.0%</u>

Total Governmental Fund revenues increased \$8.0 million to \$74.3 in fiscal 2014-15 from the prior year's \$66.3 million. While taxes, intergovernmental revenues and charges for services increased by \$3.8 million, \$3.9 million and \$2.5 million respectively, use of money and property and development fees decreased \$1.3 million and \$1.1 million respectively. Development fees decreased due to build out Verona and Willowbank Park No. 3

Taxes increased \$3.8 million, primarily due to the passage of measure P, increasing sales tax by 1/2 cent. The increase of \$2.5 million in charges for service came from Community Development's fees collected for the Innovation Parks, Nishi and The Cannery development. Intergovernmental revenues increased \$3.8 million due to recognition of prior year Non-TDA grants in fiscal year 2014-15. Use of Money and Property decreased \$1.3 million, partly due to a spike in fiscal 2013-14 from collection of rent from the enterprise funds for land use for prior three prior 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, 2015 and 2014**

<u>Function</u>	2015		2014		Change	
	Amount	Total	Amount	Total	Amount	%
City Council	\$168,389	0.3%	\$124,507	0.2%	\$43,882	35.2%
City Attorney	296,143	0.4%	555,619	0.9%	(259,476)	-46.7%
City Manager	2,063,550	3.1%	2,710,000	4.1%	(646,450)	-23.9%
Administrative Services	3,204,437	4.8%	2,728,275	4.1%	476,162	17.5%
Public Safety	27,838,666	41.4%	26,368,580	39.9%	1,470,086	5.6%
Public Works	6,227,483	9.3%	5,173,502	7.8%	1,053,981	20.4%
Community Development	5,467,094	8.1%	4,096,916	6.2%	1,370,178	33.4%
Parks and Community Services	14,971,458	22.3%	18,163,238	27.5%	(3,191,780)	-17.6%
Special Projects	2,077,228	3.1%	1,926,030	2.9%	151,198	7.9%
Capital Outlay	4,966,673	7.4%	4,199,574	6.4%	\$767,099	18.3%
Totals	<u>\$67,281,121</u>	<u>100.0%</u>	<u>\$66,046,241</u>	<u>100.0%</u>	<u>\$1,234,880</u>	<u>1.9%</u>

Expenditures for governmental funds increased \$1.2 million to \$67.3 million. Community Development expenditures increased \$1.4 million due to an increase in expenditures for planning for The Cannery and Innovation Park projects. Parks and Community Services decreased \$3.2 million, partly due to recognizing expenditures for water use for 3 prior years in fiscal year 2013-14. In addition, park maintenance expenditures were shifted from Parks and Community Service to Public Works, accounting for a decrease and an increase, respectively, of \$1.3 million for those functions.

Analysis of Major Governmental Funds

General Fund

At June 30, 2015, the General Fund held \$15.7 million in fund balance. \$15.5 million is classified as Unassigned and \$0.2 million classified as Nonspendable. The unassigned fund balance represents available liquid resources. The fund balance increased \$6.1 million from the prior fiscal year.

Table 5 provides a summary of the General Fund revenues for the year ended June 30, 2015, and compares the revenues to the prior fiscal year. Following Table 5 is an analysis of the revenues.

**Table 5: Revenues in the General Fund
For the Year Ended June 30, 2015 and 2014**

<u>General Fund Revenues</u>	2015	2014	\$ Change	% Change
Taxes				
Property Tax	\$12,156,824	\$11,926,326	\$230,498	1.9%
Sales tax	13,302,816	10,282,592	3,020,224	29.4%
Real Property Transfer	367,464	225,977	141,487	62.6%
Municipal Services	2,770,291	2,669,472	100,819	3.8%
Business License	1,735,021	1,669,289	65,732	3.9%
Construction Tax	562,206	229,579	332,627	144.9%
Franchise	743,175	575,083	168,092	29.2%
Transient Occupancy	1,319,909	1,250,725	69,184	5.5%
Motor Vehicle in-lieu	5,496,622	5,262,856	233,766	4.4%
Sub-total Taxes	38,454,328	34,091,899	4,362,429	12.8%
Licenses and permits	0	301	(301)	-100.0%
Fines and Forfeitures	661,160	833,513	(172,353)	-20.7%
Use of money and property	1,255,693	2,903,593	(1,647,900)	-56.8%
Intergovernmental	780,343	280,545	499,798	178.2%
Charges for current services	9,303,663	6,899,349	2,404,314	34.8%
Admin fee - Enterprise Fund	2,329,522	2,626,107	(296,585)	-11.3%
Other	1,125,838	452,435	673,403	148.8%
	<u>\$53,910,547</u>	<u>\$48,087,742</u>	<u>\$5,822,805</u>	<u>12.1%</u>

General Fund revenues increased \$5.8 million to \$53.9 million. Fund revenues consist primarily of property taxes and other taxes, which accounts for 71.3% of total fund revenue for the year ended June 30, 2015. Sales tax increased \$3.0 million due to a sales tax increase of 1/2 cent. Community Development's revenue increased \$2.4 million due to fees collected for the Innovation Parks, Nishi and The Cannery development. Use of Money and Property decreased \$1.6 million (56.8%) due to rent charged to the enterprise funds for land use for three prior years in fiscal 2013-14.

Table 6 provides a summary of the General Fund expenditures for the year ended June 30, 2015, and compares the expenditures to the prior fiscal year. Following Table 6 is an analysis of the expenditures.

**Table 6: Expenditures in the General Fund
For the Year Ended June 30, 2015 and 2014**

<u>General Fund Expenditures</u>	2015	2014	\$ Change from Prior	% Change from Prior	% of Total Increase
City Council	\$168,389	\$124,507	\$43,882	35.2%	3.39%
City Attorney	296,143	555,619	(259,476)	-46.7%	-20.07%
City Manager	2,057,190	2,132,160	(74,970)	-3.5%	-5.80%
Administrative Services	2,416,569	2,452,791	(36,222)	-1.5%	-2.80%
Community Development	5,372,346	3,881,272	1,491,074	38.4%	115.33%
Parks & Community Services	8,154,484	11,834,326	(3,679,842)	-31.1%	-284.62%
Fire	9,070,145	8,500,700	569,445	6.7%	44.05%
Police	15,826,724	14,800,248	1,026,476	6.9%	79.39%
Public Works	2,998,835	1,679,091	1,319,744	78.6%	102.08%
Capital Outlay	1,402,972	510,193	892,779	175.0%	69.05%
	<u>\$47,763,797</u>	<u>\$46,470,907</u>	<u>\$1,292,890</u>	<u>2.8%</u>	<u>100.0%</u>

General Fund expenditures increased \$1.3 million, with large percentage increases in Capital Outlay (175.0%), Community Development (38.4%) and Public Works (78.6%). Parks and Community Services and the City Attorney showed decreased of 31.1% and 46.7%, respectively. The \$3.6 million decrease in Parks and Community Services is due to prior year water charges paid in fiscal year 2013-14. In addition, park maintenance expenditures were moved from Parks and Community Services to Public Works, which had no impact on overall spending, but impacted the expenditures of both departments. Community Development expenditures increased to \$1.5 million. This is due to increased expenditures for planning of The Cannery and Innovation Park projects. Expenditures for Capital Outlay increased \$0.9 due to initial expenditures for a fire truck.

Child Care Grant Fund

Child Care Grant Fund revenues consist primarily of grant revenue, which increased \$0.4 million and totaled \$5.0 million for the year ended June 30, 2015.

Expenditures of these funds occurred within Parks and Community Services. The primary expenditures in this fund are salaries, benefits, and provider payments. Total fund expenditures were \$5.1 million.

At June 30, 2015, the Child Care Grant Fund balance held \$397,166 in fund balance, with the total classified as restricted. Beginning July 1, 2015, the City will no longer be administering child care services. More information is available in Note 18 in the Notes to the Financial Statement section.

Development Deferred Improvement Fund

The Development Deferred Improvement Fund revenues decreased \$0.9 million. Revenues for the year ended June 30, 2015 primarily consists of development impact fees in the amount of \$0.8 million (97.5% of total fund revenues). Development impact fees are wholly dependent on new development and can fluctuate from year to year.

Primary expenditures for the Development Deferred Improvement Fund are for capital projects. Capital outlay expenditures decreased \$0.2 million, totaling \$1.7 million.

At June 30, 2015, the Development Deferred Improvement Fund held \$23.4 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 \$0.3 million to \$0.9 million for the year ended June 30, 5. 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 \$0.4 million to \$0.8 million and comprise 100% of total expenditures.

At June 30, 5, the Low/Mod Housing Fund held \$33.8 million in fund balance.

Open Space Fund

The Open Space Fund revenues decreased \$0.8 million from the prior fiscal year. In the prior fiscal year, a grant was received to offset the loss from the sale of the Leland Ranch/ Mace Curve property.

Expenditures for the fund were \$0.3 million, \$0.05 million less than expenditures for the prior year.

At June 30, 2015 the Open Space restricted fund balance was \$4.3 million, an increase in fund balance of \$0.3 million from the prior year.

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 \$6.7 million, with positive and negative changes in the five major funds. The Water, Sewer, and Sanitation Funds had a positive change in net position of \$8.7 million, with a combined decrease in net position of \$1.94 million in the Public Transit and Storm Sewer funds. Employee pension liability was recorded in all 5 enterprise funds, in accordance with the requirements of GASB 68. For more information, refer to Note 12 in the Notes to the Financial Statements.

Water Fund

Water Fund operating revenues, which are charges for services to the residents of Davis and some residents in the County, total \$12.1 million. This is a \$3.7 million decrease from the prior fiscal year due to a temporary reduction in rates and the recognition of City water usage for 3 prior years in fiscal year 2013-14. Operating revenues represent 99.7% of total fund revenue.

Operating expenses for the Water Fund totaled \$9.8 million, with the primary expenses for water production, distribution, and system maintenance totaling \$6.0 million. There was a \$1.6 million decrease in operating expenses from the prior year, with Water Production accounting for the majority. This is due to \$1.9 million paid to the General Fund in fiscal year 2013-14 for land use for 3 prior fiscal years.

Sanitation Fund

Sanitation Fund operating revenues consist of charges for services to the residents of Davis and totaled \$10.6 million, or 99.7% of total fund revenues. Operating revenues increased \$0.5 million from the prior year.

Primary expenses are for waste removal, solid waste management and street sweeping totaling \$9.7 million. Fund operating expenses increased \$0.4 million from the prior year primarily due to the increased costs in waste removal.

Overall, the Sanitation Fund had a change in net assets of \$0.3 million.

Sewer Fund

Sewer Fund operating revenues, which are charges for services to the residents of Davis and some residents in the County, total \$14.7 million, or 98.7% of total fund revenues. Sewer fund operating revenue increased \$0.4 million from the prior year.

Primary operating expenses are for sewage collection and treatment totaling \$6.3 million. The Sewer Fund operating expenses increased from \$8.0 million to \$8.7 million.

The Sewer Fund ended the year with a change in net position of \$6.1 million. Rates increased in fiscal year 2014-15 to fund construction of the sewer treatment plant, which began this year.

Storm Sewer Fund

Storm Sewer Fund operating revenues consist of charges for services to the residents of Davis and totaled \$1.7 million, or 95.8% of total fund revenues. Charges for service increased \$40,238 from the prior year.

Primary operating expenses are for maintenance of the storm drainage system totaling \$1.3 million. Total operating expenses decreased \$49,102 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.

Public Transit Fund

Public Transit Fund revenues consist primarily of operating grants and contributions in the amount of \$6.3 million, or 99.3% of total fund revenues. Grants and contributions increased \$0.6 million from the prior year.

Primary operating expenses are for the provision of public and special transportation services totaling \$6.3 million. This reflects an increase in expenses of \$0.5 million from the previous year. While the Public Transit Fund ended the year with a net loss of \$89,691, this is primarily attributed to depreciation cost of \$136,035. 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the City's investment in capital assets totaled \$539.9 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 in Notes to the Financial Statements):

Table 7
Capital Assets at June 30, 2015 and 2014
(in Millions)

	2015	2014	Net Change
Governmental Activities:			
Land	\$ 56.067	\$ 56.067	-
Construction in progress	12.488	8.026	4.462
Buildings and improvements	43.528	43.528	-
Equipment	9.806	9.566	0.240
Infrastructure - Streets	257.029	257.029	-
Infrastructure - Parks	63.202	63.101	0.101
Infrastructure - Bike/Ped Paths	15.342	14.992	0.350
	<u>(217.102)</u>	<u>(209.733)</u>	<u>(7.369)</u>
Less accumulated depreciation			
Total	<u>\$ 240.360</u>	<u>\$ 242.576</u>	<u>\$ (2.216)</u>
Business-Type Activities:			
Land	\$ 21.783	\$ 21.783	\$ -
Construction in progress	90.282	53.789	36.493
Buildings, plant and drainage	150.156	150.156	-
Wells, pipes and Lines	167.723	167.723	-
Equipment	11.148	11.080	0.068
	<u>(141.545)</u>	<u>(135.002)</u>	<u>(6.543)</u>
Less accumulated depreciation			
Total	<u>\$ 299.547</u>	<u>\$ 269.529</u>	<u>\$ 30.018</u>

Capital assets, before depreciation, increased \$41.7 million due to construction in progress. The increase in business-type activities is primarily due to expenditures for the Alternative Water Supply System (\$17.2 million), the Waste Water Treatment Plant (\$17.1 million), and the Surface Water Pipeline Project (\$1.7 million). Capital expenditures for governmental activities included \$1.6 million for transportation infrastructure rehabilitation and \$0.5 million for a fire truck, with the balance being spent on numerous other capital projects.

Debt Administration

Each of the City's debt issues is discussed in detail in Note 9 in Notes to the Financial Statements. At June 30, 2015, the City's debt comprised:

Table 8
Outstanding Debt at June 30, 2015 and 2014
(in Millions)

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
Governmental activities: *			
Long Term Employee Benefits	\$ 70.494	\$ 14.192	\$ 56.302
Business-type activities:			
Long Term Debt	41.617	43.554	
Long Term Employee Benefits	<u>20.412</u>	<u>3.645</u>	<u>16.767</u>
Total	<u>\$ 132.523</u>	<u>\$ 61.391</u>	<u>\$ 71.132</u>

Long term debt increased in both the governmental and business-type activities due to the recognition of employee pension liability in the financial statements, as required by GASB 68. Please refer to Note 12 in the Notes to the Financial Statements for more information. The Business-type activities long term debt decreased \$1.9 million due to payment of annual debt service.

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 \$40.8 million with related unamortized discounts of \$0.5 million, to be amortized over the life of the bonds.

Special Assessment District Debt

At June 30, 2015, a total of \$25.7 million in special assessment district debt was outstanding, issued by five special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, although the City does act as these Districts' agent in the collection and remittance of assessments.

ECONOMIC OUTLOOK

Economic Factors

Based on the current forecast, the City is showing signs of continuing recovery. The sale of homes is increasing, having a positive effect on property taxes with a projected increase of 3%. Sales tax revenues are also projected to increase by 3%. The City will continue to look for opportunities for revenue growth, while maintaining the progress made in reducing expenditures.

Next Year's Budget

The budget for 2015-16 continues to 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 is budgeted to replace and improve the existing distribution lines. These are multiyear projects with projected expenditures over the next few years.

The General Fund's budget for fiscal 2015-2016 appropriates \$54.8 million, an increase of 13.9% from the prior year. General Fund revenue is projected to be \$52.4 million, which is \$4.3 million, or 9.0% more than the revenue budgeted for fiscal year 2014-15.

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

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<p style="text-align: center;">STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES</p>

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

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

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

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

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

Both these Statements include the financial activities of the City and the Public Facilities Financing Authority which are legally separate but are considered to be component units of the City because they are controlled by the City, which is financially accountable for their activities.

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CITY OF DAVIS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 4)	\$72,470,661	\$33,034,199	\$105,504,860
Cash with fiscal agents (Note 4)		1,654,302	1,654,302
Accrued interest	43,016	64,616	107,632
Receivables:			
General accounts	6,356,026	2,123,447	8,479,473
Grants	2,446,903	629,631	3,076,534
Utility accounts	474,727	3,804,984	4,279,711
Loans (Note 6)	33,917,645		33,917,645
Mortgages (Note 6)	383,641		383,641
Prepaid expenses	20,584		20,584
Inventory (Note 11)	349,836		349,836
Internal balances (Note 5C)	1,088,063	(1,088,063)	
Capital assets (Note 7):			
Non-depreciable	68,555,775	112,064,441	180,620,216
Depreciable, net of depreciation	171,804,710	187,482,257	359,286,967
Total Assets	357,911,587	339,769,814	697,681,401
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 12)	5,658,914	1,274,212	6,933,126
Total Assets and Deferred Outflows of Resources	363,570,501	341,044,026	704,614,527
LIABILITIES			
Payables:			
Accounts and other accrued liabilities	2,403,917	3,430,610	5,834,527
Wages	1,340,338	225,845	1,566,183
Grants	7,608		7,608
Interest		375,778	375,778
Deposits	2,714,618	54,625	2,769,243
Unearned revenue (Note 8)	1,175,284	2,349,461	3,524,745
Claims payable (Note 15):			
Due within one year	104,003		104,003
Due in more than one year	254,836		254,836
Compensated absences (Note 3):			
Due within one year	163,420	438,664	602,084
Due in more than one year	2,190,465		2,190,465
Long-term debt (Note 9):			
Due within one year		1,993,117	1,993,117
Due in more than one year		39,624,012	39,624,012
OPEB liability, due in more than one year (Note 13)	11,539,129	3,120,501	14,659,630
Net pension liability (Note 12)	58,955,391	17,291,017	76,246,408
Total Liabilities	80,849,009	68,903,630	149,752,639
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 12)	12,954,697	2,886,194	15,840,891
Total Liabilities and Deferred Inflows of Resources	93,803,706	71,789,824	165,593,530
NET POSITION (Note 11):			
Net investment in capital assets	240,360,485	235,769,713	476,130,198
Restricted for:			
Capital projects	34,222,315		34,222,315
Debt service	384,121		384,121
Housing	35,734,624		35,734,624
Special revenue projects	5,586,510		5,586,510
Total Restricted Net Position	75,927,570		75,927,570
Unrestricted	(46,521,260)	33,484,489	(13,036,771)
Total Net Position	\$269,766,795	\$269,254,202	\$539,020,997

See accompanying notes to financial statements

CITY OF DAVIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
City council	\$161,024			
City attorney	296,143		\$1,558	
City manager	1,950,060	\$1,305,413	1,531,420	
Administrative services	3,038,094	2,133,568		
Community development	5,290,390	4,634,131	199,691	\$24,465
Parks and community services	16,284,031	3,109,507	4,961,103	160,969
Public safety - fire	10,230,697	1,084,686	2,040,985	
Public safety - police	16,752,442	1,010,406	1,747,971	
Public works	11,063,195			
Special projects	2,052,508	1,767,216	2,127,735	2,664,160
Total Governmental Activities	67,118,584	15,044,927	12,610,463	2,849,594
Business-type Activities:				
Water	9,861,390	12,079,724		
Sanitation	10,358,515	10,604,488	18,583	
Sewer	8,759,829	14,709,852		
Storm sewer	3,669,452	1,742,022		
Public transit	6,387,279	31,963	6,256,562	
Total Business-type Activities	39,036,465	39,168,049	6,275,145	
Total	\$106,155,049	\$54,212,976	\$18,885,608	\$2,849,594
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Municipal services				
Business license				
Park maintenance				
Construction				
Open space protection				
Franchise				
Transient occupancy				
Transfer				
Intergovernmental, unrestricted:				
Motor vehicle in-lieu				
Investment earnings				
Miscellaneous				
Total general revenues				
Change in Net Position				
Beginning Net Position, As Adjusted (Note 1Q)				
Ending Net Position				

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$161,024)		(\$161,024)
(294,585)		(294,585)
886,773		886,773
(904,526)		(904,526)
(432,103)		(432,103)
(8,052,452)		(8,052,452)
(7,105,026)		(7,105,026)
(13,994,065)		(13,994,065)
(11,063,195)		(11,063,195)
4,506,603		4,506,603
<u>(36,613,600)</u>		<u>(36,613,600)</u>
	\$2,218,334	2,218,334
	264,556	264,556
	5,950,023	5,950,023
	(1,927,430)	(1,927,430)
	(98,754)	(98,754)
	<u>6,406,729</u>	<u>6,406,729</u>
<u>(36,613,600)</u>	<u>6,406,729</u>	<u>(30,206,871)</u>
12,156,824		12,156,824
13,302,816		13,302,816
2,770,291		2,770,291
1,735,021		1,735,021
1,360,149		1,360,149
562,206		562,206
649,634		649,634
1,359,272		1,359,272
1,319,909		1,319,909
367,464		367,464
5,523,938		5,523,938
135,148	75,698	210,846
1,264,593	245,077	1,509,670
<u>42,507,265</u>	<u>320,775</u>	<u>42,828,040</u>
5,893,665	6,727,504	12,621,169
<u>263,873,130</u>	<u>262,526,698</u>	<u>526,399,828</u>
<u>\$269,766,795</u>	<u>\$269,254,202</u>	<u>\$539,020,997</u>

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FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2015. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

CHILD CARE GRANT FUND

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.

LOW/MOD INCOME 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.

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
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General	Child Care Grant	Low/ Mod Housing Fund	Open Space
ASSETS				
Cash and investments (Note 4)	\$14,321,111	\$495,347	\$1,788,922	\$4,230,934
Accrued interest	8,143	334	1,006	2,336
Receivables:				
General accounts	5,884,895		98,703	33,159
Grants	789,989	343,949	327,260	
Utility accounts	253,623			
Loans (Note 6)	147,093		31,927,055	
Mortgages (Note 6)			383,641	
Due from other funds (Note 5A)				
Total Assets	<u>\$21,404,854</u>	<u>\$839,630</u>	<u>\$34,526,587</u>	<u>\$4,266,429</u>
LIABILITIES				
Payables:				
Accounts and other accrued liabilities	\$781,266	\$408,322	\$427,978	
Wages	1,138,213	14,698	1,462	\$7,632
Grants				
Deposits	2,104,506		11,806	
Unearned revenue (Note 8)	808,187	19,444		
Due to other funds (Note 5A)				
Total Liabilities	<u>4,832,172</u>	<u>442,464</u>	<u>441,246</u>	<u>7,632</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Note 8)	889,151			
Unavailable mortgages (Note 8)			241,055	
Total Deferred Inflows of Resources	<u>889,151</u>		<u>241,055</u>	
FUND BALANCES				
Fund balance (Note 11):				
Nonspendable	147,093			
Restricted		397,166	33,844,286	4,258,797
Committed				
Unassigned	<u>15,536,438</u>			
Total Fund Balances	<u>15,683,531</u>	<u>397,166</u>	<u>33,844,286</u>	<u>4,258,797</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$21,404,854</u>	<u>\$839,630</u>	<u>\$34,526,587</u>	<u>\$4,266,429</u>

See accompanying notes to financial statements

Development Deferred Improvement	Other Governmental Funds	Total Governmental Funds
\$20,984,464	\$13,547,371	\$55,368,149
14,050	7,726	33,595
1,115	303,160	6,321,032
	985,705	2,446,903
	221,104	474,727
51,369	1,792,128	33,917,645
		383,641
3,242,909		3,242,909
<u>\$24,293,907</u>	<u>\$16,857,194</u>	<u>\$102,188,601</u>
\$326,115	\$226,222	\$2,169,903
	18,281	1,180,286
7,608		7,608
598,306		2,714,618
	347,653	1,175,284
	436,505	436,505
<u>932,029</u>	<u>1,028,661</u>	<u>7,684,204</u>
	27,500	916,651
		241,055
<u> </u>	<u> </u>	<u> </u>
	27,500	1,157,706
		147,093
23,361,878	7,466,898	69,329,025
	8,334,135	8,334,135
		15,536,438
<u>23,361,878</u>	<u>15,801,033</u>	<u>93,346,691</u>
<u>\$24,293,907</u>	<u>\$16,857,194</u>	<u>\$102,188,601</u>

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CITY OF DAVIS
RECONCILIATION OF THE
GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet	\$93,346,691
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets net of accumulated depreciation used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	234,600,361
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ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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

Cash and investments	17,102,512
Accrued interest	9,421
Accounts receivable	34,994
Inventory	349,836
Prepays	20,584
Capital assets, net	5,760,124
Accounts payable	(234,014)
Wages payable	(160,052)
Claims payable	(358,839)
Leave benefits payable	(163,420)
Net pension liability and related deferred outflows and inflows of resources	(6,618,044)
Internal balances	(1,718,341)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	1,157,706
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LONG-TERM ASSETS AND LIABILITIES

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

Net OPEB obligation, due in more than one year	(11,539,129)
Net pension liability and related deferred outflows and inflows of resources	(59,633,130)
Non-current portion of compensated absences	(2,190,465)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$269,766,795
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See accompanying notes to financial statements

CITY OF DAVIS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General	Child Care Grant	Low/ Mod Housing Fund	Open Space
REVENUES				
Taxes	\$38,454,327			
Fines and forfeitures	661,160			
Use of money and property	1,255,693	\$850	\$26,240	\$649,634
Intergovernmental	780,343	4,980,004	541,717	7,398
Charges for current services	9,303,663	86,390	289,796	
Development fees	97,602			
Administrative fee - other funds	2,329,522			
Other	1,028,236		76,100	14,402
Total Revenues	53,910,546	5,067,244	933,853	671,434
EXPENDITURES				
Current:				
City Council	168,389			
City Attorney	296,143			
City Manager	2,057,190			
Administrative services	2,416,569			
Community development	5,372,346			
Parks and community services	8,154,484	5,066,632		337,280
Public safety - fire	9,070,145			
Public safety - police	15,826,724			
Public works	2,998,835			
Special projects			815,498	
Capital outlay	1,402,972			2,791
Total Expenditures	47,763,797	5,066,632	815,498	340,071
NET CHANGE IN FUND BALANCES	6,146,749	612	118,355	331,363
BEGINNING FUND BALANCES	9,536,782	396,554	33,725,931	3,927,434
ENDING FUND BALANCES	\$15,683,531	\$397,166	\$33,844,286	\$4,258,797

See accompanying notes to financial statements

Development Deferred Improvement	Other Governmental Funds	Total Governmental Funds
	\$2,466,837	\$40,921,164
		661,160
\$45,716	119,178	2,097,311
	7,848,256	14,157,718
	2,400,447	12,080,296
753,386	72,956	923,944
		2,329,522
1,000	1,309	1,121,047
<u>800,102</u>	<u>12,908,983</u>	<u>74,292,162</u>
		168,389
		296,143
	6,360	2,063,550
153,627	634,241	3,204,437
	94,748	5,467,094
	1,413,062	14,971,458
	1,468,216	10,538,361
	1,473,581	17,300,305
543,528	2,685,120	6,227,483
26,406	1,235,324	2,077,228
<u>1,665,609</u>	<u>1,895,301</u>	<u>4,966,673</u>
<u>2,389,170</u>	<u>10,905,953</u>	<u>67,281,121</u>
(1,589,068)	2,003,030	7,011,041
<u>24,950,946</u>	<u>13,798,003</u>	<u>86,335,650</u>
<u>\$23,361,878</u>	<u>\$15,801,033</u>	<u>\$93,346,691</u>

CITY OF DAVIS
RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE
STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$7,011,041
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay is therefore added back to fund balance	4,966,673
Non-capitalized expenditures are deducted from fund balance	(830,917)
Depreciation expense is deducted from the fund balance	
(Depreciation expense is net of internal service fund depreciation of \$844,344 which has already been allocated to serviced funds)	(6,793,517)

ACCRUAL OF NON-CURRENT ITEMS

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

Unavailable revenue	(1,814,629)
Compensated absences	(104,640)
Net OPEB obligation	349,604
Net pension liability and related deferred outflows and inflows of resources	666,556

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	2,443,494
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$5,893,665
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See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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

ENTERPRISE FUNDS:

Water Fund

This fund accounts for the revenues and expenses of the City's water operations.

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 revenues and expenses of the City's sewer operations.

Storm Sewer Fund

This fund accounts for the provision of storm drain services to residents of the City and some residents of the County.

Public Transit Fund

This fund accounts for the revenues and expenses of the City's public transit operations.

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.

CITY OF DAVIS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Business-type Activities-Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
ASSETS				
Current Assets:				
Cash and investments (Note 4)	\$5,764,790	\$2,241,137	\$20,252,765	\$4,775,507
Cash with fiscal agents (Note 4)	1,654,302			
Accrued interest	3,980	1,277	56,525	2,786
Receivables:				
General accounts	1,685,361	484	430,044	6,914
Grants				
Utility accounts	1,204,107	972,574	1,329,470	298,833
Inventory (Note 11)				
Prepaid items				
Total Current Assets	<u>10,312,540</u>	<u>3,215,472</u>	<u>22,068,804</u>	<u>5,084,040</u>
Noncurrent Assets:				
Advances to other funds (Note 5B)			7,696,828	
Capital Assets (Note 7)				
Non-depreciable				
City's investment in JPA facilities	51,314,856			
Land and construction in progress	4,534,359		51,825,690	4,389,536
Depreciable	132,744,027		90,538,788	101,483,928
Accumulated depreciation	<u>(50,245,274)</u>		<u>(49,200,240)</u>	<u>(40,463,107)</u>
Total Noncurrent Assets	<u>138,347,968</u>		<u>100,861,066</u>	<u>65,410,357</u>
Total Assets	<u>148,660,508</u>	<u>3,215,472</u>	<u>122,929,870</u>	<u>70,494,397</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension (Note 12)	<u>475,211</u>	<u>75,076</u>	<u>587,902</u>	<u>134,291</u>
Total Assets and Deferred Outflows of Resources	<u>149,135,719</u>	<u>3,290,548</u>	<u>123,517,772</u>	<u>70,628,688</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	372,853	828,552	2,030,340	62,818
Wages payable	78,124	8,905	104,844	21,657
Interest payable	284,890		90,888	
Leave benefits payable (Note 3)	186,143	31,877	174,268	32,628
Deposits	44,625		10,000	
Unearned revenue (Note 8)	58,452	926,366	1,210,729	153,914
Due to other funds (Note 5A)				
Claims payable (Note 15)				
Long-term debt, due in one year (Note 9)	<u>1,099,703</u>		<u>893,414</u>	
Total Current Liabilities	<u>2,124,790</u>	<u>1,795,700</u>	<u>4,514,483</u>	<u>271,017</u>
Noncurrent Liabilities:				
Advances from other funds (Note 5B)	7,696,828		455,212	455,212
OPEB liability	1,391,335	125,901	1,324,655	268,960
Claims payable (Note 15)				
Net pension liability (Note 12)	6,448,601	1,018,779	7,977,812	1,822,323
Long-term debt, due in more than one year (Note 9)	<u>37,032,699</u>		<u>2,591,313</u>	
Total Noncurrent Liabilities	<u>52,569,463</u>	<u>1,144,680</u>	<u>12,348,992</u>	<u>2,546,495</u>
Total Liabilities	<u>54,694,253</u>	<u>2,940,380</u>	<u>16,863,475</u>	<u>2,817,512</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pension (Note 12)	<u>1,076,392</u>	<u>170,053</u>	<u>1,331,646</u>	<u>304,180</u>
Total Liabilities and Deferred Inflows of Resources	<u>55,770,645</u>	<u>3,110,433</u>	<u>18,195,121</u>	<u>3,121,692</u>
NET POSITION (Note 11)				
Net investment in capital assets	78,055,710		89,679,511	65,410,357
Unrestricted	<u>15,309,364</u>	<u>180,115</u>	<u>15,643,140</u>	<u>2,096,639</u>
Total Net Position	<u>\$93,365,074</u>	<u>\$180,115</u>	<u>\$105,322,651</u>	<u>\$67,506,996</u>

See accompanying notes to financial statements

Public Transit	Totals	Governmental Activities- Internal Service Funds
	\$33,034,199	\$17,102,512
	1,654,302	
\$48	64,616	9,421
644	2,123,447	34,994
629,631	629,631	
	3,804,984	
		349,836
		20,584
630,323	41,311,179	17,517,347
	7,696,828	910,424
	51,314,856	
	60,749,585	953,836
4,260,813	329,027,556	13,018,386
(1,636,678)	(141,545,299)	(8,212,098)
2,624,135	307,243,526	6,670,548
3,254,458	348,554,705	24,187,895
1,732	1,274,212	446,108
3,256,190	349,828,917	24,634,003
136,047	3,430,610	234,014
12,315	225,845	160,052
	375,778	
13,748	438,664	163,420
	54,625	
	2,349,461	
177,639	177,639	2,628,765
		104,003
	1,993,117	
339,749	9,045,739	3,290,254
	8,607,252	
9,650	3,120,501	
		254,836
23,502	17,291,017	6,053,680
	39,624,012	
33,152	68,642,782	6,308,516
372,901	77,688,521	9,598,770
3,923	2,886,194	1,010,472
376,824	80,574,715	10,609,242
2,624,135	235,769,713	5,760,124
255,231	33,484,489	8,264,637
\$2,879,366	\$269,254,202	\$14,024,761

CITY OF DAVIS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
OPERATING REVENUES				
Charges for current services	\$12,079,724	\$10,604,488	\$14,709,852	\$1,742,022
Total Operating Revenues	12,079,724	10,604,488	14,709,852	1,742,022
OPERATING EXPENSES				
Administrative and billing	744,667	332,799	479,419	127,836
Payments to general government	386,566	297,621	232,699	81,826
Water production	3,237,598			
Water distribution	1,925,299			
Water system maintenance	842,303			
Street sweeping		804,506		
Waste removal and solid waste management		8,923,589		
Sewage collection			1,393,261	
Sewage treatment			4,933,826	
Storm drainage system maintenance				1,324,568
Public transportation service				
Special transportation service				
Central stores				
Central equipment				
Duplication - postal				
City administrative facility maintenance				
Insurance administration				
Insurance premiums				
Litigation				
MIS services				
OPEB expense				
Depreciation	2,629,804		1,772,235	2,005,218
Other	44,424		(51,611)	123,794
Total Operating Expenses	9,810,661	10,358,515	8,759,829	3,663,242
Operating Income (Loss)	2,269,063	245,973	5,950,023	(1,921,220)
NONOPERATING REVENUES (EXPENSES)				
Interest income	11,095	3,794	51,781	8,941
Interest (expense)	(50,729)			(6,210)
Operating grants and subventions		18,583		
Other	21,650	10,606	137,232	66,613
Total Nonoperating Revenues (Expenses)	(17,984)	32,983	189,013	69,344
Change in net position	2,251,079	278,956	6,139,036	(1,851,876)
BEGINNING NET POSITION, AS ADJUSTED (Note 1Q)	91,113,995	(98,841)	99,183,615	69,358,872
ENDING NET POSITION	\$93,365,074	\$180,115	\$105,322,651	\$67,506,996

See accompanying notes to financial statements

Public Transit	Totals	Governmental Activities- Internal Service Funds
\$31,963	\$39,168,049	\$25,011,722
31,963	39,168,049	25,011,722
	1,684,721	
	998,712	
	3,237,598	
	1,925,299	
	842,303	
	804,506	
	8,923,589	
	1,393,261	
	4,933,826	
	1,324,568	
5,692,736	5,692,736	
558,508	558,508	
		228,395
		1,512,039
		172,333
		2,085,396
		408,372
		12,731,319
		47,315
		2,170,550
		2,902,881
136,035	6,543,292	844,344
	116,607	
6,387,279	38,979,526	23,102,944
(6,355,316)	188,523	1,908,778
87	75,698	30,866
	(56,939)	
6,256,562	6,275,145	
8,976	245,077	503,850
6,265,625	6,538,981	534,716
(89,691)	6,727,504	2,443,494
2,969,057	262,526,698	11,581,267
\$2,879,366	\$269,254,202	\$14,024,761

CITY OF DAVIS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-Enterprise Funds			
	Water	Sanitation	Sewer	Storm Sewer
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$12,116,815	\$10,603,806	\$14,756,069	\$1,798,540
Payments to suppliers	(6,244,985)	(8,977,477)	(5,806,600)	(1,316,755)
Payments to employees	(1,118,904)	(630,698)	(739,679)	(214,207)
Claims paid				
Other revenue (expenses)	(44,424)		51,611	(123,794)
Cash Flows from Operating Activities	4,708,502	995,631	8,261,401	143,784
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and contributions		18,583		
Interfund receipts	4,858,062			
Interfund (payments)			(4,916,088)	(58,026)
Cash Flows from Noncapital Financing Activities	4,858,062	18,583	(4,916,088)	(58,026)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Acquisitions) of capital assets	(19,246,787)		(17,314,083)	
Principal payments on capital debt	(1,065,869)		(870,683)	
Interest paid	(59,237)		(22,917)	(6,210)
Cash Flows from Capital and Related Financing Activities	(20,371,893)		(18,207,683)	(6,210)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	10,093	3,286	51,934	8,246
Cash Flows from Investing Activities	10,093	3,286	51,934	8,246
Net Cash Flows	(10,795,236)	1,017,500	(14,810,436)	87,794
Cash and investments at beginning of period	18,214,328	1,223,637	35,063,201	4,687,713
Cash and investments at end of period	\$7,419,092	\$2,241,137	\$20,252,765	\$4,775,507
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	\$2,269,063	\$245,973	\$5,950,023	(\$1,921,220)
Litigation settlement and other	21,650	10,606	137,232	66,613
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation	2,629,804		1,772,235	2,005,218
Other revenues				
Change in assets and liabilities:				
Receivables:				
General accounts	(26,725)	13,180	(29,221)	(1,960)
Grants				
Utility accounts	41,772	(37,669)	(83,534)	(10,832)
Inventory				
Accounts payable	(239,785)	750,618	520,487	7,813
Prepays				
Wages payable	32,187	3,164	37,534	8,484
Leave benefits payable	27,721	1,229	(18,250)	(3,413)
Refundable deposits			(8,600)	
Claims payable				
Unearned revenue	394	13,201	30,340	2,697
OPEB obligations	(42,154)	(3,814)	(40,133)	(8,149)
Net pension liability , deferred outflows and deferred inflows	(5,425)	(857)	(6,712)	(1,467)
Cash Flows from Operating Activities	\$4,708,502	\$995,631	\$8,261,401	\$143,784

See accompanying notes to financial statements

Public Transit	Totals	Governmental Activities- Internal Service Funds
\$2,058,812	\$41,334,042	\$25,510,685
(6,417,647)	(28,763,464)	(17,752,874)
	(2,703,488)	(4,972,827)
	(116,607)	(126,374)
<u>(4,358,835)</u>	<u>9,750,483</u>	<u>2,658,610</u>
6,256,562	6,275,145	
	4,858,062	116,053
<u>(1,897,795)</u>	<u>(6,871,909)</u>	<u>(40,924)</u>
<u>4,358,767</u>	<u>4,261,298</u>	<u>75,129</u>
(1)	(36,560,871)	(1,287,037)
	(1,936,552)	
	(88,364)	
<u>(1)</u>	<u>(38,585,787)</u>	<u>(1,287,037)</u>
69	73,628	28,100
<u>69</u>	<u>73,628</u>	<u>28,100</u>
	(24,500,378)	1,474,802
	59,188,879	15,627,710
	<u>\$34,688,501</u>	<u>\$17,102,512</u>
(\$6,355,316)	\$188,523	\$1,908,778
8,976	245,077	
136,035	6,543,292	844,344
		503,850
158	(44,568)	(3,225)
2,017,715	2,017,715	
	(90,263)	
		3,788
(172,139)	866,994	(510,143)
		(20,584)
4,653	86,022	(3,825)
1,395	8,682	24,369
	(8,600)	
		(79,059)
	46,632	(4,589)
(292)	(94,542)	
(20)	(14,481)	(5,094)
<u>(\$4,358,835)</u>	<u>\$9,750,483</u>	<u>\$2,658,610</u>

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FIDUCIARY FUNDS

FIDUCIARY FUNDS**REDEVELOPMENT (RDA) 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.

AGENCY FUNDS

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

CITY OF DAVIS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	RDA Obligation Retirement Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and investments (Note 4)	\$2,499,705	\$28,309,398
Cash with fiscal agents (Note 4)	16,947,544	1,355,126
Accounts receivable		135,083
Loans receivable (Note 19D)	221,371	
Accrued interest receivable		3,134
	<u> </u>	<u> </u>
Total Assets	<u>\$19,668,620</u>	<u>\$29,802,741</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$25,030	\$12,984,085
Wages payable	2,444	
Interest payable	486,900	
Deposits payable		50,000
Long-term debt, due in one year (Note 19F)	1,100,000	
Due to members		9,015,172
Due to bondholders		7,753,484
Noncurrent liabilities:		
Long-term debt, due in more than one year (Note 19F)	39,215,655	
	<u> </u>	<u> </u>
Total Liabilities	<u>40,830,029</u>	<u>\$29,802,741</u>
NET POSITION	<u>(\$21,161,409)</u>	

See accompanying notes to financial statements

CITY OF DAVIS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	RDA Obligation Retirement Private-Purpose Trust Fund
	<u> </u>
ADDITIONS	
Property tax revenues	\$3,299,123
Investment earnings	1,291
Other revenue	<u>4,875</u>
Total additions	<u>3,305,289</u>
DEDUCTIONS	
Program expenses	271,000
Interest and fiscal charges	<u>2,398,705</u>
Total deductions	<u>2,669,705</u>
CHANGES IN NET POSITION	635,584
Beginning net position, as restated (Note1R)	<u>(21,796,993)</u>
Ending net position	<u><u>(\$21,161,409)</u></u>

See accompanying notes to financial statements

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CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

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 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.

B. *Basis of Presentation*

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A. 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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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.

C. 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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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.

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.

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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PUBLIC TRANSIT FUND

This fund accounts for special transportation funds derived from the City's share of motor fuel revenue to pay contracted transportation services. This fund 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, University Research Park, Special Assessment Parking District #3 and the Woodland-Davis Clean Water Agency JPA.

REDEVELOPMENT (RDA) 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 (RDA) Obligation Retirement Private-Purpose Trust Fund effective February 1, 2012.

D. *Basis of Accounting*

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

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

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

E. *Utility Service Billing*

The City bills and collects service charges for water, sanitation, sewer and storm sewer service. The City's utility accounts for sewer, sanitation and storm sewer are billed flat rates for services 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.

The City has recorded all utility accounts receivable outstanding at June 30, 2015, and has deferred revenue recognition on the June 26, 2015, monthly billing, representing July service.

F. *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 and liquidated by each proprietary fund. The liability for compensated absences is determined annually.

G. *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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. 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.

I. 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.

J. Use of Estimates

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

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Capital Assets*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. 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:

Buildings	50 years
Improvements	10-40 years
Vehicles	3-20 years
Computers	5-7 years
Equipment	3-20 years
Streets	25-40 years
Parks and Greenbelts	20-50 years
Belt and Pedestrian Pathways	30-75 years
Utility Underground Systems	20-50 years

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

L. *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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *Deferred Outflows/Inflows of Resources:*

In addition to assets, the Statements of Net Position and Governmental Fund Balance Sheet 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.

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.

N. *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.

O. *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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

P. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

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 primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement had a material impact on the City's financial statements. See Note 1Q below.

GASB Statement No. 69 – In 2014, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This Statement did not have a material impact on the financial statements for the fiscal year 2015.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 71 – In 2014, 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, Accounting and Financial Reporting for Pensions. 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 had a material impact on the City's financial statements. See Note 1Q below.

Q. Prior Period Adjustment

As a result of the implementation of the GASB Statements 68 and 71, the City made adjustments to the beginning net position balances as follows:

<u>Entity-Wide</u>	<u>Increase/ (Decrease)</u>
Net position as of June 30, 2014	\$612,240,198
Government Activities	(66,922,824)
Business-Type Activities	<u>(18,917,546)</u>
Beginning net position as restated	<u><u>\$526,399,828</u></u>
 <u>Proprietary Funds</u>	
Net position as of June 30, 2014	\$281,444,244
Water	(7,055,207)
Sanitation	(1,114,613)
Sewer	(8,728,268)
Storm Water	(1,993,745)
Public Transit	<u>(25,713)</u>
Beginning net position as restated	<u><u>\$262,526,698</u></u>
 <u>Internal Service Funds</u>	
Net position as of June 30, 2014	\$18,204,405
General Services	(4,411,256)
Building Maintenance	(982,418)
City Self-Insurance	<u>(1,229,464)</u>
Beginning net position as restated	<u><u>\$11,581,267</u></u>

R. Prior Period Restatement

In fiscal year 2015, the City reviewed accounts relating to the RDA Obligation Retirement Private Purpose Trust Fund in which loans receivable and accounts payable were overstated by \$186,526 and \$41,643 respectively. The net effect resulted in the City restating beginning net position by \$144,882.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 – DEFICIT FUND EQUITY

The following funds have deficit fund equity:

Internal Service Funds	
Building Maintenance	\$376,234
City Self-Insurance	345,872
Employee Benefits	2,783,481

NOTE 3 – COMPENSATED ABSENCES

The changes in compensated absences were as follow:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,224,876	\$429,982	\$2,654,858
Additions	2,810,541	373,634	3,184,175
Payments	(2,681,532)	(364,952)	(3,046,484)
Ending Balance	<u>\$2,353,885</u>	<u>\$438,664</u>	<u>\$2,792,549</u>
Current Portion	<u>\$163,420</u>	<u>\$438,664</u>	<u>\$602,084</u>

NOTE 4 - CASH AND INVESTMENTS

A. 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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 - CASH AND INVESTMENTS (Continued)

B. 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 Bills, Notes and Bonds	5 years	No Limit	No Limit	No Limit
Federal Agency Obligations	5 years	No Limit	No Limit	20%
Banker's Acceptances	180 days	No Limit	40%	*
Commercial Paper	270	AA	15%	10%
Negotiable Certificates of Deposit	2 years	No Limit	30%	No Limit
Local Agency Investment Program	No Limit	No Limit	No Limit	\$50 million per account
California Asset Management Program	No Limit	No Limit	No Limit	No Limit
Certificate of Deposit	5 years	No Limit	No Limit	No Limit
Medium-Term Corporate Notes	5 years	AA	30%	10%
Money Market Mutual Funds	No Limit	AAA	20%	10%
Repurchase Agreements	1 year	No Limit	No Limit	No Limit
Security Swaps	No Limit	No Limit	No Limit	No Limit

* No more than \$5 million or 10% of the cost of the portfolio, which is less.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 - CASH AND INVESTMENTS (Continued)

C. 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.

Authorized Investment Type	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 Acceptances	360 days	A-1+
Money Market Account	N/A	Aam - AAAm
Money Market Mutual Funds	N/A	AAAm
FDIC Insured Deposits	1 year	N/A
Investment Agreements	No limit	AA - AAAm
Commercial Paper	None to 270 days	A-1 - A-1+
State Obligations:		
General Obligations:	N/A	A
General Short-Term Obligations	No limit	A-1
Special Revenue Bonds	No limit	AA
Federal Funds	360 to 365 days	A-1
Repurchase Agreements	30 days	A
Local Agency Investment Fund	N/A	N/A
Pre-Refunded Municipal Obligations	No limit	AAA
Any investment meeting the requirement for "hedge bond" status	N/A	N/A

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 - CASH AND INVESTMENTS (Continued)

D. 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, 2015, are as follows:

City Cash and Investments in Primary Government:	
Cash and investments	\$105,504,860
Restricted cash and investments	<u>1,654,302</u>
Total City Cash and Investments in Primary Government	<u>107,159,162</u>
Cash and Investments in Fiduciary Funds	
Cash and investments	30,809,103
Restricted cash and investments	<u>18,302,670</u>
Total Fiduciary Funds Cash and Investments	<u>49,111,773</u>
Total Cash and Investments	<u><u>\$156,270,935</u></u>
Cash and Investments as of June 30, 2015, consist of the following:	
Cash on hand	\$11,975
Cash with financial institutions	3,573,418
Investments	<u>152,685,542</u>
Total Cash and Investments	<u><u>\$156,270,935</u></u>

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the 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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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	12-24 months	Total
<i>Held by City:</i>			
California Asset Management Program	\$31,890,691		\$31,890,691
California Local Agency Investment Fund	99,822,799		99,822,799
Certificates of Deposit		\$1,015,084	1,015,084
<i>Held by Trustees:</i>			
Money Market Mutual Funds	19,956,968		19,956,968
Total investments	<u>\$131,713,490</u>	<u>\$1,015,084</u>	<u>\$152,685,542</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. On June 30, 2015, these investments matured in an average of 239 days.

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California *Government Code* Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California *Government Code*. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2015, the fair value approximated is the City's cost. On June 30, 2015, these investments matured in an average of 32 days.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2015, are as follows:

Investment Type	AAAm/Aaa-mf/Aaa	Total
<i>Held by City:</i>		
California Asset Management Program	\$31,890,691	\$31,890,691
<i>Held by Trustees:</i>		
Money Market Mutual Funds	19,956,968	19,956,968
	<u>\$51,847,659</u>	<u>51,847,659</u>
<i>Not rated:</i>		
California Local Agency Investment Fund		99,822,799
Certificates of Deposit		<u>1,015,084</u>
Total investments		<u>\$152,685,542</u>

G. Custodial Credit Risk

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

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 - INTERFUND TRANSACTIONS

A. *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, 2015, the following funds have balances due to the Development Deferred Improvement Fund to temporarily fund short-term cash flow needs.

Receivable Fund	Payable Fund	Amount
Development Deferred Improvement Fund	Non Major Governmental Funds	\$436,505
	Public Transit Enterprise Fund	177,639
	Employee Benefits Internal Service Fund	2,628,765
		<u>\$3,242,909</u>

All balances pertain to short-term loans to cover cash shortages as of June 30, 2015. The City expects these balances to be repaid in fiscal year 2015-16.

B. *Interfund Advances*

At June 30, 2015, the following funds had made advances which were not expected to be repaid within the next year.

Fund Making Advance	Fund Receiving Advance	Amount of Advance
Sewer Fund	Water Fund	\$7,696,828
General Services Internal Services Fund	Sewer Fund	455,212
	Storm Sewer Fund	455,212
		<u>\$8,607,252</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 \$7,696,828 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.

C. *Internal Balances*

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

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 – LOANS AND NOTES RECEIVABLES

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

	Balance at June 30, 2015
Loans Receivable:	
Davis Mutual Housing Association	\$4,939,608
New Harmony Loan	8,913,044
Windmere II	1,129,371
Walnut Terrace	3,474,055
Tremont Green	2,722,380
Moore Village	3,811,415
Eleanor Roosevelt	4,250,000
Oakshade East	1,797,010
Davis Diamonds	96,036
Other Commercial Rehabilitation	
Housing Rehabilitation, and Affordable Housing	1,036,804
Community Housing Opportunities Corp	1,645,496
Davis Musical Theater	39,751
Employee Computer Loans	62,675
Total Loans Receivable - Governmental Activities	<u>33,917,645</u>
 Mortgages Receivable	 <u>383,641</u>
Total Loans and Mortgages Receivable	<u><u>\$34,301,286</u></u>

A. 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, 2015, the Association had a remaining balance of \$4,939,608.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 – LOANS AND NOTES RECEIVABLES (Continued)

B. *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, 2015, the loan amount outstanding is \$8,913,044.

C. *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, , was \$1,129,371.

D. *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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 – LOANS AND NOTES RECEIVABLES (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, 2015, was \$3,474,055.

E. 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, 2015 was \$2,722,380.

F. 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, 2015, was \$3,811,415.

G. 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, 2015, was \$4,250,000.

H. 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 \$1,797,010 at June 30, 2015.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 – LOANS AND NOTES RECEIVABLES (Continued)

I. Davis Diamonds

The City of Davis entered into an agreement with Davis DISC LP, a California Limited Partnership, to develop a new gymnastics facility on the vacant land parcel 2800 Cowell Boulevard, owned by DISC LP. Under terms of the agreement, the City loaned the partnership \$98,427. The loan accrues interest at the rate of 6 percent. The loan is secured by deeds of trust. The balance of the loan receivable was \$96,036 at June 30, 2015.

J. 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, 2015, was \$1,036,804.

K. 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, 2015, was \$1,645,496.

L. 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, 2015 is \$39,751.

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, 2015, the loans outstanding amounted to \$62,675.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 – LOANS AND NOTES RECEIVABLES (Continued)

M. Mortgage Receivables

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 restriction 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, 2015, was \$383,641.

NOTE 7 – CAPITAL ASSETS

A. Capital Asset Additions and Retirements

Capital assets activity of governmental activities for the year ended June 30, 2015, is as follows:

	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land	\$56,067,498			\$56,067,498
Construction in Progress	8,025,938	\$4,832,785	(\$370,446)	12,488,277
Total capital assets not being depreciated	64,093,436	4,832,785	(370,446)	68,555,775
Capital assets being depreciated:				
Buildings	29,230,126			29,230,126
Improvements	14,297,763			14,297,763
Vehicles	7,075,792	510,340	(184,670)	7,401,462
Computer and Equipment	2,490,054		(85,031)	2,405,023
Infrastructure				
Streets	257,028,882			257,028,882
Parks and Greenbelts	63,100,635	101,052		63,201,687
Bike and Pedestrian Pathways	14,992,438	349,061		15,341,499
Total capital assets being depreciated	388,215,690	960,453	(269,701)	388,906,442
Less accumulated depreciation:				
Buildings	(10,662,006)	(575,894)		(11,237,900)
Improvements	(4,248,672)	(621,581)		(4,870,253)
Vehicles	(5,201,795)	(603,057)	184,670	(5,620,182)
Computer and Equipment	(1,947,483)	(161,063)	85,031	(2,023,515)
Infrastructure				
Streets	(134,232,640)	(4,921,217)		(139,153,857)
Parks and Greenbelts	(40,960,169)	(689,673)		(41,649,842)
Bike and Pedestrian Pathways	(12,480,807)	(65,376)		(12,546,183)
Total accumulated depreciation	(209,733,572)	(7,637,861)	269,701	(217,101,732)
Net capital assets being depreciated	178,482,118	(6,677,408)		171,804,710
Governmental Activities Capital Assets, Net	\$242,575,554	(\$1,844,623)	(\$370,446)	\$240,360,485

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – CAPITAL ASSETS (Continued)

Capital assets activity of business-type activities for the year ended June 30, 2015, is as follows:

	Balance at June 30, 2014	Additions	Balance at June 30, 2015
<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 project costs	25,144,500	\$26,170,356	51,314,856
Other	28,643,795	10,322,411	38,966,206
Total capital assets not being depreciated	75,571,674	36,492,767	112,064,441
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	61,228,200		61,228,200
Sewer Treatment Plant	44,444,902		44,444,902
Sewer Pipes and Pipelines	36,077,312		36,077,312
Drainage Facilities	101,483,928		101,483,928
Equipment	11,080,087	68,104	11,148,191
Net capital assets being depreciated	328,959,452	68,104	329,027,556
Less accumulated depreciation for:			
Buildings and Improvements	(1,564,618)	(103,189)	(1,667,807)
Water Wells, Pumps and Related Assets	(26,100,249)	(1,308,932)	(27,409,181)
Water Distribution System	(20,608,954)	(1,300,335)	(21,909,289)
Sewer Treatment Plant	(28,188,579)	(887,065)	(29,075,644)
Sewer Pipes and Pipe Lines	(14,504,244)	(681,089)	(15,185,333)
Drainage Facilities	(38,457,888)	(2,005,217)	(40,463,105)
Equipment	(5,577,475)	(257,465)	(5,834,940)
Total accumulated depreciation	(135,002,007)	(6,543,292)	(141,545,299)
Net capital assets being depreciated	193,957,445	(6,475,188)	187,482,257
Business-type Activities Capital Assets, Net	\$269,529,119	\$30,017,579	\$299,546,698

The City's share of JPA represents the City's contribution for project costs associated with the Woodland-Davis Clean Water Agency JPA. The JPA is a legally separate entity. Further details of the JPA are disclosed in Note 16.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 – CAPITAL ASSETS (Continued)

B. 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.

C. 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	\$8,016
City manager	41,349
Parks and community services	2,117,775
Public safety - fire	99,124
Public safety - police	174,305
Public works	<u>5,197,292</u>
Total Governmental Activities	<u><u>\$7,637,861</u></u>

Business-Type Activities

Water	\$2,629,804
Sewer	1,772,235
Storm sewer	2,005,218
Public transit	<u>136,035</u>
Total Business-Type Activities	<u><u>\$6,543,292</u></u>

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – UNEARNED REVENUE AND DEFERRED INFLOWS/OUTFLOWS

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, 2015, the various components of unavailable and unearned revenue reported in the governmental funds are as follows:

	Deferred Inflow of Resources-Unavailable	Unearned	Total
Grants, fees, and other receipts received prior to meeting all eligibility requirements		\$1,175,285	\$1,175,285
Receivables collected after the 60-day period of availability	\$916,651		916,651
Second mortgage loans not available within 60-day period of availability	241,055		241,055
Total Governmental Funds	<u>\$1,157,706</u>	<u>\$1,175,285</u>	<u>\$2,332,991</u>

Proprietary funds also delay revenue recognition in connection with resources have been received, but not yet earned and report those as unearned revenue. As of June 30, 2015, the unearned revenue reported in proprietary funds are \$2,349,461.

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.

A. The City's Long-Term Debt

The City's long-term debt activities for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Retirements	Balance June 30, 2015	Current Portion
<i>Business-type Activities Long-Term Debt:</i>				
State Revolving Fund Loan #1 2.7%, due 7/25/15	\$564,554	\$278,609	\$285,945	\$285,945
State Revolving Fund Loan #2 2.6%, due 5/1/19	3,790,856	592,074	3,198,782	607,469
East Area Water Storage Tank Loan 4.0%, due 8/1/38	9,198,271	220,869	8,977,402	229,703
Wells Fargo Water Bonds Due 6/30/39	<u>30,000,000</u>	<u>845,000</u>	<u>29,155,000</u>	<u>870,000</u>
Total Business-type Activities Long-Term Debt	<u>\$43,553,681</u>	<u>\$1,936,552</u>	<u>\$41,617,129</u>	<u>\$1,993,117</u>

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Future principal and interest payments on business-type long-term debt are as follows at June 30, 2015:

Fiscal Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2016	\$1,993,117	\$833,192	\$2,826,309
2017	1,757,154	788,732	2,545,886
2018	1,807,914	750,876	2,558,790
2019	1,859,479	711,876	2,571,355
2020	1,911,209	671,706	2,582,915
2021-2025	6,793,695	2,896,492	9,690,187
2026-2030	7,896,642	2,190,880	10,087,522
2031-2035	9,180,639	1,358,127	10,538,766
2036-2039	8,417,280	375,989	8,793,269
Total	<u>\$41,617,129</u>	<u>\$10,577,870</u>	<u>\$52,194,999</u>

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

State Revolving Fund Loan #1 – The City entered into a contract in February 1994 to borrow funds from the State Water Resources Control Board. The funds are being used for a Wetland Project and a Pollution Load Reduction Program to improve water quality. The maximum loan amount is \$4,900,000, of which the City has drawn \$4,125,369, and bears interest at 2.7 percent per year for a term of twenty years. As of June 30, 2015, the City owed \$285,945 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, 2015, the City owed \$3,198,782 on the loan.

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, 2015, the City owed \$8,977,402 on the loan.

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, 2015 is \$29,155,000.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 2015, is as follows:

Description	Issue Year	Maturity Year	Outstanding June 30, 2015
University Research Park Improvement \$2,265,000 original principal	1993	2018	\$655,000
Public Facilities Financing Authority \$5,355,000 original principal	2003	2016	535,000
Community Facilities District No. 1991-2 \$14,115,000 original principal	2007	2016	10,085,000
Community Facilities District No. 2007-2 \$5,510,000 original principal	2008	2037	4,845,000
Public Facilities Financing Authority \$9,570,000 original principal	2009	2030	9,570,000
Total			<u>\$25,690,000</u>

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – CLASSIFICATION OF FUND BALANCE

Detailed classifications of the City's fund balances, as of June 30, 2015, are below.

Fund Balance Classifications	General Fund	Child Care Grant	Low/ Mod Housing Fund	Open Space	Development Deferred Improvement	Other Governmental Funds	Total
Nonspendables:							
Items not in spendable form:							
Loans Receivable	\$147,093						\$147,093
Total Nonspendable Fund Balances	<u>147,093</u>						<u>147,093</u>
Restricted for:							
Child Care Services		\$318,121					318,121
Development Services					\$1,407,343		1,407,343
Roadways and Street Improvements					11,117,084	\$2,009,726	13,126,810
Parks				\$4,258,797	5,591,108	6	9,849,911
Public Safety					2,621,181		2,621,181
General Facilities					1,225,374		1,225,374
Open Space					1,399,788		1,399,788
Grants						2,070,770	2,070,770
Public Facilities						218,872	218,872
Land Acquisition						1,564,408	1,564,408
District Improvements						1,603,116	1,603,116
Low Income Housing			\$33,844,286				33,844,286
Total Restricted Fund Balances		<u>318,121</u>	<u>33,844,286</u>	<u>4,258,797</u>	<u>23,361,878</u>	<u>7,466,898</u>	<u>69,249,980</u>
Committed to:							
Parks						408,175	408,175
Cable TV						1,733,794	1,733,794
In Lieu of Parking and Parking						785,744	785,744
Agriculture Land Acquisition						425,412	425,412
Municipal Arts						40,271	40,271
Public Safety						34,668	34,668
Capital Projects						4,900,573	4,900,573
Other Special Revenues						5,498	5,498
Total Committed Fund Balances						<u>8,334,135</u>	<u>8,334,135</u>
Unassigned:	<u>15,536,438</u>						<u>15,536,438</u>
Total Unassigned Fund Balances	<u>15,536,438</u>						<u>15,536,438</u>
Total Fund Balances	<u>\$15,683,531</u>	<u>\$318,121</u>	<u>\$33,844,286</u>	<u>\$4,258,797</u>	<u>\$23,361,878</u>	<u>\$15,801,033</u>	<u>\$93,267,646</u>

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's pension plans (Plans) administered by the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net positions have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. *General Information about the Pension Plans*

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) cost-sharing or Miscellaneous (all other) agent multiple-employer defined benefit pension plans, administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Classic Plan	PEPRA Plan
Benefit formula	2.0% @ 55 or 2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426 - 2.5%	1-2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	24.404%	24.404%

	Safety (Fire and Police)	
	Classic Plan	PEPRA Plan
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	3%	2-2.7%
Required employee contribution rates	9%	11.25%
Required employer contribution rates	28.811%	28.811%

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	286
Inactive employees entitled to but not yet receiving benefits	314
Active employees	262
Total	862

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan

Net Pension Liability - The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 0.25% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality tables used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$174,803,327	\$112,810,277	\$61,993,050
Changes in the year:			
Service cost	3,147,626		3,147,626
Interest on the total pension liability	12,920,680		12,920,680
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		3,558,115	(3,558,115)
Contribution - employee		1,643,358	(1,643,358)
Net investment income		19,449,181	(19,449,181)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(8,202,831)	(8,202,831)	
Net changes	7,865,475	16,447,823	(8,582,348)
Balance at June 30, 2014	\$182,668,802	\$129,258,100	\$53,410,702

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan, calculated using the discount rate the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$77,004,303
Current Discount Rate	7.50%
Net Pension Liability	\$53,410,702
1% Increase	8.50%
Net Pension Liability	\$33,792,765

Pension Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$3,891,011. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$3,935,948	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		(\$8,915,244)
Total	<u>\$3,935,948</u>	<u>(\$8,915,244)</u>

\$3,935,948 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Increase (Decrease) in Pension Expense
2016	(\$2,228,811)
2017	(2,228,811)
2018	(2,228,811)
2019	(2,228,811)

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

C. Safety Cost-Sharing Multiple-Employer Defined Benefit Plans

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety - Fire	\$10,859,880
Safety - Police	11,975,783
Safety - Police (PEPRA)	<u>43</u>
Total Net Pension Liability	<u><u>\$22,835,706</u></u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Fire</u>	<u>Safety Police</u>	<u>Police (PEPRA)</u>
Proportion - June 30, 2013	0.301%	0.331%	0.000%
Proportion - June 30, 2014	0.290%	0.319%	0.000%
Change - Increase (Decrease)	-0.01%	-0.01%	0.000%

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

For the year ended June 30, 2015, the City recognized pension expense of \$821,718, \$1,250,164 and \$(8,019) for the Fire, Police and Police (PEPRA) plans, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Safety Plan - Fire Plan		
Pension contributions subsequent to measurement date	\$1,117,432	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(\$3,278,956)
Net differences between projected and actual earnings on plan investments	284,031	
Total	<u>\$1,401,463</u>	<u>(\$3,278,956)</u>
 Safety Plan - Police Plan		
Pension contributions subsequent to measurement date	\$1,587,691	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(\$3,615,884)
Net differences between projected and actual earnings on plan investments		(30,794)
Total	<u>\$1,587,691</u>	<u>(\$3,646,678)</u>
 Safety Plan - Police PEPRA Plan		
Pension contributions subsequent to measurement date		
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(\$13)
Net differences between projected and actual earnings on plan investments	\$8,024	
Total	<u>\$8,024</u>	<u>(\$13)</u>
 Combined total	<u><u>\$2,997,178</u></u>	<u><u>(\$6,925,647)</u></u>

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

\$2,705,123 reported as deferred outflows of resources related to contributions subsequent to the measurement date, for the Fire, Police and Police PEPRA plans, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Fire	Police	Police-PEPRA
	Increase	Increase	Increase
Year Ended	(Decrease) in	(Decrease) in	(Decrease) in
June 30	Pension Expense	Pension Expense	Pension Expense
2016	(\$718,299)	(\$914,969)	\$2,863
2017	(718,299)	(914,969)	2,863
2018	(738,588)	(912,769)	2,289
2019	(819,739)	(903,971)	(4)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Safety
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 0.25% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality tables used was developed based on CalPERS' specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Safety - Fire</u>
1% Decrease	6.50%
Net Pension Liability	\$18,688,447
Current Discount Rate	7.50%
Net Pension Liability	\$10,859,880
1% Increase	8.50%
Net Pension Liability	\$4,409,478

	<u>Safety - Police</u>
1% Decrease	6.50%
Net Pension Liability	\$20,608,772
Current Discount Rate	7.50%
Net Pension Liability	\$11,975,783
1% Increase	8.50%
Net Pension Liability	\$4,862,573

	<u>Safety - Police PEPRA</u>
1% Decrease	6.50%
Net Pension Liability	\$73
Current Discount Rate	7.50%
Net Pension Liability	\$43
1% Increase	8.50%
Net Pension Liability	\$17

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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:

	Retire by December 31, 2015	Retire Jan.1, 2016 through Dec. 31, 2025	Retire January 1, 2026 or later
Employees hired before July 1, 1996 with at least 25 years City service.	No change to current benefit (100% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.)	100% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. Once the employee has transferred to a Medicare plan, the City will pay the Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.	75% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. Once the employee has transferred to a Medicare plan, the City will pay the Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.
Employees hired before July 1, 1996 with less than 25 years City service.	No change to current benefit (100% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.)	75% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. Once the employee has transferred to a Medicare plan, the City will pay the Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.	Does not apply.
Employees hired July 1, 1996 through December 31, 2012 with at least 25 years City service.	No change to current benefit (Age 55-59 50% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants, age 60-65 100% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.)	50% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants until age 60. After age 60, 100% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. Once the employee has transferred to a Medicare plan, the City will pay the Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.	50% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. After age 60, 75% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. Once the employee has transferred to a Medicare plan, the City will pay the Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.
Employees hired July 1, 1996 through December 31, 2012 with less than 25 years service.	No change to current benefit (Age 55-59 50% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants, age 60-65 100% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.)	50% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants until age 60. After age 60, 75% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. Once the employee has transferred to a Medicare plan, the City will pay the Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.	50% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. After age 60, 75% of the CalPERS Kaiser Bay Area rate for employee plus two or more dependants. Once the employee has transferred to a Medicare plan, the City will pay the Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus two or more dependants.
Employees hired January 1, 2013 and after	Medicare Supplemented/Managed Medicare Monthly rate based on the CalPERS Kaiser Bay Area rate for employee plus one dependant.		

As of June 30, 2015, approximately 276 participants were eligible to receive benefits.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2013 to 5.0 percent for years starting 2017. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a thirty-year amortization period.

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

Annual OPEB Cost

During the fiscal year ended June 30, 2015, the City made contributions toward the ARC amounting to \$6,395,146 to the plan which represented 25% percent of the \$25,572,443 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:

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual required contribution (ARC)	\$6,303,000
Interest on Net OPEB Obligation	1,095,000
Adjustment to annual required contribution	<u>(1,447,000)</u>
Annual OPEB cost	5,951,000
Contributions made:	
Benefit payments	2,852,513
Trust pre-funding	<u>3,542,633</u>
Total contributions	<u>6,395,146</u>
Net increase (decrease) in Net OPEB Obligation	(444,146)
Net OPEB Obligation at July 1, 2014	<u>15,103,776</u>
Net OPEB Obligation at July 1, 2015	<u><u>\$14,659,630</u></u>
Percentage of ARC contributed	107%

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 Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	\$6,844,000	\$5,924,224	86.56%	\$15,389,776
June 30, 2014	6,119,000	6,405,000	104.67%	15,103,776
June 30, 2015	5,951,000	6,395,146	107.46%	14,659,630

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 (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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.

A. *Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA)*

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, 2015, the City contributed \$1,607,533 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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – RISK MANAGEMENT (Continued)

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
Fidelity Insurance	\$1,000	\$2,000,000
Cyber Liability	0	1,000,000
General Liability	5,000	40,000,000
Auto Liability	5,000	40,000,000
Pollution Legal Liability	0	10,000,000
Property Insurance	1,000	959,357,100
Underground Storage Tank Insuranc	25,000	1,000,000
Workers' Compensation Insurance	1,000	Statutory

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, 2015, 2014, and 2013, the amount of settlement did not exceed insurance coverage.

B. 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:

	2015	2014
Beginning balance	\$59,726	\$45,000
Liability for current fiscal year claims and	85,000	115,000
Decrease in estimated liability for prior year claims	(58,161)	(42,348)
Payments made on current year claims	(27,001)	(27,926)
Payments made on prior year claims	(35,565)	(30,000)
Ending balance	\$23,999	\$59,726
Current Portion	\$23,999	\$59,726

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – RISK MANAGEMENT (Continued)

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

	2015	2014
Beginning balance	\$13,844	\$12,460
Liability for current fiscal year claims	68,000	7,016
Increase (decrease) in estimated liability for prior year claims	(53,552)	39,358
Payments made on current year claims	(21,114)	(26,887)
Payments made on prior year claims	(1,390)	(18,103)
Ending balance	<u>\$5,788</u>	<u>\$13,844</u>
Current Portion	<u>\$5,788</u>	<u>\$13,844</u>

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

	2015	2014
Beginning balance	\$364,328	\$412,244
Increase in estimated liability for prior year claims	38,940	26,300
Payments made on prior year claims	(74,216)	(74,216)
Ending balance	<u>\$329,052</u>	<u>\$364,328</u>
Current Portion	<u>\$74,216</u>	<u>\$74,216</u>

NOTE 16 – JOINTLY GOVERNED ORGANIZATION / INVESTMENT IN JOINT VENTURE

Woodland-Davis Clean Water Agency

Woodland-Davis Clean Water Agency, a separate joint powers authority, was formed in 2009 between the City of Davis and City of Woodland to coordinate the construction, ownership and operation of the Woodland-Davis Water Supply Capital Improvement Project which is scheduled to be completed in 2016. As defined in the JPA agreement assets will be owned and operated by the Agency and its liabilities are owed by the Agency and not its members. Each member is entitled to certain sole use assets which will be owned and maintained by each member on completion of the Project. Also, upon Project completion, each member will be entitled to capacity rights for the treatment and distribution of surface water. The City of Davis' proportion of such rights will be 44.4%. To fund a portion of its share of the above Project costs the City issued \$30 million of **Wells Fargo 2013 Water Revenue Bonds**. As of June 30, 2015 the City's accumulated contributions to the Agency amounted to \$51,314,856 which has been capitalized as construction in progress. Upon Project completion, the above costs will be reclassified as capacity rights or infrastructure assets. Financial statements of the Agency may be obtained by mailing a request to the City of Davis, 23 Russell Blvd., Davis, California 95616.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 17 – COMMITMENTS AND CONTINGENCIES

A. *Single Audit*

The City participates in several Federal and State grant programs. These programs are subject to audits by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act and applicable State requirements. No cost disallowances have been 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.

B. *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.

C. *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 of 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. On November 5, 2015 the Davis Redevelopment Successor Agency transmitted the OFA payment to the Yolo County Auditor-Controller fulfilling the obligation. DOF issued a Finding of Completion on November 13, 2015.

NOTE 18 – PROGRAM CESSATION/ GOING CONCERN

Child Care Grant Fund

All Child Care services provided by the City of Davis were terminated on June 30, 2015. Those services were transitioned to other service providers at the close of the fiscal year. In fiscal year 2015/16, the final independent audit of the Child Development Fund (the Fund) will be conducted and the Fund will be dissolved pending final payments and/or receipts on outstanding receivables/liabilities.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY

A. 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).

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.

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.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY
(Continued)

B. 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.

C. 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 Note 4 for details of the City's Cash and Investments at June 30, 2015, for the City's Investment Policy and the California Government Code.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY
(Continued)

D. Notes and Loans

The Successor Agency has loaned a total balance of \$221,371 to housing associations as of June 30, 2015. Loans receivable, including accrued interest, comprised balances from the following programs, all of which are discussed below:

Loans Receivable:	
New Harmony Loan	\$186,526
Other Commercial Rehabilitation	
Housing Rehabilitation, and Affordable Housing	34,845
Total Loans Receivable	<u><u>\$221,371</u></u>

E. 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 \$486,900 as of June 30, 2015.

F. Long-Term Obligations

1. Tax Allocation Bonds

The following is a summary of long-term debt transactions of the Successor Agency for the fiscal year ended June 30, 2015:

	Balance June 30, 2014	Retirements	Balance June 30, 2015	Current Portion
<i>Tax Allocation Bonds:</i>				
2003 Tax Allocation Refunding Bonds				
2.00% - 5.00%, due 9/1/2033	\$7,800,000	\$185,000	\$7,615,000	\$190,000
2007 Tax Allocation Refunding Bonds				
4.00% - 4.24%, due 9/1/2030	9,705,000	410,000	9,295,000	430,000
2007 Taxable Housing Refunding Bonds				
5.50%, due 9.01/2037	7,555,000	155,000	7,400,000	160,000
2011 Subordinate Tax Allocation Bonds, Series A				
6.50% - 7.00%, due 12/01/2036	13,310,000		13,310,000	
2011 Subordinate Tax Allocation Bonds, Series B				
3.25% - 5.00%, due 12/01/2022	3,525,000	305,000	3,220,000	320,000
Less Bond Issuance Discounts	<u>(556,936)</u>	<u>32,591</u>	<u>(524,345)</u>	
Total Business-type Activities Long-Term Debt	<u><u>\$41,338,064</u></u>	<u><u>\$1,087,591</u></u>	<u><u>\$40,315,655</u></u>	<u><u>\$1,100,000</u></u>

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY
(Continued)

2. Debt Service Requirements

Future principal and interest payments on all of the Successor Agency's long-term debt were as follows at June 30, 2015:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
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	1,355,000	2,043,679	3,398,679
2021-2025	8,040,000	8,960,394	17,000,394
2026-2030	10,490,000	6,466,257	16,956,257
2031-2035	11,885,000	3,137,023	15,022,023
2036-2038	4,300,000	330,992	4,630,992
Less Bond Issuance Discounts	(524,345)		(524,345)
Total	<u>\$40,315,655</u>	<u>\$29,806,072</u>	<u>\$70,121,727</u>

3. 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 \$12,381,337 in remaining debt service on this bond issue which is scheduled to occur in 2034. For fiscal year 2014-2015 debt service amounted to \$557,103.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY
(Continued)

2007 Taxable Allocation Refunding Bonds

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 \$12,709,019 in remaining debt service on this bond issue which is scheduled to occur in 2031. For fiscal year 2014-2015 debt service amounted to \$800,400.

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 \$13,217,677 in remaining debt service on this bond issue which is scheduled to occur in 2038. For fiscal year 2014-2015 debt service amounted to \$575,528.

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 \$32,338,039 in remaining debt service on this bond issue which is scheduled to occur in 2038. For fiscal year 2014-2015 debt service amounted to \$1,487,950.

CITY OF DAVIS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 19 – SUCCESSOR AGENCY TRUST OF THE FORMER REDEVELOPMENT AGENCY
(Continued)

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 \$70,646,072 on the Bonds above, which is scheduled to occur in 2039. For fiscal year 2014-2015, net tax increment revenues amounted to \$3,299,123 while debt service of the bonds amounted to \$3,420,981.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS

Agent Multiple-Employer Defined Benefit Pension Plan:

Schedule of Changes in the Net Pension Liability and Related Ratios

This schedule reports the beginning and ending balances of the total pension liability, the plan assets available for pension benefits (called plan net position), and the net pension liability, as well as the change in those amounts during the year presented by cause (similar to the note disclosure). It also reports the total pension liability, plan net position, net pension liability, a ratio of plan net position divided by the total pension liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net pension liability divided by covered-employee payroll.

Schedule of Contributions

This schedule reports the agent multiple-employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered-employee payroll.

Cost-Sharing Employer Defined Benefit Pension Plan:

Schedule of Proportionate Share of the Net Pension Liability

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of Contributions

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Miscellaneous Plan, an Agent Multiple-Employer Defined Benefit Plan
As of June 30, 2015
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2015
<i>Total Pension Liability</i>	
Service Cost	\$3,147,626
Interest	12,920,680
Differences between expected and actual experience	0
Changes in assumptions	0
Changes in benefits	0
Benefit payments, including refunds of employee contributions	(8,202,831)
Net change in total pension liability	7,865,475
Total pension liability - beginning	174,803,327
Total pension liability - ending (a)	\$182,668,802
<i>Plan fiduciary net position</i>	
Contributions - employer	\$3,558,115
Contributions - employee	1,643,358
Net investment income	19,449,181
Benefit payments, including refunds of employee contributions	(8,202,831)
Net change in plan fiduciary net position	16,447,823
Plan fiduciary net position - beginning	112,810,277
Plan fiduciary net position - ending (b)	\$129,258,100
Net pension liability - ending (a)-(b)	\$53,410,702
Plan fiduciary net position as a percentage of the total pension liability	70.76%
Covered - employee payroll	18,208,052
Net pension liability as percentage of covered-employee payroll	293.34%

Notes to Schedule:

Benefit changes. In 2015, the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2015, there were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Miscellaneous Plan, an Agent Multiple-Employer Defined Pension Plan
For the fiscal year ending June 30, 2015
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	<u>2015</u>
Actuarially determined contribution	\$3,935,948
Contributions in relation to the actuarially determined contributions	<u>3,935,948</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>
Covered-employee payroll	\$18,208,052
Contributions as a percentage of covered-employee payroll	21.62%
* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.	
Notes to Schedule	
Valuation date:	6/30/2012
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age & Service
Investment rate of return	7.5%, net of pension plan investment expense, includes inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Safety Plan, a Cost Sharing-Employer Defined Pension Plan
As of June 30, 2015
Last 10 Years*

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Safety Plan - Fire

	<u>6/30/2014 (A)</u>
Plan's Proportion of the Net Pension Liability (Asset)	0.17453%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$10,859,880
Plan's Covered-Employee Payroll (B)	\$4,171,218
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	260.35%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	84.42%

Notes to Schedule:

- (A) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (B) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Safety Plan, a Cost Sharing-Employer Defined Pension Plan
For the fiscal year ending June 30, 2015
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS
Safety Plan - Fire

	<u>2015</u>
Actuarially determined contribution	\$1,117,432
Contributions in relation to the actuarially determined contributions	<u>1,117,432</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>
 Covered-employee payroll	 \$4,171,218
 Contributions as a percentage of covered-employee payroll	 26.79%

Notes to Schedule

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 yrs
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Safety Plan, a Cost Sharing-Employer Defined Pension Plan

As of June 30, 2015

Last 10 Years*

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Safety Plan - Police

	<u>6/30/2014</u>
Plan's Proportion of the Net Pension Liability (Asset)	0.19246%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$11,975,783
Plan's Covered-Employee Payroll (A)	\$5,595,713
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	214.02%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%

Notes to Schedule:

- (A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Safety Plan, a Cost Sharing-Employer Defined Pension Plan
For the fiscal year ending June 30, 2015
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Safety Plan - Police

	<u>2015</u>
Actuarially determined contribution	\$1,587,691
Contributions in relation to the actuarially determined contributions	<u>1,587,691</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>
 Covered-employee payroll	 \$5,595,713
 Contributions as a percentage of covered-employee payroll	 28.37%

Notes to Schedule

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 yrs
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Safety Plan - PEPRA Benefit Tier, a Cost Sharing-Employer Defined Pension Plan
As of June 30, 2015
Last 10 Years*

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Safety Plan - PEPRA

	<u>6/30/2014</u>
Plan's Proportion of the Net Pension Liability (Asset)	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$43
Plan's Covered-Employee Payroll (A)	\$68,862
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.60%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.14%

Notes to Schedule:

- (A) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

1. PENSION PLANS (Continued)

City of Davis Safety Plan - PEPRAs Benefit Tier, a Cost Sharing-Employer Defined Pension Plan
For fiscal year ending June 30, 2015
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS
Safety Plan - PEPRAs

	<u>2015</u>
Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contributions	-
Contribution deficiency (excess)	<u>\$ -</u>
 Covered-employee payroll	 \$68,862
 Contributions as a percentage of covered-employee payroll	 0.00%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 yrs
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF DAVIS
Required Supplemental Information
For the year ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS – OTHER POST RETIREMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2010	\$1,500,000	\$65,940,000	\$64,440,000	2.30%	\$31,154,000	206.80%
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 Schedule

- (A) 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 to pay benefits when due, and make comparisons with other employers.
- (B) The information presented relates to the City's Public Safety and Miscellaneous Retirement Plans and the City OPEB Plan only.

CITY OF DAVIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	\$37,600,293	\$37,600,293	\$38,454,327	\$854,034
Fines and forfeitures	806,900	806,900	661,160	(145,740)
Use of money and property	1,178,233	1,181,278	1,255,693	74,415
Intergovernmental	45,742	289,029	780,343	491,314
Charges for current services	6,260,779	8,937,141	9,303,663	366,522
Development fees		40,000	97,602	57,602
Administrative fee - other funds	2,331,416	2,331,416	2,329,522	(1,894)
Other	1,114,066	1,219,592	1,028,236	(191,356)
Total Revenues	49,337,429	52,405,649	53,910,546	1,504,897
EXPENDITURES:				
Current:				
City Council	167,135	168,535	168,389	146
City Attorney	362,967	320,789	296,143	24,646
City Manager	2,302,300	2,411,816	2,057,190	354,626
Administrative services	2,639,875	2,807,124	2,416,569	390,555
Community development	3,893,204	5,720,173	5,372,346	347,827
Parks and community services	9,230,187	9,201,629	8,154,484	1,047,145
Public safety - fire	8,537,250	8,965,379	9,070,145	(104,766)
Public safety - police	15,679,852	15,733,229	15,826,724	(93,495)
Public works	2,548,549	3,481,699	2,998,835	482,864
Capital outlay	5,726,122	7,442,254	1,402,972	6,039,282
Total Expenditures	51,087,441	56,252,627	47,763,797	8,488,830
Net Change in Fund Balance	<u>(\$1,750,012)</u>	<u>(\$3,846,978)</u>	6,146,749	<u>\$9,993,727</u>
Beginning fund balance			9,536,782	
Ending fund balance			<u>\$15,683,531</u>	

See accompanying notes to financial statements

CITY OF DAVIS
CHILD CARE GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$700	\$700	\$850	\$150
Intergovernmental	5,962,927	5,166,897	4,980,004	(186,893)
Charges for current services	56,800	46,800	86,390	39,590
Total Revenues	6,020,427	5,214,397	5,067,244	(147,153)
EXPENDITURES:				
Current:				
Parks and community services	6,017,894	5,215,697	5,066,632	149,065
Total Expenditures	6,017,894	5,215,697	5,066,632	149,065
Net Change in Fund Balance	\$2,533	(\$1,300)	612	\$1,912
Beginning fund balance			396,554	
Ending fund balance			\$397,166	

See accompanying notes to financial statements

CITY OF DAVIS
LOW/MOD HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$29,700	\$29,700	\$26,240	(\$3,460)
Intergovernmental	700,760	700,760	541,717	(159,043)
Charges for services	369,232	369,232	289,796	(79,436)
Other	40,000	40,000	76,100	36,100
Total Revenues	<u>1,139,692</u>	<u>1,139,692</u>	<u>933,853</u>	<u>(205,839)</u>
EXPENDITURES:				
Current:				
Special projects	<u>1,129,337</u>	<u>1,257,035</u>	<u>815,498</u>	<u>441,537</u>
Total Expenditures	<u>1,129,337</u>	<u>1,257,035</u>	<u>815,498</u>	<u>441,537</u>
Net Change in Fund Balance	<u>\$10,355</u>	<u>(\$117,343)</u>	118,355	<u>\$235,698</u>
Beginning fund balance			<u>33,725,931</u>	
Ending fund balance			<u>\$33,844,286</u>	

See accompanying notes to financial statements

CITY OF DAVIS
OPEN SPACE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$647,835	\$647,835	\$649,634	\$1,799
Intergovernmental	2,700	2,700	7,398	4,698
Other			14,402	14,402
Total Revenues	650,535	650,535	671,434	20,899
EXPENDITURES:				
Current:				
Parks and community services		434,065	337,280	96,785
Capital outlay		2,817	2,791	26
Total Expenditures		436,882	340,071	96,811
Net Changes in Fund Balance	<u>\$650,535</u>	<u>\$213,653</u>	331,363	<u>\$117,710</u>
Beginning fund balance			<u>3,927,434</u>	
Ending fund balance			<u>\$4,258,797</u>	

See accompanying notes to financial statements

CITY OF DAVIS
DEVELOPMENT DEFERRED IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
REVENUES				
Use of money and property	\$33,000	\$33,000	\$45,716	\$12,716
Development fees	865,000	865,000	753,386	(111,614)
Other revenue			1,000	1,000
Total Revenues	<u>898,000</u>	<u>898,000</u>	<u>800,102</u>	<u>(97,898)</u>
EXPENDITURES				
Current:				
Administrative services	129,141	159,779	153,627	6,152
Public works	395,205	636,750	543,528	93,222
Special projects	6,771	30,021	26,406	3,615
Capital outlay	<u>3,125,175</u>	<u>4,666,228</u>	<u>1,665,609</u>	<u>3,000,619</u>
Total Expenditures	<u>3,656,292</u>	<u>5,492,778</u>	<u>2,389,170</u>	<u>3,103,608</u>
Net Change in Fund Balance	<u>(2,758,292)</u>	<u>(4,594,778)</u>	(1,589,068)	<u>\$3,005,710</u>
BEGINNING FUND BALANCE			<u>24,950,946</u>	
ENDING FUND BALANCE			<u>\$23,361,878</u>	

CITY OF DAVIS
Notes to Required Supplemental Information
For the year ended June 30, 2015

1. 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 City did not have any funds exceeded the appropriations for the year ended June 30, 2015,

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

DEBT SERVICE FUNDS

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

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

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.

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CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Gas Tax	TDA Non-Transit Use	Park Maintenance Tax	Cable TV
ASSETS				
Cash and investments	\$1,339,316	\$170,238		\$1,553,787
Accrued interest	781	150		896
Receivables:				
General accounts			\$68,597	150,370
Grants	167,460			33,597
Utility accounts				
Loans				
Total Assets	<u>\$1,507,557</u>	<u>\$170,388</u>	<u>\$68,597</u>	<u>\$1,738,650</u>
LIABILITIES				
Accounts payable	\$51,620	\$5,081	\$13,205	\$27
Wages payable	850			4,829
Unearned revenue				
Due to other funds			55,386	
Total Liabilities	<u>52,470</u>	<u>5,081</u>	<u>68,591</u>	<u>4,856</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCES				
Fund balances:				
Restricted	1,455,087	165,307	6	
Committed				1,733,794
Total Fund Balances	<u>1,455,087</u>	<u>165,307</u>	<u>6</u>	<u>1,733,794</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,507,557</u>	<u>\$170,388</u>	<u>\$68,597</u>	<u>\$1,738,650</u>

SPECIAL REVENUE FUNDS

Public Safety	Municipal Arts	Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Parking	Federal/State Highway Grant	Community Development Block Grant
\$56	\$40,247 24	\$407,954 221	\$460,950 261	\$324,870 184	\$347,409 178	\$53,329 61
84,193 15,511 221,104					41,745	105,600
						1,755,324
<u>\$320,864</u>	<u>\$40,271</u>	<u>\$408,175</u>	<u>\$461,211</u>	<u>\$325,054</u>	<u>\$389,332</u>	<u>\$1,914,314</u>
\$8,583				\$521		\$18,030 5,946
209,864 67,749						
<u>286,196</u>				<u>521</u>		<u>23,976</u>
34,668	\$40,271	\$408,175	\$461,211	324,533	\$389,332	1,890,338
<u>34,668</u>	<u>40,271</u>	<u>408,175</u>	<u>461,211</u>	<u>324,533</u>	<u>389,332</u>	<u>1,890,338</u>
<u>\$320,864</u>	<u>\$40,271</u>	<u>\$408,175</u>	<u>\$461,211</u>	<u>\$325,054</u>	<u>\$389,332</u>	<u>\$1,914,314</u>

(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Operational Grants	Agriculture Land Acquisition	Davisville Book	Historical Fund
ASSETS				
Cash and investments	\$173,025	\$425,256	\$1,789	\$10
Accrued interest		241	1	
Receivables:				
General accounts				
Grants	102,204			
Utility accounts				
Loans				
Total Assets	<u>\$275,229</u>	<u>\$425,497</u>	<u>\$1,790</u>	<u>\$10</u>
LIABILITIES				
Accounts payable	\$112,992	\$85		
Wages payable	6,135			
Unearned revenue	137,789			
Due to other funds				
Total Liabilities	<u>256,916</u>	<u>85</u>		
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCES				
Fund balances:				
Restricted	18,313			
Committed		425,412	\$1,790	\$10
Total Fund Balances	<u>18,313</u>	<u>425,412</u>	<u>1,790</u>	<u>10</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$275,229</u>	<u>\$425,497</u>	<u>\$1,790</u>	<u>\$10</u>

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS				
Brinley/Hattie Weber	Association of Bay Area Governments Certificates of Participation	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants	Davis Land Acquisition	Public Facilities Financing Authority
\$3,696 2	\$383,904 217	\$790,615 448	\$378,044 214		\$1,563,522 886	\$218,748 124
				\$519,588		
<u>\$3,698</u>	<u>\$384,121</u>	<u>\$791,063</u>	<u>\$378,258</u>	<u>\$519,588</u>	<u>\$1,564,408</u>	<u>\$218,872</u>
				\$16,600		
				313,369		
				329,969		
				27,500		
<u>\$3,698</u>	<u>\$384,121</u>	<u>\$791,063</u>	<u>\$378,258</u>	<u>162,119</u>	<u>\$1,564,408</u>	<u>\$218,872</u>
<u>3,698</u>	<u>384,121</u>	<u>791,063</u>	<u>378,258</u>	<u>162,119</u>	<u>1,564,408</u>	<u>218,872</u>
<u>\$3,698</u>	<u>\$384,121</u>	<u>\$791,063</u>	<u>\$378,258</u>	<u>\$519,588</u>	<u>\$1,564,408</u>	<u>\$218,872</u>

(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	<u>CAPITAL PROJECTS FUNDS</u>		
	<u>Oxford Circle Park and Parking Lot</u>	<u>Downtown Area Capital Revitalization</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and investments	\$49,646	\$4,861,016	\$13,547,371
Accrued interest	28	2,753	7,726
Receivables:			
General accounts			303,160
Grants			985,705
Utility accounts			221,104
Loans		36,804	1,792,128
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$49,674</u>	<u>\$4,900,573</u>	<u>\$16,857,194</u>
LIABILITIES			
Accounts payable			\$226,223
Wages payable			18,281
Deferred revenue			347,653
Due to other funds			436,504
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>	<u>1,028,661</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			27,500
	<u> </u>	<u> </u>	<u> </u>
FUND EQUITY			
Fund balances:			
Restricted	\$49,674		7,466,898
Committed		\$4,900,573	8,334,135
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>49,674</u>	<u>4,900,573</u>	<u>15,801,033</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$49,674</u>	<u>\$4,900,573</u>	<u>\$16,857,194</u>

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CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

SPECIAL REVENUE FUNDS				
	Gas Tax	TDA Non-Transit Use	Park Maintenance Tax	Cable TV
REVENUES				
Taxes			\$1,360,149	\$616,097
Use of money and property	\$2,606	\$319	6	2,852
Intergovernmental	1,854,456	2,010,182		110,151
Charges for current services				
Development fees				
Other				45
Total Revenues	1,857,062	2,010,501	1,360,155	729,145
EXPENDITURES				
Current:				
City Manager				6,360
Administrative service				580,496
Community development	50,222			
Parks and community services			1,360,149	52,913
Public safety - fire				
Public safety - police				
Public works	1,791,973	890,266		
Special projects				
Capital outlay	593			2,550
Total Expenditures	1,842,788	890,266	1,360,149	642,319
Net Change in Fund Balance	14,274	1,120,235	6	86,826
BEGINNING FUND BALANCES	1,440,813	(954,928)		1,646,968
ENDING FUND BALANCES	\$1,455,087	\$165,307	\$6	\$1,733,794

SPECIAL REVENUE FUNDS

Public Safety	Municipal Arts	Subdivision In-Lieu Park Fees	In-Lieu of Parking Payments	Parking	Federal/State Highway Grants	Community Development Block Grant
\$490,591 97 118,848 2,399,911	\$78	\$702	\$843	\$93,517	\$582 790,807	\$127 813,108
	6,584	66,372				
<u>3,009,447</u>	<u>6,662</u>	<u>67,074</u>	<u>843</u>	<u>93,517</u>	<u>791,389</u>	<u>813,235</u>
42,251	11,775			11,494 25,127		
1,468,216 1,473,581					2,881	302,556
				1,823	437,434	437,853
<u>2,984,048</u>	<u>11,775</u>			<u>38,444</u>	<u>440,315</u>	<u>740,409</u>
25,399	(5,113)	67,074	843	55,073	351,074	72,826
<u>9,269</u>	<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>\$34,668</u>	<u>\$40,271</u>	<u>\$408,175</u>	<u>\$461,211</u>	<u>\$324,533</u>	<u>\$389,332</u>	<u>\$1,890,338</u>

(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Operational Grants	Agriculture Land Acquisition	Davisville Book	Historical
REVENUES				
Taxes				
Use of money and property		\$778	\$2	
Intergovernmental	\$858,091			
Charges for current services			536	
Development fees				
Other				
Total Revenues	858,091	778	538	
EXPENDITURES				
Current:				
City Manager				
Administrative service				
Community development		1,019		\$6,605
Parks and community services				
Public safety - fire				
Public safety - police				
Public works				
Special projects	932,768			
Capital outlay	25,217			
Total Expenditures	957,985	1,019		6,605
Net Change in Fund Balance	(99,894)	(241)	538	(6,605)
BEGINNING FUND BALANCES	118,207	425,653	1,252	6,615
ENDING FUND BALANCES	\$18,313	\$425,412	\$1,790	\$10

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS				
Brinley/Hattie Weber	Association of Bay Area Governments Certificates of Participation	Davis Research Park	Arlington Boulevard Benefit Area	Capital Grants	Davis Land Acquisition	Public Facilities Financing Authority
\$6	\$701	\$1,446	\$691	\$1,292,613	\$2,859	\$400
1,264						
1,270	701	1,446	691	1,292,613	2,859	400
				989,831		
				989,831		
1,270	701	1,446	691	302,782	2,859	400
2,428	383,420	789,617	377,567	(140,663)	1,561,549	218,472
\$3,698	\$384,121	\$791,063	\$378,258	\$162,119	\$1,564,408	\$218,872

(Continued)

CITY OF DAVIS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	CAPITAL PROJECTS FUNDS		
	Oxford Circle Park and Parking Lot	Downtown Area Capital Revitalization	Total Nonmajor Governmental Funds
REVENUES			
Taxes			\$2,466,837
Use of money and property	\$90	\$10,476	119,178
Intergovernmental			7,848,256
Charges for current services			2,400,447
Development fees			72,956
Other			1,309
Total Revenues	90	10,476	12,908,983
EXPENDITURES			
Current:			
City Manager			6,360
Administrative service			634,241
Community development			94,748
Parks and community services			1,413,062
Public safety - fire			1,468,216
Public safety - police			1,473,581
Public works			2,685,120
Special projects			1,235,324
Capital outlay			1,895,301
Total Expenditures			10,905,953
Net Change in Fund Balance	90	10,476	2,003,030
BEGINNING FUND BALANCES	49,584	4,890,097	13,798,003
ENDING FUND BALANCES	\$49,674	\$4,900,573	\$15,801,033

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CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	GAS TAX			TDA NON-TRANSIT USE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Use of money and property	\$750	\$2,606	\$1,856		\$319	\$319
Intergovernmental	1,669,862	1,854,456	184,594	\$982,970	2,010,182	1,027,212
Charges for current services						
Development fees						
Other						
Total Revenues	<u>1,670,612</u>	<u>1,857,062</u>	<u>186,450</u>	<u>982,970</u>	<u>2,010,501</u>	<u>1,027,531</u>
EXPENDITURES						
Current:						
City Manager						
Administrative services	50,222	50,222				
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works	2,059,013	1,791,973	267,040	1,042,328	890,266	152,062
Special projects						
Capital outlay	<u>593</u>	<u>593</u>				
Total Expenditures	<u>2,109,828</u>	<u>1,842,788</u>	<u>267,040</u>	<u>1,042,328</u>	<u>890,266</u>	<u>152,062</u>
Net Change in Fund Balance	<u>(\$439,216)</u>	14,274	<u>\$453,490</u>	<u>(\$59,358)</u>	1,120,235	<u>\$1,179,593</u>
BEGINNING FUND BALANCE		<u>1,440,813</u>			<u>(954,928)</u>	
ENDING FUND BALANCE		<u>\$1,455,087</u>			<u>\$165,307</u>	

PARK MAINTENANCE TAX			CABLE TV			PUBLIC SAFETY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,360,150	\$1,360,149 6	(\$1) 6	\$545,000	\$616,097	\$71,097	\$490,590	\$490,591	\$1
			2,100	2,852	752	500	97	(403)
			109,000	110,151	1,151	106,550	118,848	12,298
						2,397,995	2,399,911	1,916
			200	45	(155)			
1,360,150	1,360,155	5	656,300	729,145	72,845	2,995,635	3,009,447	13,812
			54,989	6,360	48,629			
			595,488	580,496	14,992	49,930	42,251	7,679
1,360,150	1,360,149	1	190,893	52,913	137,980			
						1,433,973	1,452,859	(18,886)
						1,477,820	1,473,581	4,239
			45,555	2,550	43,005	34,243	15,357	18,886
1,360,150	1,360,149	1	886,925	642,319	244,606	2,995,966	2,984,048	11,918
	6	\$6	(\$230,625)	86,826	\$317,451	(\$331)	25,399	\$25,730
				1,646,968			9,269	
	\$6			\$1,733,794			\$34,668	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	MUNICIPAL ARTS			SUBDIVISION IN-LIEU PARK FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Use of money and property	\$50	\$78	\$28	\$1,200	\$702	(\$498)
Intergovernmental						
Charges for current services						
Development fees		6,584	6,584	35,410	66,372	30,962
Other						
Total Revenues	50	6,662	6,612	36,610	67,074	30,464
EXPENDITURES						
Current:						
City Manager						
Administrative services	25,791	11,775	14,016			
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works						
Special projects						
Capital outlay						
Total Expenditures	25,791	11,775	14,016			
Net Change in Fund Balance	<u>(\$25,741)</u>	<u>(5,113)</u>	<u>\$20,628</u>	<u>\$36,610</u>	<u>67,074</u>	<u>\$30,464</u>
BEGINNING FUND BALANCE		<u>45,384</u>			<u>341,101</u>	
ENDING FUND BALANCE		<u>\$40,271</u>			<u>\$408,175</u>	

IN-LIEU OF PARKING PAYMENTS			PARKING			FEDERAL/STATE HIGHWAY GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$600	\$843	\$243	\$82,000	\$93,517	\$11,517	\$450	\$582	\$132
						1,022,753	790,807	(231,946)
20,000		(20,000)						
20,600	843	(19,757)	82,000	93,517	11,517	1,023,203	791,389	(231,814)
			10,836	11,494	(658)			
			15,290	25,127	(9,837)			
						15,000	2,881	12,119
			100,907	1,823	99,084	1,037,922	437,434	600,488
			127,033	38,444	88,589	1,052,922	440,315	612,607
<u>\$20,600</u>	843	<u>(\$19,757)</u>	<u>(\$45,033)</u>	55,073	<u>\$100,106</u>	<u>(\$29,719)</u>	351,074	<u>\$380,793</u>
	<u>460,368</u>			<u>269,460</u>			<u>38,258</u>	
	<u>\$461,211</u>			<u>\$324,533</u>			<u>\$389,332</u>	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	COMMUNITY DEVELOPMENT BLOCK GRANT			OPERATIONAL GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Use of money and property		\$127	\$127			
Intergovernmental	\$824,525	813,108	(11,417)	\$2,200,857	\$858,091	(\$1,342,766)
Charges for current services						
Development fees						
Other						
Total Revenues	<u>824,525</u>	<u>813,235</u>	<u>(11,290)</u>	<u>2,200,857</u>	<u>858,091</u>	<u>(1,342,766)</u>
EXPENDITURES						
Current:						
City Manager						
Administrative services						
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works						
Special projects	484,442	302,556	181,886	2,065,965	932,768	1,133,197
Capital outlay	<u>654,515</u>	<u>437,853</u>	<u>216,662</u>	<u>171,180</u>	<u>25,217</u>	<u>145,963</u>
Total Expenditures	<u>1,138,957</u>	<u>740,409</u>	<u>398,548</u>	<u>2,237,145</u>	<u>957,985</u>	<u>1,279,160</u>
Net Change in Fund Balance	<u>(\$314,432)</u>	72,826	<u>\$387,258</u>	<u>(\$36,288)</u>	(99,894)	<u>(\$63,606)</u>
BEGINNING FUND BALANCE		<u>1,817,512</u>			<u>118,207</u>	
ENDING FUND BALANCE		<u>\$1,890,338</u>			<u>\$18,313</u>	

AGRICULTURE LAND ACQUISITION			DAVISVILLE BOOK			HISTORICAL		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$450	\$778	\$328		\$2	\$2	\$10		(\$10)
				536	536			
450	778	328		538	538	10		(10)
13,027	1,019	12,008				6,605	\$6,605	
13,027	1,019	12,008				6,605	6,605	
(\$12,577)	(241)	\$12,336		538	\$538	(\$6,595)	(6,605)	(\$10)
	425,653			1,252			6,615	
	\$425,412			\$1,790			\$10	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BRINLEY/HATTIE WEBER			CERTIFICATES OF PARTICIPATION		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Use of money and property		\$6	\$6	\$500	\$701	\$201
Intergovernmental						
Charges for current services						
Development fees						
Other		1,264	1,264			
Total Revenues		1,270	1,270	500	701	201
EXPENDITURES						
Current:						
City Manager						
Administrative services	\$573		573			
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works						
Special projects						
Capital outlay						
Total Expenditures	573		573			
Net Change in Fund Balance	<u>(\$573)</u>	1,270	<u>\$1,843</u>	<u>\$500</u>	701	<u>\$201</u>
BEGINNING FUND BALANCE		<u>2,428</u>			<u>383,420</u>	
ENDING FUND BALANCE		<u>\$3,698</u>			<u>\$384,121</u>	

DAVIS RESEARCH PARK			ARLINGTON BOULEVARD BENEFIT AREA			CAPITAL GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,000	\$1,446	\$446	\$500	\$691	\$191	\$100		(\$100)
						3,398,057	\$1,292,613	(2,105,444)
1,000	1,446	446	500	691	191	3,398,157	1,292,613	(2,105,544)
						1,500,083	989,831	510,252
						1,500,083	989,831	510,252
<u>\$1,000</u>	1,446	<u>\$446</u>	<u>\$500</u>	691	<u>\$191</u>	<u>\$1,898,074</u>	302,782	<u>(\$1,595,292)</u>
	<u>789,617</u>			<u>377,567</u>			<u>(140,663)</u>	
	<u>\$791,063</u>			<u>\$378,258</u>			<u>\$162,119</u>	

(Continued)

CITY OF DAVIS
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	DAVIS LAND ACQUISITION			PUBLIC FACILITIES FINANCING AUTHORITY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Use of money and property	\$2,100	\$2,859	\$759	\$300	\$400	\$100
Intergovernmental						
Charges for current services						
Development fees						
Other						
	<u>2,100</u>	<u>2,859</u>	<u>759</u>	<u>300</u>	<u>400</u>	<u>100</u>
EXPENDITURES						
Current:						
City Manager						
Administrative services						
Community development						
Parks and community services						
Public safety - fire						
Public safety - police						
Public works						
Special projects						
Capital outlay						
Net Change in Fund Balance	<u>\$2,100</u>	<u>2,859</u>	<u>\$759</u>	<u>\$300</u>	<u>400</u>	<u>\$100</u>
BEGINNING FUND BALANCE		<u>1,561,549</u>			<u>218,472</u>	
ENDING FUND BALANCE		<u>\$1,564,408</u>			<u>\$218,872</u>	

OXFORD CIRCLE PARK AND PARKING LOT			DOWNTOWN AREA CAPITAL REVITALIZATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$100	\$90	(\$10)	\$8,986	\$10,476	\$1,490
100	90	(10)	8,986	10,476	1,490
\$100	90	(\$10)	\$8,986	10,476	\$1,490
	49,584			4,890,097	
	\$49,674			\$4,900,573	

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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 activities 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 services.

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
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total
ASSETS					
Cash and investments	\$15,368,729	\$455,147	\$1,278,636		\$17,102,512
Accrued interest	8,796	289	336		9,421
Accounts receivable	6,011		28,983		34,994
Inventory	349,836				349,836
Prepaid items			20,584		20,584
Advances to other funds	910,424				910,424
Capital assets:					
Non-depreciable	953,836				953,836
Depreciable	12,780,848	237,538			13,018,386
Accumulated depreciation	(8,202,201)	(9,897)			(8,212,098)
Total Assets	<u>22,176,279</u>	<u>683,077</u>	<u>1,328,539</u>		<u>24,187,895</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	<u>297,124</u>	<u>66,172</u>	<u>82,812</u>		<u>446,108</u>
Total Assets and Deferred Outflows of Resources	<u>22,473,403</u>	<u>749,249</u>	<u>1,411,351</u>		<u>24,634,003</u>
LIABILITIES					
Payables:					
Accounts	90,866	50,747	76,463	\$15,938	234,014
Wages	47,966	8,555	10,591	92,940	160,052
Leave benefits	99,236	18,346		45,838	163,420
Due to other funds				2,628,765	2,628,765
Net pension liability	4,031,976	897,950	1,123,754		6,053,680
Claims payable:					
Due within one year			104,003		104,003
Due in more than one year			254,836		254,836
Total Liabilities	<u>4,270,044</u>	<u>975,598</u>	<u>1,569,647</u>	<u>2,783,481</u>	<u>9,598,770</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	<u>673,011</u>	<u>149,885</u>	<u>187,576</u>		<u>1,010,472</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,943,055</u>	<u>1,125,483</u>	<u>1,757,223</u>	<u>2,783,481</u>	<u>10,609,242</u>
NET POSITION					
Net investment in capital assets	5,532,483	227,641			5,760,124
Unrestricted	<u>11,997,865</u>	<u>(603,875)</u>	<u>(345,872)</u>	<u>(2,783,481)</u>	<u>8,264,637</u>
Total Net Position	<u>\$17,530,348</u>	<u>(\$376,234)</u>	<u>(\$345,872)</u>	<u>(\$2,783,481)</u>	<u>\$14,024,761</u>

CITY OF DAVIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total
OPERATING REVENUES					
Charges for current services	\$6,386,287	\$1,610,470	\$13,774,374	\$3,240,591	\$25,011,722
Total Operating Revenues	6,386,287	1,610,470	13,774,374	3,240,591	25,011,722
OPERATING EXPENSES					
Central stores	228,395				228,395
Central equipment	1,512,039				1,512,039
Duplication - postal	172,333				172,333
City administrative facility maintenance	510,346	1,575,050			2,085,396
Insurance administration			408,372		408,372
Insurance premiums			12,731,319		12,731,319
Litigation			47,315		47,315
MIS services	2,170,550				2,170,550
Leave benefits paid				2,902,881	2,902,881
Depreciation	839,593	4,751			844,344
Total Operating Expenses	5,433,256	1,579,801	13,187,006	2,902,881	23,102,944
Operating Income (Loss)	953,031	30,669	587,368	337,710	1,908,778
NONOPERATING REVENUES					
Interest income	28,288	867	1,711		30,866
Other	371,355		132,495		503,850
Total Nonoperating Revenues	399,643	867	134,206		534,716
Income (Loss) before transfers	1,352,674	31,536	721,574	337,710	2,443,494
Change in Net Assets	1,352,674	31,536	721,574	337,710	2,443,494
BEGINNING NET POSITION (DEFICIT), AS ADJUSTED	16,177,674	(407,770)	(1,067,446)	(3,121,191)	11,581,267
ENDING NET POSITION (DEFICIT)	\$17,530,348	(\$376,234)	(\$345,872)	(\$2,783,481)	\$14,024,761

CITY OF DAVIS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2015

	General Services	Building Maintenance	City Self- Insurance	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$6,751,631	\$1,613,397	\$13,905,066	\$3,240,591	\$25,510,685
Payments to suppliers	(4,156,461)		(13,279,085)	(317,328)	(17,752,874)
Payments to employees	(517,483)	(1,572,806)	(199)	(2,882,339)	(4,972,827)
Claims paid			(126,374)		(126,374)
Cash Flows from Operating Activities	<u>2,077,687</u>	<u>40,591</u>	<u>499,408</u>	<u>40,924</u>	<u>2,658,610</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	116,053				116,053
Interfund (payments)				(40,924)	(40,924)
Cash Flows from Noncapital Financing Activities	<u>116,053</u>			<u>(40,924)</u>	<u>75,129</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Sales (Acquisitions) of capital assets, net	<u>(1,287,036)</u>	<u>(1)</u>			<u>(1,287,037)</u>
Cash Flows from Capital and Related Financing Activities	<u>(1,287,036)</u>	<u>(1)</u>			<u>(1,287,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>25,687</u>	<u>745</u>	<u>1,668</u>		<u>28,100</u>
Cash Flows from Investing Activities	<u>25,687</u>	<u>745</u>	<u>1,668</u>		<u>28,100</u>
Net Cash Flows	932,391	41,335	501,076		1,474,802
Cash and investments at beginning of period	<u>14,436,338</u>	<u>413,812</u>	<u>777,560</u>		<u>15,627,710</u>
Cash and investments at end of period	<u><u>\$15,368,729</u></u>	<u><u>\$455,147</u></u>	<u><u>\$1,278,636</u></u>		<u><u>\$17,102,512</u></u>
Reconciliation of operating income to net cash flows from operating activities:					
Operating income (loss)	\$953,031	\$30,669	\$587,368	\$337,710	\$1,908,778
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	839,593	4,751			844,344
Other revenues	371,355		132,495		503,850
Change in assets and liabilities:					
General accounts receivable	(1,422)		(1,803)		(3,225)
Prepaid expenses			(20,584)		(20,584)
Inventory	3,788				3,788
Accounts payable	(76,932)	2,927	(118,810)	(317,328)	(510,143)
Wages payable	11,036	1,245	747	(16,853)	(3,825)
Leave benefits payable	(14,780)	1,754		37,395	24,369
Claims payable			(79,059)		(79,059)
Unearned revenue	(4,589)				(4,589)
Due to retirement system	(3,393)	(755)	(946)		(5,094)
Cash Flows from Operating Activities	<u><u>\$2,077,687</u></u>	<u><u>\$40,591</u></u>	<u><u>\$499,408</u></u>	<u><u>\$40,924</u></u>	<u><u>\$2,658,610</u></u>

AGENCY FUNDS

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

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
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<u>Public Facilities Financing Authority</u>				
Assets:				
Cash and investments	\$3,862,736	\$47,750		\$3,910,486
Cash with fiscal agents	986,529		\$91	986,438
Accrued interest receivable	1,568	478		2,046
Accounts receivable	51,136	2,391		53,527
Total Assets	<u>\$4,901,969</u>	<u>\$50,619</u>	<u>\$91</u>	<u>\$4,952,497</u>
Liabilities:				
Due to bondholders	<u>\$4,901,969</u>	<u>\$50,619</u>	<u>\$91</u>	<u>\$4,952,497</u>
Total Liabilities	<u>\$4,901,969</u>	<u>\$50,619</u>	<u>\$91</u>	<u>\$4,952,497</u>
<u>Mello Roos Community Facilities District</u>				
Assets:				
Cash and investments	\$2,023,749		\$160,714	\$1,863,035
Cash with fiscal agents	368,676	\$12		368,688
Accrued interest receivable	714	102		816
Accounts receivable	65,564	6,599		72,163
Total Assets	<u>\$2,458,703</u>	<u>\$6,713</u>	<u>\$160,714</u>	<u>\$2,304,702</u>
Liabilities:				
Deposits payable	\$50,000			\$50,000
Due to bondholders	<u>2,408,703</u>	<u>\$6,713</u>	<u>\$160,714</u>	<u>2,254,702</u>
Total Liabilities	<u>\$2,458,703</u>	<u>\$6,713</u>	<u>\$160,714</u>	<u>\$2,304,702</u>
<u>University Research Park</u>				
Assets:				
Cash and investments	\$398,581	\$5,517		\$404,098
Accrued interest receivable	152	45		197
Accounts receivable	8,870	523		9,393
Total Assets	<u>\$407,603</u>	<u>\$6,085</u>		<u>\$413,688</u>
Liabilities:				
Due to bondholders	<u>\$407,603</u>	<u>\$6,085</u>		<u>\$413,688</u>
Total Liabilities	<u>\$407,603</u>	<u>\$6,085</u>		<u>\$413,688</u>

CITY OF DAVIS
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<u>Special Assessment Parking District #3</u>				
Assets:				
Cash and investments	\$132,297	\$225		\$132,522
Accrued interest receivable	57	18		75
Total Assets	<u>\$132,354</u>	<u>\$243</u>		<u>\$132,597</u>
Liabilities:				
Due to bondholders	<u>\$132,354</u>	<u>\$243</u>		<u>\$132,597</u>
Total Liabilities	<u>\$132,354</u>	<u>\$243</u>		<u>\$132,597</u>
<u>Woodland-Davis Clean Water Agency</u>				
Assets:				
Cash and investments	<u>\$18,964,021</u>	<u>\$9,749,946</u>	<u>\$6,714,710</u>	<u>\$21,999,257</u>
Total Assets	<u>\$18,964,021</u>	<u>\$9,749,946</u>	<u>\$6,714,710</u>	<u>\$21,999,257</u>
Liabilities:				
Accounts payable	\$3,234,139	\$9,749,946		\$12,984,085
Due to members	<u>15,729,882</u>		<u>\$6,714,710</u>	<u>9,015,172</u>
Total Liabilities	<u>\$18,964,021</u>	<u>\$9,749,946</u>	<u>\$6,714,710</u>	<u>\$21,999,257</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$25,381,384	\$9,803,438	\$6,875,424	\$28,309,398
Cash with fiscal agents	1,355,205	12	91	1,355,126
Accounts receivable	125,570	9,513		135,083
Accrued interest receivable	<u>2,491</u>	<u>643</u>		<u>3,134</u>
Total Assets	<u>\$26,864,650</u>	<u>\$9,813,606</u>	<u>\$6,875,515</u>	<u>\$29,802,741</u>
Liabilities:				
Accounts payable	\$3,234,139	\$9,749,946		\$12,984,085
Deposits payable	50,000			50,000
Due to members	15,729,882		\$6,714,710	9,015,172
Due to bondholders	<u>7,850,629</u>	<u>63,660</u>	<u>160,805</u>	<u>7,753,484</u>
Total Liabilities	<u>\$26,864,650</u>	<u>\$9,813,606</u>	<u>\$6,875,515</u>	<u>\$29,802,741</u>

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STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

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

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

Revenue Capacity

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

1. Assessed and Estimated Actual Value of Taxable Property
2. Principal Property Taxpayers
3. Property Tax Levies and Collections

Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Computation of Legal Bonded Debt Margin

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

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

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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CITY OF DAVIS
Net Position by Component (Unaudited)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$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	\$240,360,485
Restricted	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	75,927,570
Unrestricted	24,637,626	11,068,382	7,754,642	2,784,364	11,656,610	(8,572,349)	13,515,454	15,540,261	18,474,120	(46,521,260)
Total governmental activities net position	\$1,881,829,886	\$362,864,953	\$358,345,383	\$346,215,545	\$329,060,654	\$306,418,357	\$330,439,052	\$330,703,299	\$330,795,954	\$269,766,795
Business-type activities										
Net investment in capital assets	\$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	\$235,769,713
Restricted	85,847	85,847				69,850				
Unrestricted	14,934,763	23,426,544	29,101,435	31,689,545	28,963,136	37,774,437	44,957,358	50,530,091	55,468,805	33,484,489
Total business-type activities net position	\$82,078,125	\$247,039,895	\$250,329,970	\$255,718,584	\$257,131,016	\$261,098,944	\$267,587,651	\$273,198,513	\$281,444,244	\$269,254,202
Primary government										
Net investment in capital assets	\$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	\$476,130,198
Restricted	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	75,927,570
Unrestricted	39,572,389	34,494,926	36,856,077	344,973,909	40,619,746	29,202,088	58,472,812	66,070,352	73,942,925	(13,036,771)
Total primary government net position	\$1,963,908,011	\$609,904,848	\$608,675,353	\$912,434,129	\$586,191,670	\$567,517,301	\$598,026,703	\$603,901,812	\$612,240,198	\$539,020,997

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
City Council	\$139,419	\$104,250	\$113,670	\$165,297	\$120,068	\$174,137	\$171,419	\$159,950	\$123,958	\$161,024
City Attorney	406,647	417,718	383,943	362,152	331,121	307,893	347,920	256,183	545,258	296,143
City Manager	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	1,950,060
Finance/ Administrative Services	1,709,045	1,932,653	2,157,409	2,305,333	2,113,284	2,006,387	2,208,562	2,008,562	2,638,260	3,033,094
Public Safety	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	26,983,139
Public Works	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	13,115,703
Community Development	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	5,290,390
Parks and Community Services	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	16,284,031
Interest on Long Term Debt	1,276,405	2,814,189	518,674	1,391,009	1,429,321	2,798,312	1,612,400			
Total Governmental Activities Expenses	139,777,073	79,829,825	84,449,361	89,752,332	91,555,874	86,001,411	65,630,471	64,573,214	67,848,544	67,118,584
Business-Type Activities:										
Water	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	9,861,390
Sanitation	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	10,358,515
Sewer	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	8,759,829
Storm Sewer	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	3,669,452
Public transit	4,512,019	3,388,419	5,875,783	7,718,465	11,287,091	4,306,554	4,183,327	4,254,687	5,818,308	6,387,279
Total Business-Type Activities Expenses	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	39,036,465
Total Primary Government Expenses	\$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	\$106,155,049
Program Revenues										
Governmental Activities:										
Charges for Services:										
City Council										
City Attorney		\$15,894	\$14,021	\$13,997	\$44,730	\$15,109	\$100,942	\$70,706	\$10,131	
City Manager	\$51,521	5,777	7,883	59,746	59,294	6,312	1,174,427	1,040,984	1,685,900	\$1,305,413
Finance/ Administrative Services	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	2,133,568
Public Safety	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	2,095,092
Public Works	191,953	194,982	548,021	360,110	334,326	333,556	376,451	1,274,263	1,110,862	1,767,216
Community Development	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	4,634,131
Parks and Community Services	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	3,109,507
Operating Grants and Contributions	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	12,610,463
Development impact fees and permits	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	2,849,594
Total Government Activities Program Revenues	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	30,504,984
Business-Type Activities:										
Charges for Services:										
Water	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	12,079,724
Sanitation	8,069,352	8,398,749	8,592,544	8,821,374	8,967,949	9,134,378	9,454,530	9,134,378	10,118,187	10,604,488
Sewer	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	14,709,852
Storm Sewer	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	1,742,022
Public transit	16,043	24,855	28,110	32,644	36,354	32,585	30,012	31,105	32,241	31,963
Operating Grants and Contributions	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	6,275,145
Capital Grants and Contributions	509,050		238,444	864,944		1,205,085				
Total Business-Type Activities Program Revenue	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	45,443,194
Total Primary Government Program Revenues	\$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	\$75,948,178
Net (Expense)/Revenue										
Governmental Activities	(\$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)	(\$36,613,600)
Business-Type Activities	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	6,406,729
Total Primary Government Net Expense	(\$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)	(\$30,206,871)

CITY OF DAVIS
Changes in Net Position (Unaudited)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
(continued)										
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$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	\$12,156,824
Sales Taxes	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	13,302,816
Municipal Services	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	2,770,291
Business License	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	1,735,021
Park Maintenance	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	1,360,149
Construction	787,699	371,489	856,186	237,777	208,859	342,590	925,461	905,411	229,577	562,206
Open Space Protection	627,096	627,345	637,786	640,287	641,221	634,857	637,161	636,293	640,980	649,634
Franchise	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	1,359,272
Transient Occupancy Tax	940,886	1,056,691	1,120,983	1,031,031	912,456	958,434	925,477	1,436,067	1,250,725	1,319,909
Transfer Taxes	257,580	236,092	(214,596)					194,326	225,977	367,464
Other Taxes										
Motor Vehicle In-Lieu	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	5,523,938
Investment Earnings	1,295,101	3,542,701	3,313,964	1,895,335	558,490	236,141	281,322	301,030	417,751	135,148
Miscellaneous	2,791,561	1,452,218	719,943	1,568,513	542,805	2,495,652	554,551	436,719	231,174	1,264,593
Special Item: Transfer of loan from Successor Agency							1,684,904			
Extraordinary Gain: RDA Dissolution							24,083,029			
Total Government Activities	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	42,507,265
Business-Type Activities:										
Interest Earnings	404,646	1,128,852	1,301,203	814,923	318,724	298,741	174,215	110,170	77,279	75,698
Miscellaneous	449,358	326,244	135,286	294,249	131,317	336,868	298,808	524,480	78,838	245,077
Total Business-Type Activities	854,004	1,455,096	1,436,489	1,109,172	450,041	635,609	473,023	634,650	156,117	320,775
Total Primary Government	\$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	\$42,828,040
Change in Net Position										
Governmental Activities	(\$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	\$5,893,665
Business-Type Activities	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	6,727,504
Total Primary Government	(\$70,974,896)	(\$997,908)	(\$1,615,996)	(\$6,863,133)	(\$16,251,213)	(\$12,900,465)	\$26,566,617	\$5,875,109	\$88,338,386	\$12,621,169

(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

(b) Beginning net position of the governmental activities and business-type activities as of June 30, 2014 were restated in fiscal year 2015 due to the requirements of GASB 68.

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$2,887,364	\$3,183,616	\$1,308,154	\$1,304,307	\$1,279,973					
Unreserved	9,038,007	8,200,515	5,071,910	2,327,880	4,253,958	\$190,606	\$153,020	\$122,840	\$104,343	\$147,093
Nonspendable										
Restricted										
Committed										
Assigned									1,458,749	
Unassigned						6,350,652	6,101,878	7,797,107	7,973,690	15,536,438
Total General Fund	<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>	<u>\$15,683,531</u>
All Other Governmental Funds										
Reserved	\$28,319,649	\$28,319,649	\$36,173,371	\$39,121,878	\$37,644,210					
Unreserved, reported in:										
Special revenue funds	15,336,726	15,336,726	19,495,729	24,424,793	23,476,779					
Capital project funds	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	\$69,329,025
Committed						9,899,535	8,409,293	7,654,337	8,058,386	8,334,135
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>\$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>	<u>\$77,663,160</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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$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	\$40,921,164
Licenses, permits and fees	1,540,924	107	115	209	188	182	317	353	301	
Fines and forfeitures	888,727	941,447	944,583	884,624	861,131	1,004,144	961,642	826,972	833,513	661,160
Use of money and property	1,661,219	3,297,325	3,671,372	2,259,142	1,031,044	1,031,044	715,761	648,017	3,362,708	2,097,332
Intergovernmental revenues	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	14,157,718
Charges for services	6,510,429	8,586,539	9,054,124	8,432,536	8,279,578	9,541,440	9,939,479	9,614,559	12,080,275	
Development fees	701,840	1,423,911	4,705,005	899,051	592,374	494,460	2,583,790	2,238,192	2,011,157	923,944
Administrative fee - Enterprise Fund	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	2,329,522
Other	1,075,316	629,277	504,120	747,277	2,407,821	1,795,965	254,482	1,069,570	476,872	1,121,047
Total Revenues	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	74,292,162
Expenditures										
Current:										
City Council	122,193	111,968	124,862	124,022	129,390	161,532	146,932	150,439	124,507	168,389
City Attorney	389,296	417,718	383,943	362,152	331,121	307,893	362,967	265,804	555,619	296,143
City Manager	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	2,063,550
Finance/Administrative Services	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	3,204,437
Public safety	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	27,838,666
Public works	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	6,227,483
Community development	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	5,467,094
Parks and Community Services	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	14,971,458
Special Projects	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	2,077,228
Debt service:										
Principal repayment	463,419	685,498	1,107,915	1,060,687	923,828	1,493,799	2,316,295			
Interest and fiscal charges	1,247,229	1,964,862	958,487	1,486,429	1,442,353	2,713,521	1,352,117			
Special assessment	86,587	87,526	88,231							
Capital Improvements	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	4,966,673
Total Expenditures	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	67,281,121
Excess (deficiency) of revenues over (under) expenditures	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	7,011,041
Other Financing Sources (Uses)										
Transfers in	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)	(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)	
Insurance of long-term debt		20,815,000	39,227	473,925	13,289	18,000,000				
Payments to refunded bond escrow		(12,727,516)								
Sale of real property										
Total other financing sources (uses)	(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										
Extraordinary Item							1,684,904			
Total special and extraordinary items							(18,856,040)			
Net Change in fund balances	\$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	\$7,011,041
Debt service as a percentage of noncapital expenditures	3.1%	4.2%	3.0%	3.8%	3.2%	5.5%	6.4%			

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)
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%
2015	6,827,198,602	151,707,098	6,978,905,700	6,978,905,700	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 increment 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 encompasses more than 15 tax rate areas.

CITY OF DAVIS
Principal Property Tax Payers (Unaudited)
Current Year and Nine Years Ago

Taxpayer	2014-15			2005-06		
	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	\$56,627,622	1	0.8%			
Centro Watt Property Owner	48,739,328	2	0.7%	\$17,232,104	9	0.3%
Sequoia Equities-Cypress Point	40,617,850	3	0.6%			
Marketplace Center Inc	38,989,048	4	0.6%	20,736,355	3	0.4%
Oakshade Regency LLC	33,194,703	5	0.5%			
CP IV University Village LLC	33,115,440	6	0.5%			
VTR Covell LP	30,399,517	7	0.4%			
Target Corporation	25,824,796	8	0.4%			
KW Davis LLC	25,644,209	9	0.4%			
Fine Arts LP	25,003,996	10	0.4%	21,991,493	2	0.4%
R & M Property LLC				21,563,680	4	0.4%
Olive Drive Partners				20,243,982	5	0.4%
ARV Assisted Living Inc				20,073,728	6	0.4%
Davis Tanglewood LLC				30,390,526	1	0.6%
WGA Sycamore Lane LP				17,941,088	7	0.4%
SE-Davis LLC				17,780,688	8	0.3%
F & F Ivy Towne Assoc L P				16,325,350	10	0.3%
Subtotal	<u>\$358,156,509</u>		<u>5.1%</u>	<u>\$204,278,994</u>		<u>4.0%</u>
Total Net Valuation						
Fiscal Year	\$6,978,905,700					
Fiscal Year \$5,091,392,749	\$5,091,392,749					

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
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%
2015	22,233,001	22,233,001	100.0000%	na	22,233,001	100.0000%

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

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

Fiscal Year	Governmental Activities					
	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	General Obligation Bond	Capital Lease Obligations	Total
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						
2015						

Fiscal Year	Business-Type Activities					Total Primary Government	Percentage of Personal Income (a)
	Department of Water Resources Loans	State Revolving Fund Loans	Sewer System Capital Improvement Loan	East Area Water Storage Tank Loan	Line of Credit		
2006	\$6,140,320	\$10,841,172	\$1,859,400			\$43,629,287	1.96%
2007	5,656,387	10,115,277	1,752,560			49,937,450	2.13%
2008	5,160,443	9,130,789	1,639,763			47,196,595	1.91%
2009	4,651,531	8,385,136	1,520,677			45,152,977	1.90%
2010	4,129,424	7,620,513	1,394,951			42,829,982	1.76%
2011	3,593,956	6,835,765	1,262,215	\$7,234,117	\$3,000,000	68,117,348	3.11%
2012	3,202,182	6,030,364		9,614,850	6,270,000	25,117,396	1.16%
2013	2,960,053	5,203,765		9,410,645	11,970,000	29,544,463	1.35%
2014		4,355,409		9,198,271		43,553,680	2.11%
2015		3,484,727		8,977,402		41,617,129	NA

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 (2) 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 172 (Demographic Statistics) for personal income and population data.

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

Fiscal Year	Tax Allocation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
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	0	N/A	0.00
2013	0	N/A	0.00
2014	0	N/A	0.00
2015	0	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, 2015

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	<u>\$6,764,538,802</u>
---	------------------------

BONDED DEBT LIMIT (15% OF ASSESSED VALUE) (a)	<u>\$1,014,680,820</u>
---	------------------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt (b)	29,155,000
Less Tax Allocation Bonds and Revenue Bonds, Certificate of Participation not subject to limit	<u>29,155,000</u>
Amount of debt subject to limit	<u>0</u>

LEGAL BONDED DEBT MARGIN	<u><u>\$1,014,680,820</u></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
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%
2015	1,014,680,820		1,014,680,820	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.

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

Fiscal Year	City Population	Personal Income (in thousands)	Per Capita Income	Unemployment Rate	County Population	City Population as a % of County
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	2,060,121	30,860	6.7%	206,381	32.30%
2015	66,757	NA	NA	5.4%	207,212	32.22%

Source: California Department of Finance

CITY OF DAVIS
Principal Employers (Unaudited)
Current Year and Last Year

	2014-15			2013-14		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
<u>Employer</u>						
UC Davis	23,800	1	72.56%	21,870	1	74.42%
Davis School District	900	2	2.74%	690	3	2.35%
City of Davis	428	3	1.30%	436	4	1.48%
Sutter Davis Hospital	380	4	1.16%	400	5	1.36%
Unitrans	265	5	0.81%	230	9	0.78%
PG&E	248	6	0.76%	248	7	0.84%
Safeway Stores	245	7	0.75%	245	8	0.83%
Nugget Market	237	8	0.72%	268	6	0.91%
Kaiser Permanente Medical Office	213	9	0.65%	213	10	0.72%
University Retirement Community	172	10	0.52%			
California State University				752	2	2.56%
Subtotal	<u>26,888</u>		<u>81.98%</u>	<u>25,352</u>		<u>86.27%</u>
Total City of Davis Employment	<u>32,800</u>			<u>29,387</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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Function											
General government	46.20	53.37	49.78	34.55	31.64	42.23	41.74	46.74	49.24	43.81	10.2%
Public safety	145.78	152.05	157.22	156.64	151.63	151.27	146.82	145.03	140.03	138.03	32.3%
Public works	55.38	55.44	57.00	59.45	57.60	52.70	52.37	76.98	76.79	80.06	18.7%
Community development	31.69	35.01	33.98	35.18	25.57	26.07	26.39	22.30	22.30	20.05	4.7%
Community services	189.80	195.28	183.83	201.74	193.55	165.62	149.79	113.56	102.58	117.01	27.3%
Water	24.00	28.96	27.96	27.96	27.96	27.96	27.96	21.00	17.00	14.00	3.3%
Wastewater	26.00	31.21	34.83	36.68	36.68	38.58	37.20	29.00	25.00	15.00	3.5%
Total	518.85	551.32	544.60	552.20	524.63	504.43	482.27	454.61	432.94	427.96	-1.15%

Source: City of Davis

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety:										
Fire:										
Fire calls for service	216	216	\$232	\$265	\$229	\$193	\$196	\$255	\$173	\$152
Medical calls for service	2,036	2,036	2,281	2,432	2,416	2,448	2,538	2,845	3,011	3,041
Other calls for service	1,402	1,402	1,490	1,573	1,524	1,547	1,547	1,210	1,628	1,572
Primary fire inspections conducted	1,590	1,590	1,195	1,563	1,799	1,806	1,503	1,806	1,198	1,115
Fire loss	\$792,863	\$905,185	\$2,569,901	\$1,980,190	\$597,732	\$591,107	\$576,395	\$822,500	\$1,384,310	\$623,821
Police:										
Communication Center calls answered (911)	21,602	21,602	8,920	9,095	11,203	12,083	12,008	12,538	12,959	13,690
Police calls for Service	61,646	61,646	57,326	61,328	56,315	57,540	60,830	53,630	49,442	51,358
Law violations:										
Part I and Part II crimes	2,368	2,368	2,543	2,464	1,792	1,823	1,603	1,573	1,802	1,703
Warrants processed (adult and juvenile)	1,083	1,083	1,047	917	727	666	845	742	756	756
Driving under influence arrests (DUI)	305	305	173	245	166	164	265	253	156	185
Property loss	\$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	\$2,261,182
Property recovered	\$69,142	\$691,422	\$605,887	\$763,045	\$778,997	\$574,448	\$510,747	\$511,747	\$490,507	\$533,942
Cases written	7,430	7,430	6,968	6,815	5,929	5,407	4,730	4,760	4,667	4,830
Animal related calls	217	217	588	283	276	353	327	386	402	430
Citizen complaints	34	34	33	20	32	12	15	15	11	12
Noise complaints	3,288	3,288	2,708	601	2,751	2,919	2,230	2,073	1,792	1,449
Moving violations	6,698	6,698	6,059	5,651	4,116	2,554	4,963	5,019	5,082	3,706
Parking violations	26,445	26,445	18,483	17,116	17,993	18,020	16,570	15,470	15,253	14,082
Public works										
Annual vandalism expenses	\$72,000	\$17,444	\$37,553	\$11,415	\$51,916	\$84,886	\$69,367	\$100,964	\$65,868	7
Potholes Repaired	10	18	16	9	7	11	9	10	10.5	
Parks and Community Service										
Community Services:										
Recreation class participants	33,640	24,152	24,407	24,720	20,327	19,316	19,746	18,297	15,747	16,583
Performing Arts Center performances							192	137	132	
Water										
Water service connections	16,229	16,229	16,292	16,292	16,325	16,430	16,430	16,572	16,139	17,073
Average daily consumption (thousands of gallons)	10,862	11,972	11,551	10,286	10,286	10,699	10,478	10,340	10,306	
Wastewater										
Sewer service connections	6.98	6.75	5.68	5.54	4.90	4.84	5.07	4.60	4.60	4.22
Average daily treatment (millions of gallons/day) *										
Solid Waste										
Tons of solid waste generated *	91,926	92,358	91,363	89,124	84,931	89,854	88,519	31,867	N/A	32,553
Tons of solid waste diverted from landfill *	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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function/Program										
Public safety:										
Fire stations	3	3	3	3	3	6	3	3	3	3
Police stations	1	1	1	1	1	1	1	1	1	1
Number of sworn personnel	60	60	61	61	61	61	61	63	63	61
Police patrol units	49	52	38	44	43	34	37	37	37	34
Public works										
Miles of streets	257	157	162	165	165	166	166	165	165	179
Street lights	5,494	5,494	5,403	5,426	5,676	5,699	5,699	5,710	5,710	6,100
Traffic Signals	54	54	60	60	60	61	61	59	58	60
Culture and recreation:										
Community services:										
City parks	31	31	31	31	31	36	36	36	36	34
City trees *	30,000	30,000	30,000	26,000	26,000	26,000	26,000	21,500	20,616	20,616
Playgrounds	68	69	69	69	69	69	69	69	69	65
Miles of on-street bike lanes	51	51	54	55	55	55	55	55	55	55.8
Miles of off-street bike paths	51	51	55	55	56	56	56	53	53	53.3
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	9
Tennis courts	33	33	33	33	33	33	33	33	33	32
City buildings maintained	87	87	87	87	87	87	91	92	91	91
Square footage of City Buildings	296,694	296,694	301,853	305,093	305,093	305,093	305,093	305,093	305,093	305,093
Library:										
City Libraries										
Water										
Miles of water mains	180	180	178	179	180	180	183	198	188	187.8
Number of wells	23	23	21	20	20	20	20	20	20	20
Fire hydrants	1,938	1,942	1,699	1,703	1,703	1,703	1,706	1,708	1,078	1,708
Wastewater										
Miles of sewer mains	162	162	156	157	164	164	164	164	164	164
Miles of storm sewers	95	95	126	127	127	127	127	127	127	127
Number of treatment plants								1	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 Example

Note: n/a denotes information is not available.