

CITY OF DAVIS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

PREPARED BY
FINANCE DEPARTMENT

CITY OF DAVIS, CALIFORNIA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2005

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Insert Transmittal Letter

PRINCIPAL OFFICIALS

CITY OF DAVIS

JUNE 30, 2005

CITY COUNCIL

Mayor	Ruth Uy Asmundson
Mayor Pro-Tem	Sue Greenwald
Councilmember	Ted Puntillo
Councilmember	Stephen Souza
Councilmember	Don Saylor

ADMINISTRATIVE OFFICIALS

City Manager	James Antonen
City Attorney	Harriet Steiner
City Clerk	Bette Racki
Finance Director	Paul Navazio
Chief of Police	Jim Hyde
Planning & Building Director	Bill Emlen
Fire Chief	Rose Conroy
Parks & Community Services Director	Donna Silva
Public Works Director	Bob Weir

ADMINISTRATIVE STAFF

Financial Analyst	Gail Buller
Financial Analyst	Kelly Fletcher
Financial Analyst	Sheila McCrory

ORGANIZATION CHART

LOCATION MAP

GFOA CERTIFICATE

CSMFO CERTIFICATE

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, California, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davis, California, as of June 30, 2005 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

November 11, 2005

INSERT MD&A

CITY OF DAVIS

**STATEMENT OF NET ASSETS AND
STATEMENT OF ACTIVITIES**

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

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

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities. The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

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

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

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2005. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

CHILD CARE GRANT FUND

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

REDEVELOPMENT AGENCY FUND

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

REDEVELOPMENT AGENCY LOW INCOME HOUSING

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

DEVELOPMENT DEFERRED IMPROVEMENT FUND

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

MAJOR PROPRIETARY FUNDS

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

WATER FUND

To account 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

To account for the activities associated with the various agreements entered into by the City relating to sanitation operations.

SEWER FUND

To account 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

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

PUBLIC TRANSIT FUND

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

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

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

PRIMARY GOVERNMENT

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

BLENDED COMPONENT UNITS

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

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

B. *Basis of Presentation*

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

C. Major Funds

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

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

GENERAL FUND

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CHILD CARE GRANT

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

REDEVELOPMENT AGENCY FUND

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

REDEVELOPMENT AGENCY LOW INCOME HOUSING

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

DEVELOPMENT DEFERRED IMPROVEMENT FUND

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

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

WATER FUND

To account 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

To account for the activities associated with the various agreements entered into by the City relating to sanitation operations.

SEWER FUND

To account 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

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PUBLIC TRANSIT

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

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

Fiduciary Funds. Private-Purpose Trust Funds and 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 statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

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

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

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. *Utility Service Billing*

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

The City has recorded all utility accounts receivable outstanding at June 30, 2005, and has deferred revenue recognition on one-half of the June 1, 2005 bimonthly billing, representing July service.

F. *Budgets and Budgetary Accounting*

The City, by ordinance, adopts annually the operating, debt service and capital improvement budgets for all governmental funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. Upon approval by the City Manager and City Treasurer, however, amounts may be transferred between activities within a *fund's* operating budget appropriation total. The City Manager and City Treasurer may also approve routine minor new appropriations of \$10,000 or less subject to limitations. For the capital budget, the City Manager and City Treasurer may approve transfers between projects of \$15,000, as long as each *fund's* appropriation total remains intact. Increases in excess of the above limits and inter-fund transfers must be approved by the City Council. The budget data reflected in these financial statements incorporate all administrative and City Council amendments through June 30, 2005, individual amendments were not material in relation to the original appropriations. All appropriations not expended or encumbered by year-end are canceled. All prior year unspent encumbrances are rolled over to the current fiscal year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles, with the exception of encumbrances, which are recognized as expenditures.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process.

G. *Materials, Parts and Supplies*

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Leave Benefits

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets. Compensated absences activity was as follows for the year ended June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$2,111,617	\$242,159	\$2,353,776
Additions	2,674,034	353,136	3,027,170
Payments	(2,555,095)	(313,667)	(2,868,762)
Ending Balance	<u>\$2,230,556</u>	<u>\$281,628</u>	<u>\$2,512,184</u>
Current Portion	<u>\$146,605</u>	<u>\$281,628</u>	<u>\$428,233</u>

I. Property Tax

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

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

NOTE 2 - CASH AND INVESTMENTS

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

A. Policies

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

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

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

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements. Cash and investments as of June 30, 2005 are as follows:

City cash and investments	
Cash and investments	\$78,936,305
Cash with fiscal agent	<u>1,834,923</u>
Total City cash and investments	<u>80,771,228</u>
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	5,854,475
Cash with fiscal agent	<u>3,334,648</u>
Total Fiduciary Funds cash and investments	<u>9,189,123</u>
Total cash and investments	<u><u>\$89,960,351</u></u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments as of June 2005 consist of the following:

Cash on hand	\$8,340
Deposits with financial institutions	(1,110,175)
Cash with Trustees	540
Investments	<u>91,061,646</u>
Total Cash and Investments	<u><u>\$89,960,351</u></u>

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

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds, and Notes	No Limit	No Limit	No Limit	No Limit
Federal Agency Obligations	No Limit	No Limit	No Limit	No Limit
Bankers Acceptances	180 days	No Limit	40%	(A)
Commercial Paper	180 days	A1	15%	10%
Negotiable Certificates of Deposit	2 years	No Limit	30%	No Limit
Security Swaps	No Limit	No Limit	No Limit	No Limit
Certificate of Deposit	No Limit	No Limit	No Limit	No Limit
Medium Term Corporate Notes	5 years	AA	10%	No Limit
Money Market Mutual Funds	No Limit	AAA	15%	10%
Repurchase Agreements	1 year	No Limit	No Limit	No Limit
California Pooled Investment Authority (CPIA)	No Limit	No Limit	No Limit	No Limit
Local Agency Investment Fund	No Limit	No Limit	No Limit	No Limit

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Federal Securities	No Limit	N/A
U. S. Government Obligation	No Limit	N/A
U.S. Government Sponsored Obligations	No Limit	N/A
Money market accounts	n/a	AAm - AAAm
FDIC insured deposits	One year	N/A
Investment Agreements	No Limit	AA - AAAm
Commercial paper	None to 270 days	A-1
State Obligations:		
General Obligation	N/A	A
General Short-term Obligation	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
Municipal bonds, callable	No Limit	AAA

E. Interest Rate Risk

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Investment Type	12 Months or less	13 to 18 Months	19 to 60 Months	Total
U.S. Government Sponsored Obligations:				
Non-callable		\$2,942,188	\$7,827,563	\$10,769,751
Callable	\$35,772,014			35,772,014
California Local Agency Investment Fund	39,350,851			39,350,851
<i>Held by Trustees:</i>				
Money Market Mutual Funds (U.S. Securities)	4,954,140			4,954,140
U.S. Treasury Bill	214,890			214,890
Total Investments	\$80,077,005	\$2,942,188	\$7,827,563	\$91,061,646

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, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments have an average maturity of 151 days.

Money market funds are available for withdrawal on demand and at June 30, 2005, have an average maturity of less than 8 days.

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2005 for all U.S. Agency Obligations and Money Market Mutual Funds, except U.S. Bank National Association which is rated A 1+, are AAA/AAAm as provided by Standard and Poor's investment rating system. The U.S. Treasury Obligations are exempt from rating disclosure requirements and the Local Agency Investment Fund was not rated as of June 30, 2005.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. Concentration of Credit Risk

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of 5.0 percent or more of investments in any one issuer, held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2005, those investments consisted of:

Reporting Unit	Issuer	InvestmentType	Reported Amount
Entity-wide	Federal Home Loan Mortgage Corporation	Federal agency securities	\$7,582,361
	Federal Home Loan Bank	Federal agency securities	34,053,090

NOTE 3 - INTERFUND TRANSACTIONS

A. Current Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2005, following funds have balances due to Development Deferred Improvements Capital Projects Fund:

Special Revenue Funds:	
Traffic Safety	\$90,249
TDA Non-transit Use	454,690
Park Maintenance Tax	64,383
Community Development Block Grant	511,566
Capital Projects Fund:	
Capital Grants	388,872
Internal Service Fund:	
City Self Insurance Fund	721,145
Enterprise Fund	
Public Transit Fund	<u>1,215,883</u>
Total	<u><u>\$3,446,788</u></u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

B. Long-Term Advances

At June 30, 2005, the following funds had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Special Revenue Fund		
Redevelopment Agency	General Services Internal Service Fund	\$1,655,625
Enterprise Funds		
Sewer	General Services Internal Service Fund	981,016
Storm Sewer	General Services Internal Service Fund	<u>981,016</u>
		<u><u>\$3,617,657</u></u>

The Redevelopment Agency began making annual interest and principal payments on its advance beginning July 1, 2004 with final repayment by fiscal year 2014. Interest rate is subject to an annual reset at average cost-of funds rate (12 month average Investments Earnings Rate.) Principal and interest payments are reviewed annually during the budgeting process, with the intention of accelerating repayment when possible.

Sewer and Storm Sewer funds make annual principal and interest payment on July 1, with final repayment by fiscal year 2023. Interest rate is subject to an annual reset at average cost-of funds rate (12 month average Investments Earnings Rate.) Principal and interest payments are reviewed annually during the budgeting process, with the intention of accelerating repayment when possible.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund.

Transfers between funds during the fiscal year ended June 30, 2005 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
Internal Service Fund	General Fund	\$282,105 E
	Non-Major Governmental Funds	189,531 E
General Fund	Internal Service Fund	1,250,787 D
Non-Major Governmental Funds	Development Deferred Improvement Fund	37,550 A
	Redevelopment Agency Special Revenue Fund	2,829,411 C
	Non-Major Governmental Funds	242,201 C, E
Redevelopment Agency Low Income Housing	Redevelopment Agency Special Revenue Fund	<u>1,391,622 B</u>
Total Interfund Transfers		<u><u>\$6,223,207</u></u>

A To fund debt service.

B To fund the 20% set-aside in the Redevelopment Agency's Low & Moderate Special Revenue Fund and pay debt service.

C To fund RDA capital projects from bond proceeds in the RDA debt service fund.

D To fund capital projects.

E Recurring transfers

D. Internal Balances

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE

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

Davis Mutual Housing Association	\$5,119,556
Davis Campus Cooperatives	992,946
Windmere II	1,221,014
Franklin Cooperative	1,202,812
Walnut Terrace	3,474,055
Tremont Green	2,722,379
Moore Village	2,394,491
Other Commercial Rehabilitation, Housing Rehabilitation, and Affordable Housing	1,526,128
Davis Musical Theater	50,000
Employee Computer Loans	203,397
Davis Community Television	30,375
Royal Oaks Mobile Home Park	70,666
	<hr/>
Total	<u>\$19,007,819</u>

A. *Davis Mutual Housing Association*

The City entered into two agreements with the Davis Mutual Housing Association for affordable housing. Under the terms of the first agreement, the City loaned \$3,950,000 to assist in the development of affordable housing located at 3023 Albany Avenue. This agreement is guaranteed by four promissory notes based on different funding sources. These notes bear no annual interest. One of the promissory notes in the amount of \$807,396 requires monthly payments of \$1,346, beginning 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 36 units. This note bears 3% interest and payments are to be made from residual cash flows. The remaining outstanding principal will be due on May 21, 2033.

Both agreements are secured by deeds of trust. As of June 30, 2005 the Association has drawn down \$5,119,556.

B. *Davis Campus Cooperatives Loans Receivable*

The City entered into two agreements with Davis Campus Cooperatives for affordable housing. Under the terms of the first agreement, the City loaned \$375,000 to assist in the development of affordable housing located at 1752 Drew Circle. The note bears annual interest of 6%. Monthly payments of \$2,248 commenced November 1, 2000. The remaining outstanding principal and any accrued but unpaid interest will be due on April 21, 2030. Under the second agreement, the City loaned \$642,000 to the same project. This note bears zero interest and payments are to be made from residual cash flows. The remaining outstanding principal will be due on April 21, 2030. Both agreements are secured by deeds of trust. The balance of the loans receivable arising from these two notes at June 30, 2005 was \$992,946.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

C. *Windmere II Loans Receivable*

The Redevelopment Agency of the City of Davis entered into two agreements with Windmere II for affordable housing. Under the terms of the first agreement, the Agency loaned \$445,000 to assist in the development of affordable housing located at 3100 Fifth Street. The note bears interest of 3% simple interest. Annual interest only payments begin July 1, 2000. Commencing July 1, 2005, principal and interest payments are due annually with final payment expected in 2035. Under the terms of the second agreement, the Agency loaned \$148,000 to assist in the development of affordable housing located at 3100 Fifth Street. The note bears interest of 3% simple interest and payments are to be made from residual cash flows. Annual interest only payments begin July 1, 2000. 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 City 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 interest of 3% simple interest. Payment shall 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 interest of 3% simple interest and payments are to be made from residual cash flows. Annual interest only payments begin July 1, 2001.

Commencing July 1, 2005, annual principal and interest payments are due with final payment expected in 2035. Both agreements are secured by deeds of trust. The balance of the loans receivable arising from these notes at June 30, 2005 was \$1,221,014.

D. *Franklin Cooperative*

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

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

The balance of the loans receivable arising from these notes at June 30, 2005 was \$1,202,812.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

E. *Walnut Terrace*

The Redevelopment Agency of the City of Davis entered into an agreement with Walnut Terrace Limited Partnership for affordable housing. Under the terms of the agreement, the Agency loaned \$2,108,792 interest free to assist in the development of an affordable senior multi-family housing project consisting of 30 units located at 3101 Fifth Street. The note bears no annual interest. Subsequently, Walnut Terrace Limited secured other financing and repaid \$278,372 to the Agency. If the project generates any residual cash flow, 100% of the residual cash flow shall be paid to the 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 City also entered into an agreement with Walnut Terrace Limited Partnership for affordable housing. Under the terms of the agreement, the City also loaned \$2,251,208 interest free to assist in the development of the affordable senior multi-family housing project consisting of 30 units located at 3101 Fifth Street. Subsequently, Walnut Terrace Limited secured other financing and repaid \$607,573 to the City. If the project generates any residual cash flow, 100% of the residual cash flow shall be paid to the City in the form of an annual payment, commencing November 1, 2005. All unpaid principal is due on November 1, 2060. The agreement is secured by a deed of trust.

The balance of the loans receivable arising from these notes at June 30, 2005 was \$3,474,055.

F. *Tremont Green*

The Redevelopment Agency and the City of Davis entered into an agreement with Yolo Mutual Housing Association for affordable housing. Under the terms of the agreement, the Agency and the City loaned \$2,722,379 for construction of a 36 unit residential rental property located at El Macero Estates. The note bears 3.0% interest. Commencing December 1, 2004, 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 loans receivable arising from these notes at June 30, 2005 was \$2,722,379.

G. *Moore Village*

The Redevelopment Agency and the City of Davis entered into an agreement with Yolo Mutual Housing Association for affordable housing. Under the terms of the agreement, the Agency and the City loaned \$2,394,491 for construction of a 59 unit apartment complex. The note bears 3.0% simple interest. Commencing December 1, 2004, 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 loans receivable arising from these notes at June 30, 2005 was \$2,394,491.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

H. *Other Commercial Rehabilitation, Housing Rehabilitation and Affordable Housing Loans*

The City and the Agency engage in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the terms of the loan agreements. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue or a reserve of fund balance, as they are not expected to be repaid during the next fiscal year. The balance of the loans receivable arising from these programs at June 30, 2005 was \$1,526,128.

I. *Other Loan Receivables*

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, bear no interest and are repaid by monthly deductions from the employee paychecks. As of June 30, 2005, the loans outstanding amounted to \$203,397.

The City also has an agreement to advance funds to Davis Community Television, Inc. Advance in the amount of \$30,375 remains outstanding as of June 30, 2005.

The City entered into an agreement with Royal Oaks Mobile Home Park to assist in financing the water connection to the City water lines. The original principal balance was \$138,160 and bears interest at 8%. It is to be repaid through monthly payments by 2009. The principal balance at June 30, 2005 was \$70,666.

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

J. *Mortgages Receivable*

The City has an agreement with the developers of low-to-moderate income housing to defer certain developer fees so those houses can be sold at a lower cost to the home buyers. This fee is collected from the homeowners by the City, and is considered a loan. These loans are secured by second trust deeds on the property. One of these loans totaling \$40,047 has been made to a City employee. Although these mortgages are expected to be repaid in full, their balance has been offset by deferred revenue or a reserve of fund balance, as they are not expected to be repaid during the next fiscal year. The balance of all the mortgages receivables at June 30, 2005 was \$729,616.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 4 - LOANS AND MORTGAGES RECEIVABLE (Continued)

K. Conditional Grants

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

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. GASB Statement 34 allows the City up to four years to record all its historical infrastructure assets. Historical values for infrastructure assets will be recorded in fiscal years 2006-2007.

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

Buildings	40 years
Improvements	15 years
Equipment	15 years
Utility Underground Systems	30-50 years
Vehicles	3-20 years
Streets	25-40 years

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance at June 30, 2004	Additions and Transfers	Retirements and Transfers	Balance at June 30, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$13,014,661		(\$169,143)	\$12,845,518
Construction in progress	17,878,137	\$8,447,166	(150,244)	26,175,059
Total capital assets not being depreciated	<u>30,892,798</u>	<u>8,447,166</u>	<u>(319,387)</u>	<u>39,020,577</u>
Capital assets being depreciated:				
Buildings	20,865,242	2,383,739		23,248,981
Improvements	19,787,132	506,862		20,293,994
Vehicles	7,972,216	672,012	(394,889)	8,249,339
Computer & equipment	9,332,766	80,299	(7,581)	9,405,484
Infrastructure				
Streets	2,544,790,539	942,993		2,545,733,532
Parks/Greenbelts	122,463			122,463
Total capital assets being depreciated	<u>2,602,870,358</u>	<u>4,585,905</u>	<u>(402,470)</u>	<u>2,607,053,793</u>
Less accumulated depreciation				
Buildings	(6,244,972)	(581,225)		(6,826,197)
Improvements	(13,727,878)	(952,887)		(14,680,765)
Vehicles	(4,314,248)	(672,008)	362,567	(4,623,689)
Computer & equipment	(7,933,980)	(347,511)	7,076	(8,274,415)
Infrastructure				
Streets	(631,156,466)	(83,551,868)		(714,708,334)
Parks/Greenbelts	(1,021)	(3,062)		(4,083)
Total accumulated depreciation	<u>(663,378,565)</u>	<u>(86,108,561)</u>	<u>369,643</u>	<u>(749,117,483)</u>
Net capital assets being depreciated	<u>1,939,491,793</u>	<u>(81,522,656)</u>	<u>(32,827)</u>	<u>1,857,936,310</u>
Governmental Activities Capital Assets, Net	<u>\$1,970,384,591</u>	<u>(\$73,075,490)</u>	<u>(\$352,214)</u>	<u>\$1,896,956,887</u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2004	Additions and Transfers	Retirements and Transfers	Balance at June 30, 2005
<i>Business-type Activities</i>				
Capital assets, not being depreciated:				
Land	\$5,129,535		(\$2,500)	\$5,127,035
Construction in progress	11,254,260	\$1,773,281	(335,318)	12,692,223
Total capital assets not being depreciated	16,383,795	1,773,281	(337,818)	17,819,258
Capital assets, being depreciated:				
Buildings and improvements	4,308,811			4,308,811
Water wells, pumps and related	7,365,959			7,365,959
Water distribution system	26,888,899	418,817		27,307,716
Sewer treatment plant	27,057,226			27,057,226
Sewer pipes and pipelines	16,128,555	249,956		16,378,511
Drainage facilities	13,140,940	394,718		13,535,658
Equipment	2,247,379	265,320		2,512,699
Net capital assets being depreciated	97,137,769	1,328,811		98,466,580
Less accumulated depreciation for:				
Buildings and improvements	(602,517)	(108,189)		(710,706)
Water wells, pumps and related	(2,131,431)	(198,035)		(2,329,466)
Water distribution system	(10,555,796)	(622,024)		(11,177,820)
Sewer treatment plant	(8,642,358)	(755,121)		(9,397,479)
Sewer pipes and pipe lines	(5,322,356)	(392,852)		(5,715,208)
Drainage facilities	(4,606,545)	(417,609)		(5,024,154)
Equipment	(1,438,488)	(92,358)		(1,530,846)
Total accumulated depreciation	(33,299,491)	(2,586,188)		(35,885,679)
Net capital assets being depreciated	63,838,278	(1,257,377)		62,580,901
Business-type Activities Capital Assets, Net	\$80,222,073	\$515,904	(\$337,818)	\$80,400,159

B. Capital Assets 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.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

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 are as follows:

<i>Governmental Activities</i>	
City council	\$13,098
City manager	15,968
Finance	6,219
Planning and building	5,389
Parks and community services	1,059,906
Public safety - fire	63,829
Public safety - police	283,158
Public works	84,660,994
Total Governmental Activities	<u><u>\$86,108,561</u></u>
<i>Business-Type Activities</i>	
Water	\$871,670
Sanitation	78
Sewer	1,191,438
Storm sewer	422,518
Public transit	100,484
Total Business-Type Activities	<u><u>\$2,586,188</u></u>

NOTE 6 - LONG-TERM DEBT

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

Bond Discounts and Issuance Costs

Material bond premiums, discounts and issuance costs and any differences between refunded debt issues and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

A. The City's Long-Term Debt

The City's long-term debt activity for the year ended June 30, 2005 is as follows:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005	Current Portion
Governmental Activities Long-Term Debt:					
<i>Redevelopment Agency Bonds:</i>					
2000 Tax Allocation Refunding Bonds 4.625% - 5.3%, due 09/01/30	\$12,855,000		\$75,000	\$12,780,000	\$80,000
2003 Tax Allocation Refunding Bonds 2.00%-5.00%, due 09/01/34	9,265,000		100,000	9,165,000	110,000
Special Assessment Payable Due 06/30/09	371,222		66,137	305,085	68,271
<i>Certificates of Participation:</i>					
1995 Association of Bay Area Governments 5.00%-6.50%, due 03/01/16	1,720,000		100,000	1,620,000	105,000
1994 City of Davis Certificates of Participation 6.50%, due 07/01/14	270,000		20,000	250,000	20,000
<i>Capital Lease Obligation</i>					
Central Controller and Ancillary Equipment 4.77%, due 10/1/11		\$1,200,000		1,200,000	148,419
Total Governmental Activities Long Term Debt	<u>\$24,481,222</u>	<u>\$1,200,000</u>	<u>\$361,137</u>	<u>\$25,320,085</u>	<u>\$531,690</u>
Business-type Activities Long Term Debt					
State Revolving Fund Loan #1 2.7%, due 7/25/15	\$3,058,495	\$74,645	\$293,852	\$2,839,288	\$293,852
State Revolving Fund Loan #2 2.6%, due 5/1/19	9,179,102	220,700	690,637	8,709,165	690,637
Department of Water Resources Loan #1 2.5%, due 10/1/11	2,141,908		263,169	1,878,739	269,680
Department of Water Resources Loan #2 2.6%, due 9/30/2022	4,933,865		200,466	4,733,399	202,137
Sewer System Capital Improvement Loan 5.5%, due 12/15/18	2,056,449		95,852	1,960,597	101,197
Total Business-type Activities Long Term Debt	<u>\$21,369,819</u>	<u>\$295,345</u>	<u>\$1,543,976</u>	<u>\$20,121,188</u>	<u>\$1,557,503</u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Future principal and interest payments on all Governmental and Business Type long-term debt were as follows at June 30, 2005:

For the Year Ending June 30	Governmental Activities		Business - type Activities	
	Principal	Interest	Principal	Interest
2006	531,690	1,255,517	1,557,503	568,873
2007	760,169	1,226,280	1,298,011	533,020
2008	821,853	1,190,294	1,334,679	496,353
2009	853,892	1,151,791	1,373,324	457,708
2010	803,828	1,111,077	1,412,330	418,700
2011 - 2015	3,978,653	4,966,177	6,550,214	1,502,406
2016 - 2020	3,480,000	4,024,549	5,517,335	576,033
2021 - 2025	3,540,000	3,089,353	1,077,792	56,768
2026 - 2030	5,215,000	1,869,036		
2031 - 2034	5,335,000	445,055		
Total	<u>\$25,320,085</u>	<u>\$20,329,129</u>	<u>\$20,121,188</u>	<u>\$4,609,861</u>

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

2000 Tax Allocation Refunding Bonds - On November 15, 2000, the Redevelopment Agency of the City of Davis issued \$13,000,000 original principal amount of 2000 Tax Allocation Refunding Bonds. The proceeds from the sale of the Bonds were used to aid the financing of the Redevelopment projects and refunding the outstanding balance of the 1997 Tax Allocation Bonds. Agency tax increment revenue is pledged for the repayment of these bonds. Interest is payable semi-annually each March 1 and September 1 through 2002. Commencing 2002, principal payments are payable annually on September 1 through 2030.

2003 Tax Allocation Refunding Bonds - On October 30, 2003, the Redevelopment Agency of the City of Davis issued \$9,265,000 original principal amount of 2003 Tax Allocation Refunding Bonds. The proceeds from the sale of the Bonds were used to refund the Agency's outstanding Davis Redevelopment Project 1994 Tax Allocation Bonds. Agency's tax increment revenue is pledged for the repayment of these bonds. Principal payments are payable annually on September 1 and interest is payable semi-annually each March 1 and September 1 through 2034.

Redevelopment Agency Special Assessment Payable - The Redevelopment Agency is responsible for paying the Special Assessment of \$887,517 levied on property it owns by the City of Davis Parking Assessment District #3 through June 30, 2009. The debt service payment for fiscal year 2005 amounted to \$88,782, which included \$66,137 of principal and \$22,645 of interest.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

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

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

Capital Lease Obligation - On July 1, 2004, the City entered into \$1,200,000 equipment lease-purchase agreement with Motorola, Inc for the partial financing of a public safety radio tower. The lease interest and principal payments are due annually on October 1 beginning October 1, 2005 with a final payment due on October 1, 2011. The lease is payable from general government revenues.

State Revolving Fund Loan #1 - The City entered into a contract in February 1994 to borrow funds from the State Water Resources Control Board. The funds are being used for a Wetland Project and a Pollution Load Reduction Program to improve water quality. The maximum loan amount is \$4,900,000 and shall bear interest at 2.7% per year for a term of 20 years.

State Revolving Fund Loan #2 - The City entered into a contract in March 1997 to borrow funds from the State Water Resources Control Board. The funds are being used for a Water Pollution control Plant Expansion upgrade to the existing wastewater treatment facility to meet the City's future wastewater treatment needs. The maximum loan amount is \$10,603,414 and shall bear interest at 2.6% per year for a term of 20 years.

Department of Water Resources Loan #1 - The City entered into a contract with the Department of Water Resources to borrow funds to finance a water conservation project. The loan cannot exceed \$4,485,000 and shall bear interest at 2.5% per year. Repayment of principal commences upon completion of the project for a period not to exceed 15 years.

Department of Water Resources Loan #2 - The City entered into a contract with the Department of Water Resources to borrow funds to assist in the funding of the City's Water Storage Tank project. The loan cannot exceed \$5,000,000 and shall bear interest at 2.6% per year. Repayment of principal commences upon completion of the project for a period not to exceed 20 years.

Sewer System Capital Improvement Loan - On December 15, 1998, the City entered into an installment sale agreement in the amount of \$2,500,000 with LaSalle National Bank for the purchase of the 1998 Sewer System Improvement Project. Principal and interest of 5.5% are payable semi-annually beginning June 15, 1999 through December 15, 2018.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 6 - LONG TERM DEBT (Continued)

D. Debt Defeased in Prior Years

In prior years the City defeased certain debt issues by placing proceeds of the new debt in irrevocable trusts to provide for all future debt service payments on the old debt and recorded the old debt repaid. As of June 30, 2005, the remaining balance of the defeased Davis Redevelopment Project Tax Allocation Bonds, Series 1990 debt is \$4,840,000.

NOTE 7 - SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in general long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2005 is as follows:

Description	Issue Year	Maturity Year	Outstanding June 30, 2005
Parking Assessment District #3, \$2,080,000 original principal	1993	2009	\$870,000
University Research Park Improvement, \$2,265,000 original principal	1993	2018	1,680,000
Public Facilities Financing Authority, \$31,220,000 original principal	1997	2025	16,310,000
Public Facilities Financing Authority, \$9,785,000 original principal	1999	2030	9,785,000
Community Facilities District No. 1999-2 \$9,640,000 original principal	2000	2024	6,400,000
Public Facilities Financing Authority, \$5,355,000 original principal	2004	2016	4,975,000
Total			<u><u>\$40,020,000</u></u>

NOTE 8 - DUE TO YOLO COUNTY

The Agency entered into an agreement with Yolo County in November 1987 to pass through to the County an agreed upon amount per year in tax increments, until the fiscal year in which the cumulative amount of tax increments the Agency receives equals \$72,000,000. This agreement also allowed for deferral of payment to the County. The Agency began making payments in fiscal 1996. For the year ended June 30, 2005, the Agency paid the County \$349,617, including \$323,719 principal repayment and \$25,898 interest payment, leaving no balance due to Yolo County at June 30, 2005.

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 9 - NET ASSETS AND FUND BALANCES

A. Fund Equity

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

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

B. Fund Deficits

The funds below had fund deficits or retained earnings deficits in the amounts shown at June 30, 2005:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>To be repaid by</u>
Special Revenue Fund:		
TDA Non-Transit Use	\$101,749	Future grant revenues
Capital Projects Fund:		
Capital Grants	388,872	Future special tax revenues
Internal Service Fund:		
City Self Insurance	1,532,492	Future contributions

C. Net Assets

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

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

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

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 10 - COMPARISONS WITH BUDGET

The following funds incurred council approved expenditures in excess of their budgets in the amounts below as the result of unanticipated disbursements, for which sufficient additional revenues were available for the year ended June 30, 2005:

	Expenditures in Excess of Budget
Special Revenue Funds:	
Redevelopment Agency	\$274,991
RDA Low Income Housing	6,992
Park Maintenance Tax	2,782

NOTE 11 - PENSION PLANS

CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2005, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3%	1.426-2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	21.713%	3.036%
Actuarially required contributions	N/A	\$472,677

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

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (Continued)

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

The Plans' actuarial value (which differs from market value) and funding progress over the most recent past three years available are set forth below at their actuarial valuation date of June 30. In fiscal year 2004, the City combined the Safety Plan for Police and Fire into one plan. Actuarial valuations are shown for each plan for 2002, and the combined valuation shown for 2003 and 2004.

Safety Plan - Police:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2002	\$25,714,837	\$23,290,127	\$2,424,710	90.57%	\$3,029,077	80.05%

Safety Plan - Fire:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2002	\$20,781,103	\$19,766,855	\$1,014,248	95.12%	\$2,770,753	36.61%

Safety Plan - Combined:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$50,201,405	\$43,919,151	\$6,282,254	87.50%	\$6,110,085	102.80%
2004	\$54,072,216	\$46,719,425	7,352,791	86.40%	\$6,693,720	109.85%

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (Continued)

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2002	\$54,988,908	\$62,423,843	(\$7,434,935)	113.52%	\$13,939,290	(53.34%)
2003	66,167,646	64,421,533	1,746,113	97.36%	15,394,873	11.34%
2004	72,778,662	68,552,680	4,225,982	94.19%	15,785,376	26.77%

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

Actuarially required contributions for fiscal years 2005, 2004 and 2003 were \$3,980,043, \$472,677, and \$693,453, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

NOTE 12 – 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 13 - RISK MANAGEMENT

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

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 13 - RISK MANAGEMENT (Continued)

A. Risk Coverage

The City is a member of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) which provides coverage for general and auto liability, property, worker's compensation, fidelity and boiler and machinery claims. Once the City's deductible is met, YCPARMIA becomes responsible for payment of all claims up to the limit. In addition, the California Joint Powers Risk Management Authority (CJPRMA), United States Fidelity and Guarantee Company, CSAC-EIA, National Union and Great American Alliance Insurance provide coverage for amounts in excess of YCPARMIA's limits. During the fiscal year ended June 30, 2005, the City contributed \$1,580,211 for coverage.

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

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

Type of Coverage	Deductible	Coverage Limits
General Liability & Auto Liability	\$5,000	\$25,000,000
Worker's Compensation	1,000	5,000,000
Property Insurance	1,000	404,346,517
Fidelity Coverage	1,000	1,000,000
Boiler & Machinery	1,000	100,000,000
Underground Storage Tank Insurance	25,000	2,000,000

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

For the years ended June 30, 2005, 2004, and 2003 the amount of settlement did not exceed insurance coverage.

B. Insurance Internal Service Funds

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

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 13 - RISK MANAGEMENT (Continued)

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:

	2005	2004
Beginning balance	\$54,606	\$26,202
Liability for current fiscal year claims	50,000	35,000
Decrease in estimated liability for prior year claims	(18,889)	4,075
Payments made on current year claims	(19,484)	(39)
Payments made on prior year claims	(14,726)	(10,632)
Ending balance	<u>\$51,507</u>	<u>\$54,606</u>

The change in the *Worker's 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:

	2005	2004
Beginning balance	\$10,515	\$10,220
Liability for current fiscal year claims	34,000	26,000
Decrease in estimated liability for prior year claims	(8,991)	(8,212)
Payments made on current year claims	(17,869)	(15,595)
Payments made on prior year claims	(502)	(1,898)
Ending balance	<u>\$17,153</u>	<u>\$10,515</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:

	2005	2004
Beginning balance	\$609,355	\$697,634
Liability for current fiscal year claims	8,488	34,147
Increase in estimated liability for prior year claims	137,576	20,029
Payments made on current year claims	(8,488)	(34,147)
Payments made on prior year claims	(100,913)	(108,308)
Ending balance	<u>\$646,018</u>	<u>\$609,355</u>

CITY OF DAVIS, CALIFORNIA
Notes to Basic Financial Statements

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

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

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.

<p style="text-align: center;">BUDGETED MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</p>

DEVELOPMENT DEFERRED IMPROVEMENT

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

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.

TRAFFIC SAFETY

This fund accounts for motor vehicle fines and forfeitures restricted by the State Motor Vehicle Code to expenditures for street and road purposes.

TDA NON-TRANSIT USE

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

OPEN SPACE

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

PARK MAINTENANCE TAX

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

CABLE TV

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

PUBLIC SAFETY

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

HOUSING IN-LIEU

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

MUNICIPAL ARTS

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

CONSTRUCTION TAX

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

SUBDIVISION IN-LIEU PARK FEES

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

IN-LIEU-OF PARKING PAYMENTS

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

FEDERAL/STATE HIGHWAY GRANTS

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

COMMUNITY DEVELOPMENT BLOCK GRANT

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

OPERATIONAL GRANTS

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

AGRICULTURE LAND ACQUISITION

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

DAVISVILLE BOOK FUND

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

HISTORICAL FUND

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

BRINLEY/HATTIE WEBER

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

DEBT SERVICE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

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

DAVIS RESEARCH PARK

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

ARLINGTON BOULEVARD BENEFIT AREA

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

CAPITAL GRANTS

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

DAVIS LAND ACQUISITION

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

PUBLIC FACILITIES FINANCING AUTHORITY

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

MELLO ROOS COMMUNITY FACILITIES DISTRICT

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

REDEVELOPMENT AGENCY

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

OXFORD CIRCLE PARK AND PARKING LOT

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

INTERNAL SERVICE FUNDS

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

GENERAL SERVICES FUND

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

BUILDING MAINTENANCE FUND

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

CITY SELF-INSURANCE FUND

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

AGENCY FUNDS

GASB Statement 34 requires that Agency Funds be presented separately from the Government-wide and Fund financial statements.

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

Agency Funds are maintained for the following:

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

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

STATISTICAL SECTION

The statistical section contains comprehensive statistical data, which relates to physical, economic, social and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section.

In this section, readers will find comparative information related to the City's revenue sources, expenditures, property tax valuations, levies and collections, general obligation bonded debt, sewer revenue debt service and demographics. Where available, the comparative information is presented for the last ten fiscal years.

In addition, this section presents information related to the City's legal debt margin computation, principal taxpayers, notary and security bond coverages, and other miscellaneous statistics pertaining to services provided by the City.

In contrast to the financial section, the statistical section information is not usually subject to independent audit.