

City of Daly City



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016



CITY OF DALY CITY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016



Prepared by
DEPARTMENT OF FINANCE
AND
ADMINISTRATIVE SERVICES

Lawrence Chiu
Director



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CITY OF DALY CITY

333 – 90TH STREET
DALY CITY, CALIFORNIA 94015-1895

December 1, 2016

Honorable Mayor
Members of the City Council
Citizens of Daly City

It is a pleasure to present the Comprehensive Annual Financial Report (CAFR) of the City of Daly City for the Fiscal Year (FY) ended June 30, 2016. The financial statements are presented in conformity with generally accepted accounting principles (GAAP). These financial statements have been audited by Maze and Associates, independent certified public accountants, in accordance with generally accepted auditing standards.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. Maze and Associates, has issued an unmodified (“clean”) opinion on the City of Daly City’s financial statements. The auditor’s report is located at the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that are established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The CAFR is divided into the Introductory, Financial, and Statistical sections. The Management Discussion and Analysis (MD&A) section immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial information. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The independent audit was part of a broader federally mandated Single Audit, designed to meet the requirements of federal grantor agencies. The standards governing Single Audits require the independent auditor to report on the fair presentation of the financial statements as in the normal audit, but also require the independent auditor to report on the City’s internal controls and compliance with legal requirements specific to the federal grants. These reports are part of the separately issued Single Audit Report that is provided to the appropriate federal agencies.

PROFILE OF THE CITY

The City of Daly City is located at the northern edge of San Mateo County. A population of 109,139, the largest in San Mateo County, is contained within approximately 7.7 square miles of substantially developed area. The City is considered the "Gateway to the Peninsula", as it is strategically located directly south of San Francisco.

Incorporated on March 22, 1911, the City has a council-manager form of government. There are five council members who serve overlapping terms of four years, and the City Council, in turn, elects one of the council members to serve as Mayor each year. The City Council appoints the City Manager and the City Attorney. The City Manager is the chief executive officer. It is the City Manager's responsibility to hire department heads for each of the City functions, to propose the biennial budget, to coordinate and oversee all activities of the organization, and to implement the laws, policies, and budgets adopted by the City Council.

The City of Daly City is a full-service city and is responsible for funding all major General Fund supported services, including police, fire, library, recreation, street construction and maintenance, traffic signalization and control, engineering, code enforcement, parks operations and maintenance, general administration, planning, and community development. The City also provides water services and sanitary sewer services. Operating and capital costs for these services are maintained in enterprise funds and are funded by user rates or debt proceeds.

This report includes all funds and accounts of the City of Daly City. The financial statements include the financial activities of the City, the North San Mateo County Sanitation District and the Successor Agency to the Daly City Redevelopment Agency (as a private purpose trust fund). The financial operations of the City and the other entities included in this financial report are closely related. City Council members serve as the governing board of the North San Mateo County Sanitation District and the Successor Agency to the Daly City Redevelopment Agency. The City Manager also serves as the General Manager of the Sanitation District. The Sanitation District is included in the proprietary fund types as an enterprise fund.

The biennial budget serves as the foundation for the City's financial planning and control. Using the Guiding Principles and Priorities established by the City Council, departments submit budget proposals to the City Manager for review. The City Manager's Proposed Budget is presented to the City Council during public budget study sessions. Changes as directed by the City Council are made and the budget is submitted for final adoption before July 1, the beginning of the next two-year budget cycle. Budgets for each of the two years covered by the biennial budget are appropriated separately. Departments are responsible for managing within the City Council appropriated budget. Budget amendments are normally necessary due to changes in economic conditions and other circumstances occurring during the first year of the biennial budget.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Indicators

The University of California Los Angeles Anderson Forecast's second quarterly report in 2016 for the United States economy projects continued slow but steady Gross Domestic Product growth in the 2% range. The national economic growth will be driven by increases in consumer spending and housing. In California, the Forecast anticipates continued gains in employment through 2018 and a steady decreased in the unemployment rate over the next two years. California's unemployment rate is projected to be at 5.1% at the end of the forecast period.

Local Economy and Fiscal Challenges

The City continues to face ongoing fiscal challenges stemming from the impacts of the economic recession in 2008. Each fiscal year since that time, reductions have been made in staffing levels across all City departments, salaries and benefits have been reduced for City staff, resulting in significant reductions in direct services to the public. The economic recovery that began in 2009 has been sluggish in this community. Despite being the largest municipality in San Mateo County, Daly City lags behind other neighboring cities in economic growth due to lower per capita income and higher unemployment rates.

While revenues are increasing modestly, operating costs are increasing as well. Increasing workforce expenditures, including rising healthcare costs, overtime due to staffing shortages, and escalating pension obligations due to losses suffered by the CalPERS during the recession in 2008, coupled with the lack of a diversified revenue base and overreliance on property, sales and utility users taxes, have contributed to a General Fund structural budget deficit. In order to achieve a balance General Fund budget, the City has and will continue to control personnel expenses. In addition, all other controllable costs will be closely monitored.

Compared to FY 2015, total General Fund revenues for FY 2016 increased by \$2.1 million or 2.6%. The main drivers of this increase are improvements in property tax, licenses and permits revenues. Expenditures increased by \$2.8 million or 3.6% due to salary and benefits adjustments, and increased in overtime, termination pay and CalPERS retirement contribution.

General Fund property tax revenue increased slightly by \$0.2 million, or 0.1%, in FY 2016. The latest data from the County of San Mateo, Office of the Controller indicated that the 2016 assessed value of property in the City increased by 5.9% compared to a 4.4% decrease in property value in FY 2010.

General Fund sales tax increased by \$0.8 million or 7% compared to FY 2015 and can be attributed to a number of retail stores opening in Serramonte Shopping Center and Gellert Marketplace. Over 90% of sales tax revenues are from three categories: general retail, automotive sales and restaurants. Sales tax can be impacted if consumer spending patterns

change due to economic uncertainty. Diversifying the mix of retail, commercial and industrial business activity would support a stronger economic base.

Fines and forfeitures increased by \$0.7 million or 25.6% in FY 2016, due to an increase in the number of parking citations issued. Charges and fees increased by \$0.5 million or 6.8%, above prior year and are driven by an increase in engineering fees for major developments at Serramonte Shopping Center.

Enterprise Funds

The City's two major enterprise funds, the Water Utility Fund and Sanitation District Fund, derive revenue from water usage. Revenues for Water Utility Fund decreased by \$3.2 million or 15.9%, as a result of mandated water use conservation in response to California's drought. In 2015, Governor Brown's Drought Emergency Declaration mandated water conservation throughout the State. Consequently, Daly City residents now have among the lowest per capital water consumption per day, despite increases in population.

In November 2015, the City Council adopted a new water rate structure which adjusts both the Basic Charge and the Tiered Water Volume Charge (reducing the established rate tiers from eleven to two). In addition, the new rate structure limits the water rate increase to 8% effective January 1, 2016, and again on July 1, 2016, 2017 and 2018.

Revenue in the Sanitation District increased by \$0.7 million, or 3.2%. Sewer charges based on water usage and the increase in revenue is driven by a 9% sewer rate increase in FY 2016. Expense in this fund decreased by \$4.7 million primarily due to an adjustment made to pension expense as required by Governmental Accounting Standards Board (GASB) Pronouncement No. 68 for financial reporting purposes.

LONG RANGE FINANCIAL PLANNING

The City employs a ten-year financial forecasting model to ensure accountability of service levels and to plan for future challenges. Each year, all budget assumptions are evaluated and the forecasting model is updated. The projections include all sources of revenues, projected expenditures including salaries, benefits, services and supplies, as well as changing economic factors.

Long-range financial planning enables the City to foresee potential problems early, giving the City sufficient time to respond to and analyze the long-term financial impact, as well as to take appropriate action before a problem develops. In addition, it serves as a key planning tool for future budgets and decision-making.

One key driver exacerbating the structural budget gap is workforce costs. Salaries are expected to increase 18% between FY 2016 and FY 2026, assuming there is no change in the overall

workforce structure. Throughout the forecast period, personnel costs comprise approximately 80% of the total General Fund expenditures.

Another key factor that drives the budget gap higher is the pension costs which will be a major challenge for the City's budget in coming years. In 2014, CalPERS approved new demographic assumptions which will raise the employer contribution rates beginning in FY 2017. Between FY 2016 and FY 2021, CalPERS employer contribution rates for safety members will increase from 30.0% to 41.7%; and the employer contribution rates for miscellaneous members will increase from 24.0% to 33.0%. This results in employer pension contributions taking up a greater share of the overall budget.

In addition, retiree healthcare costs are projected to increase by 64% between FY 2016 and FY 2026 assuming a pay-as-you-go basis. In order to fully fund the Other Post-Employment Benefits (OPEB) annual required contribution, the City will need to contribute an additional \$4.5 million to \$7.7 million annually, with a required General Fund contribution of \$3.3 million to \$5.3 million for these years.

Finally, projected revenue growth lags behind projected expenditure increases. A key element on the revenue side of the budget gap is the lack of revenue enhancement opportunities within the City. California municipalities are constrained by constitutional limitations on how revenue can be generated. The lack of a diversified revenue base causes an overreliance on property tax, sales tax, and utility users' tax to balance the budget.

MAJOR INITIATIVES

During the FY 2016, under the leadership of the City Council, several outstanding key programs and projects were successfully undertaken by the City.

The City Manager's Office implemented a new franchise agreement for solid waste hauling that includes the expansion of recycling and composting programs; oversaw the implementation of a financial sustainability strategy to improve the long-term fiscal condition of the City; redesigned the City's capital Improvement Program to place a greater focus on long-term planning; created an annual Earth Day Event and adopted the Peninsula Clean Energy initiative to promote environmental sustainability; and improved communication with the public by establishing a monthly electronic newsletter, social media accounts, and redesigning the print newsletter.

In the Economic and Community Development (ECD) Department, much of the activity has centered on commercial development at Gellert Marketplace, Serramonte Shopping Center, and other small parcel development such as Steak and Shake. Building permits for more than \$200 million worth of construction have been issued, with other recently approved projects still on the horizon. The increase in one-time revenue as a result of these activities should not be relied upon to fund ongoing costs.

The Building Division of ECD has adopted a program to expedite the processing of rooftop solar panels and will continue to move forward with the State Building Code updates. The Planning Division completed the Housing Element that provides for the construction of over 1,200 new housing units and continues to initiate updates to the City's Zoning Ordinance. The Housing Division has been instrumental in the creation of new affordable housing units with 258 rental units and 23 ownership units in the pipeline.

The Finance and Administrative Services Department has completed an update of the 2012 Water Revenue Refunding Bonds credit rating, resulting in Standard and Poor's Ratings Services (S&P) raising the credit rating by one notch from "AA" to "AA+". The credit rating reflects a very strong water enterprise and financial profile with a stable outlook. In addition, EnerGov Cashiering, Business License and Land Management systems went online in Spring 2016. Through the use of central database, EnerGov is designed to connect critical business processes, and to improve efficiencies and information sharing among City departments. The Information Services Division successfully upgraded the City's phone system from digital to state-of-the-art Voice over Internet Protocol (VoIP) platform which brings voice calling into the 21st century.

The Library and Recreation Department opened the I.D.E.A. Lab makerspace at the Serramonte Main library, where programs for children, teens, and adults included 3D printing, coding, printmaking, audio file production, and book arts. The Recreation Division fully implemented www.dalycity.org/iplay, the online portal that provides customers an intuitive registration interface for enrolling in classes, programs, and activities. Last year 5,790 total swimmers participated in aquatics lessons offered at Giammona Pool; nearly 75% of those participating in swim lesson registered online. At the Doelger Senior Center, staff and volunteers prepared and served more than 35,000 lunches to seniors through Congregate Nutrition Program.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) *awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Daly City* for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 29th consecutive year that the City of Daly City has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

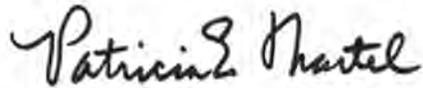
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its Comprehensive Operating and Capital Budget for FYs 1991 through 2016. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

ACKNOWLEDGEMENTS

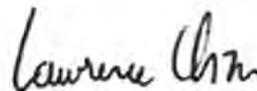
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated efforts of the Accounting Division of the Department of Finance and Administrative Services. Each individual has our sincere appreciation for the professionalism, dedication and contributions made in the preparation of this report.

Credit must also be given to the Mayor, City Council members and City Department Directors for their support in maintaining the highest standards of professionalism in the management of the City of Daly City's finances.

Respectfully submitted,



Patricia E. Martel
City Manager



Lawrence Chiu
Director of Finance and
Administrative Services

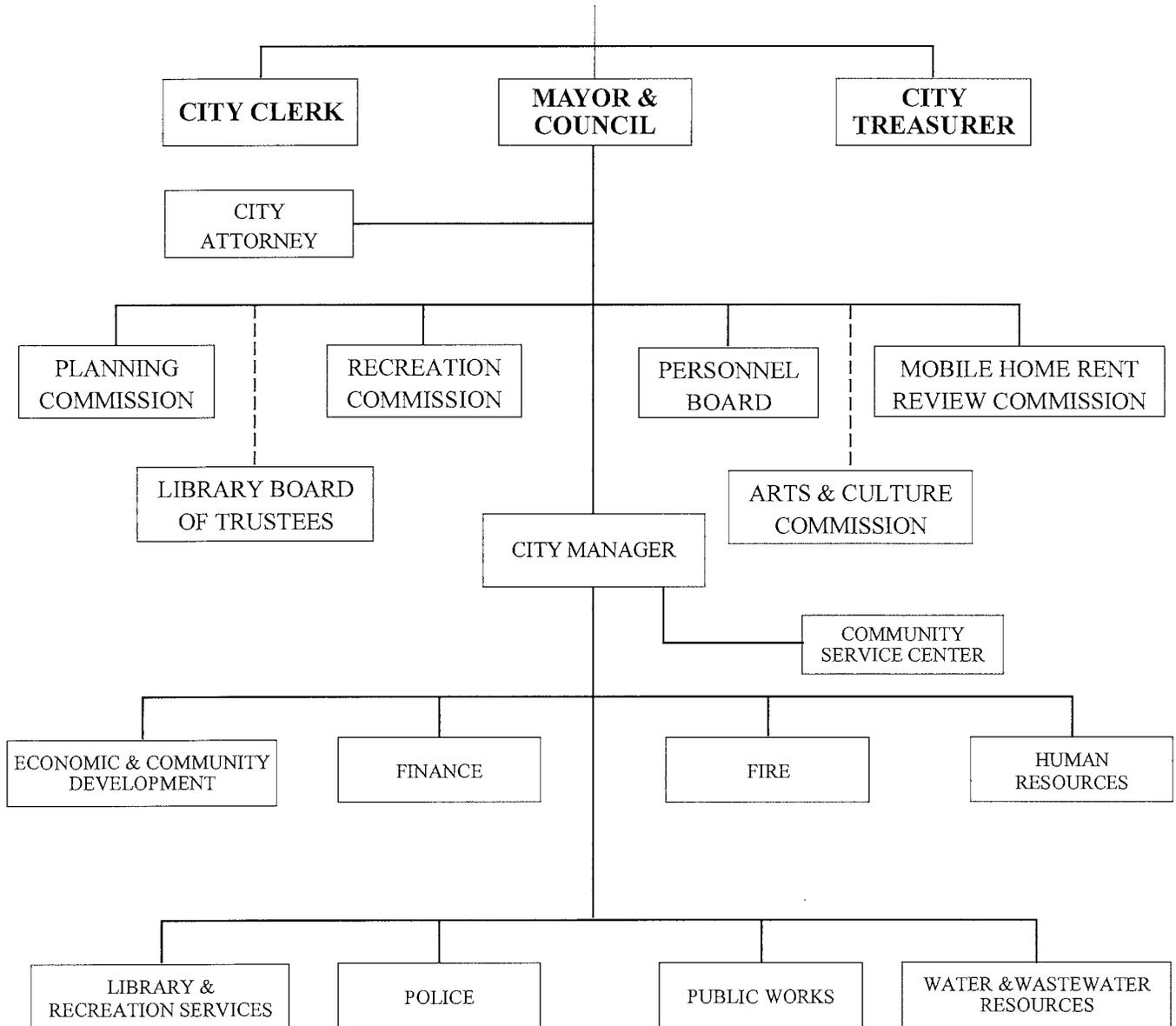


City of Daly City

ORGANIZATION STRUCTURE

Fiscal Years 2016

CITIZENS OF DALY CITY



----- ADVISORY BOARDS AND COMMISSIONS

**CITY OF DALY CITY
CITY COUNCIL
JUNE 30, 2016**

Gonzalo “Sal” Torres, Mayor

David J. Canepa, Vice Mayor

Raymond A. Buenaventura

Judith Christensen

Michael P. Guingona

K. Annette Hipona
City Clerk

Daneca Halvorson
City Treasurer

ADMINISTRATION AND DEPARTMENT HEADS

Patricia E. Martel

Rose Zimmerman

Lawrence Chiu

Joseph Curran

John Fuller

Shawna Marques-Maltbie

Manuel Martinez, Jr.

Tatum Mothershead

Ron Myers

Patrick Sweetland

City Manager

City Attorney

Director of Finance & Administrative Services

Director of Library & Recreation Services

Director of Public Works

Director of Human Resources

Police Chief

Director of Economic & Community Development

Fire Chief

Director of Water & Wastewater Resources



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Daly City
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the
City Council of the City of Daly City, 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 Daly City, California (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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.

Emphasis of a Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2016, as discussed in Note 1F to the financial statements:

- *GASB Statement No. 72- Fair Value Measurement and Application.* The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 14, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Daly City's financial results provides an overview of the City's financial activities for the year ended June 30, 2016.

FISCAL 2016 FINANCIAL HIGHLIGHTS

- At June 30, 2016, net position totaled \$143.6 million, an increase of \$43.9 million from the prior year total of \$99.7 million. This increase was principally driven by recording a loan receivable and transferring property from the former Redevelopment Agency, totaling \$26.5 million. The revenue recognized by recording the loan receivable is categorized as non-spendable fund balance and cannot be appropriated until cash is received from the State.
- Net Position of governmental activities was \$49.6 million, while Net Position of business-type activities was \$94.0 million.
- In fiscal year (FY) 2016, total City revenues, including program and general revenues, were \$160.4 million, while total expenses were \$116.5 million.
- Governmental program revenues were \$32.7 million in FY 2016 compared with \$33.0 million in FY 2015. Business-type program revenues were \$37.3 million in FY 2016 compared with \$38.5 million in FY 2015.
- Governmental general revenues were \$87.5 million, an increase of \$31.8 million from the prior year. As noted, this increase is predominately the result of recognizing a loan receivable and transfer of land from the successor agency related to the former Redevelopment Agency. Business-type general revenues were \$2.9 million, a \$1.5 million decrease from the prior year due to the receipt of a one-time claim settlement received in FY 2015.
- Unrestricted net position of governmental funds decreased from negative (\$88.0) million in FY 2015 to negative (\$64.9) million in FY 2016. This negative unrestricted net position results from the FY 2015 implementation of Governmental Accounting Standards Board (GASB) Pronouncement No. 68 – Accounting and Financial Reporting for Pensions. GASB 68 requires governments to recognize their long-term obligations for pension benefits as a liability. Since the implementation of GASB 68, it is common that there is a negative balance in unrestricted net position associated with entities with pension fund liabilities. See Note 7 of the Notes to Basic Financial Statements.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report (CAFR) is in three sections:

- 1) Introductory Section, containing the Transmittal Letter and miscellaneous other information

- 2) Financial Section, containing the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements, Required Supplemental Information, and Combining Statements for Non-major Governmental Funds and Fiduciary Funds
- 3) Statistical Section containing financial trend data and general statistical information about the City

The Basic Financial Statements

The Basic Financial Statements are comprised of the City-wide Financial Statements and the Fund Financial Statements, including the Notes thereto. These two sets of financial statements provide two different views of the City's financial activities and financial position.

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

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

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

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

The fiduciary statements provide financial information about the assets for which the City acts solely as custodian in its capacity as a fiscal agent.

The Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the following:

- Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, public safety, public works, streets and infrastructure, culture and recreation, and economic and community development. These services are supported by general City revenues such as taxes, and by specific program revenues.
- Business-type activities - All the City's enterprise activities are reported here, including water, sewer, and solid waste transport. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

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

Fund Financial Statements

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

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

Enterprise fund financial statements are prepared on the full accrual basis, and include all their assets and liabilities, both current and long-term.

Since the City's internal service funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal service funds cannot be major funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net position of the internal service funds.

Comparisons of budget and actual financial information are presented only for the General Fund and other major funds that are special revenue funds.

Fiduciary Statements - The City is the fiscal agent for several small local agencies. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net position and changes in net position of the City's governmental activities and business-type activities (Tables 1, 2, and 3) presented in the City-wide Statement of Net Position and Statement of Activities that follow.

Table 1
Net Position at June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash and investments	\$ 92,202	\$ 80,696	\$ 40,265	\$ 39,271	\$ 132,467	\$ 119,967
Other assets	23,553	8,597	5,841	5,737	29,394	14,334
Capital assets	97,233	85,254	72,171	74,096	169,404	159,350
Total assets	<u>212,988</u>	<u>174,547</u>	<u>118,277</u>	<u>119,104</u>	<u>331,265</u>	<u>293,651</u>
Deferred outflows of resources	28,255	7,096	4,116	1,267	32,371	8,363
Long-term liabilities	27,325	29,425	7,052	7,818	34,377	37,243
Net pension liability	99,413	83,570	12,782	16,061	112,195	99,631
Other liabilities	36,266	30,414	4,137	3,943	40,403	34,357
Total liabilities	<u>163,004</u>	<u>143,409</u>	<u>23,971</u>	<u>27,822</u>	<u>186,975</u>	<u>171,231</u>
Deferred inflows of resources	28,638	25,746	4,445	5,345	33,083	31,091
Net assets (net position):						
Net investment in capital asset	94,823	82,583	65,119	66,278	159,942	148,861
Restricted	19,745	17,934	11	11	19,756	17,945
Unrestricted	(64,967)	(88,029)	28,847	20,915	(36,120)	(67,114)
Total net assets (net position)	<u>\$ 49,601</u>	<u>\$ 12,489</u>	<u>\$ 93,977</u>	<u>\$ 87,204</u>	<u>\$ 143,578</u>	<u>\$ 99,692</u>

Governmental Activities

The City's net position from governmental activities increased \$37.1 million to \$49.6 million in FY 2016 from \$12.5 million in FY 2015. This increase is the Change in Net Position reflected in the Statement of Activities, as shown in Table 2. Increases and decreases of individual assets and liabilities include:

- Governmental cash and investments increased \$11.5 million due to increased property tax, licenses, permits and other revenues in the General Fund, Gas Tax Fund, and Capital Projects Fund.
- Long-term liabilities and Net Pension Liabilities increased \$19.6 million due to an additional \$15.9 million net pension liability recorded as required by GASB 68 and 71. In addition, \$2.1 million of governmental debt was retired in 2016 related to the Housing and Urban Development Section 8 Loan and the City's pension obligation bonds.
- Restricted net position increased \$1.8 million. The unrestricted net position decreased \$23.1 million. Unrestricted net position is used to finance on-going operations, before allowance for such things as cash flow requirements and other planned but not legally committed expenditures.

Business-type Activities

The net position of business-type activities increased \$6.7 million (7.8%) to a total of \$94.0 million in FY 2016 from \$87.2 million in FY 2015. Increases and decreases of individual assets and liabilities are as follows:

- Cash and investments increased \$1.0 million mainly due to revenue increases in the Sanitation District Fund related to sewer service charges.
- The City continues to invest in infrastructure and major capital improvements in its enterprise funds including replacement of wells, water mains, and sewer subsurface lines in various sections of the City. Total net capital assets decreased \$1.9 million to \$72.2 million mainly due to the excess of depreciation over capital asset additions. The net investment in capital assets decreased \$1.2 million.
- Liabilities decreased by \$3.9 million due to recording the net pension liability as required by GASB 68 and 71. In addition, \$0.8 million in debt payments were made on the Water Utility Revenue Bonds and on the loan from the State Water Resources Control Board for the recycled water project.

- Unrestricted net position increased \$7.9 million to \$28.8 million.

Changes in Net Position

Table 2 shows that total governmental revenues increased \$31.5 million while total business-type activity revenues decreased \$2.7 million in FY 2016. In FY 2016, expenses increased \$4.2 million for governmental activities and business-type activity expenses decreased \$2.8 million.



Table 2
Changes in Net Position
For Years Ended June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 23,944	\$ 21,221	\$ 37,318	\$ 38,500	\$ 61,262	\$ 59,721
Operating grants & contributions	6,312	8,467	-	-	6,312	8,467
Capital grants & contributions	2,492	3,356	-	-	2,492	3,356
Total program revenues	<u>32,748</u>	<u>33,044</u>	<u>37,318</u>	<u>38,500</u>	<u>70,066</u>	<u>71,544</u>
General revenues:						
Property tax	29,591	29,328	1,754	1,714	31,345	31,042
Sales tax	13,688	12,379	-	-	13,688	12,379
Motor vehicle in-lieu	-	44	-	-	-	44
Other taxes & Franchise Fees	15,688	15,397	-	-	15,688	15,397
Investments earnings	828	467	386	265	1,214	732
Other	1,153	(1,943)	712	2,351	1,865	408
Special Items						
Loan Receivable	13,776	-	-	-	13,776	-
Land Transferred From Successors	12,747	-	-	-	12,747	-
Total general revenues	<u>87,471</u>	<u>55,672</u>	<u>2,852</u>	<u>4,330</u>	<u>90,323</u>	<u>60,002</u>
Total revenues	<u>120,219</u>	<u>88,716</u>	<u>40,170</u>	<u>42,830</u>	<u>160,389</u>	<u>131,546</u>
Expenses:						
General government	10,686	9,670	-	-	10,686	9,670
Public safety	45,867	43,775	-	-	45,867	43,775
Public works	8,196	7,579	-	-	8,196	7,579
Streets & infrastructure	4,015	3,466	-	-	4,015	3,466
Culture & recreation	12,263	11,622	-	-	12,263	11,622
Economic & community development	4,100	4,718	-	-	4,100	4,718
Interest on long-term debt	40	173	-	-	40	173
Water utility	-	-	16,083	14,451	16,083	14,451
Sewer	-	-	14,325	18,630	14,325	18,630
Civic center	-	-	892	854	892	854
Transfer station	-	-	38	178	38	178
Total expenses	<u>85,167</u>	<u>81,003</u>	<u>31,338</u>	<u>34,113</u>	<u>116,505</u>	<u>115,116</u>
Increase(decrease) in net assets / net position before transfers	35,052	7,713	8,832	8,717	43,884	16,430
Transfers	<u>2,060</u>	<u>2,984</u>	<u>(2,060)</u>	<u>(2,984)</u>	<u>-</u>	<u>-</u>
Increase in net assets / net position	37,112	10,697	6,772	5,733	43,884	16,430
Restatement of beginning net position (due to GASB 68 & 71)	-	(124,998)	-	(20,169)	-	-
Net assets / net position, July 1	<u>12,488</u>	<u>126,789</u>	<u>87,204</u>	<u>101,640</u>	<u>\$ 99,692</u>	<u>\$ 228,429</u>
Net assets / net position, June 30	<u>\$ 49,600</u>	<u>\$ 12,488</u>	<u>\$ 93,976</u>	<u>\$ 87,204</u>	<u>\$ 143,576</u>	<u>\$ 99,692</u>

Governmental Activities

Table 3 presents the net cost of each of the City's major governmental programs. Net cost is defined as total program cost less the revenues generated by those specific activities, and corresponds to the Statement of Activities amounts. In general terms, the net cost illustrates the financial burden placed on the City's general taxpayers to fund these essential City services.

Table 3
Governmental Activities
For the Year Ended June 30, 2016
(in thousands)

	<u>Revenues</u>	<u>Expenses</u>	Net Revenue <u>(Expense)</u>
Governmental Activities			
General government	\$ 8,510	\$ 10,685	\$ (2,175)
Public safety	7,334	45,867	(38,533)
Public works	3,119	8,196	(5,077)
Streets & infrastructure	2,197	4,015	(1,818)
Culture & recreation	4,095	12,264	(8,169)
Economic & community devt	7,493	4,100	3,393
Interest on long-term debt	-	40	(40)
	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$ 32,748</u>	<u>\$ 85,167</u>	<u>\$ (52,419)</u>

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2016, the City's major governmental funds consist of the General Fund, Gas Tax Fund, Grants Fund and Capital Projects Fund. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial status.

The General Fund's total fund balance increased \$16.4 million to \$43.9 million in FY 2016. Operationally, General Fund revenues increased \$2.7 million mainly due to increases in property tax, sales tax, and other one-time revenues. General Fund expenditures increased \$6.4 million in FY 2016 compared to FY 2015 due to increases in employee compensation absence cash outs, employee injury leave, and employee salary adjustments. In addition, a loan receivable from the former Redevelopment Agency was recorded in the General Fund, totaling \$13.8 million. The revenue recognized by recording the loan receivable is categorized as non-spendable fund balance and cannot be appropriated until cash is received from the State. Additional information regarding this loan can be found in Note 14 in the Notes to the Basic Financial Statements.

In FY 2016, the Gas Tax Special Revenue Fund total fund balance decreased by \$1.8 million to \$5.8 million. The balance in this fund represents funds that are legally required to be spent on local roadway projects. All such amounts are budgeted for future expenditure as laid out in the multi-year capital plan. Gas Tax Fund revenues decreased \$1.6 million in FY 2016 mainly due to a one-time State Department of Transportation grants received in FY 2015 for the Callan-King Resurfacing and Mission Street Enhancement projects.

The Capital Projects Fund total fund balance increased \$2.8 million in FY 2016 compared to FY 2015 and is designated for specific capital projects that will benefit the community as a whole. Capital Projects Fund revenues increased \$0.4 million in FY 2016 resulting from increases in collected development impact fees. Capital Projects Fund expenditures increased \$0.7 million in FY 2016 compared to FY 2015 due to the Serramonte Library Restroom Remodel Project, Westlake Park Pavement Rehabilitation Project, and the Norwood Park Rehabilitation Project.

Proprietary Funds

The City had two major proprietary funds, the Water Utility Fund and the Sanitation District Fund.

Water Utility operating revenues decreased \$3.3 million or 16.0% compared to the previous year due decreased water sales resulting from water conservation and implementation of a two-tier rate structure. Operating expenses increased \$1.6 million or 11.1%, mostly due to the higher cost of water purchased.

Sanitation District revenues increased \$1.3 million or 6.8% over the prior year due to higher sewer service charge revenues. Sewer service charges are billed based on the previous year's winter water usage. Operating expenses decreased by \$4.3 million, or 23.2%, due to a GASB 68 adjustment for recording pension liability.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process and FY 2016 represents the second year of a two-year budget. Two individual budget years are proposed to the City Council at the same time, with mid-budget adjustments at the end of the first of the two years. This process provides more opportunity for long-term planning, but does require adjustments based on changing economic conditions. After mid-budget adjustments, both revenues and expenditures were in line with expectations, with savings in some expenditure items realized from holding the line on services and supplies and other charges. Differences between original and final budget occur primarily due to the impact of new revenues, small grants or reimbursements, or the need to reallocate resources during the fiscal year.

CAPITAL ASSETS

At the end of FY 2016 the City had \$169.4 million, net of accumulated depreciation, invested in a broad range of capital assets, as shown in Table 4 below (further detail may be found in Note 4 to the financial statements):

Table 4
Capital Assets Net of Depreciation at June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 33,424	\$ 20,678	\$ 2,862	\$ 2,863	\$ 36,286	\$ 23,541
Buildings & improvements	29,369	30,859	2,613	2,561	31,982	33,420
Streets & infrastructures	25,152	25,712			25,152	25,712
Sewage facilities			23,995	25,222	23,995	25,222
Wells & pump stations			5,426	3,529	5,426	3,529
Water reservoirs			7,870	8,085	7,870	8,085
Water mains			11,258	10,481	11,258	10,481
Sanitation subsurface lines			11,140	11,825	11,140	11,825
Equipment	7,379	7,334	5,699	6,184	13,078	13,518
Furniture & fixtures	-	-	86	57	86	57
Construction in progress	1,909	671	1,222	3,289	3,131	3,960
Total net capital assets	\$ 97,233	\$ 85,254	\$ 72,171	\$ 74,096	\$ 169,404	\$ 159,350

Local roadway projects of various types were in the design phase or under construction, with a total of \$7.0 million available budget in FY 2017.

Various water and sewer master plan projects were completed as part of the Utility enterprise fund's \$1.6 million investment in additional infrastructure in FY 2016.

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 5 to the financial statements. At June 30, the City's debt was comprised of:

Table 5
Outstanding Debt
(in thousands)

<u>Description</u>	<u>Interest</u>	<u>Original Principal</u>	Balance at <u>June 30,</u> <u>2015</u>	Balance at <u>June 30,</u> <u>2016</u>
<u>HUD Section 108 Loan for Bayshore Community Center</u> Issued January 29, 2004 Final Maturity Aug. 1, 2022	0.35% to 2.49%	\$4,500	\$2,670	\$2,410
<u>Pension Obligation Bonds</u> Issued June 1, 2004 Final Maturity June 1, 2024	2.65% to 5.896%	\$36,235	\$26,755	\$24,915
<u>State Water Resources Control Board Revolving Fund Loan for Sanitation District Recycled Water Project</u> Issued November 18, 2003 Final Maturity December 1, 2024	2.5%	\$4,450	\$2,528	\$2,303
<u>Water Revenue Refunding Bonds to Refinance Water Certificates of Participation</u> Issued September 10, 2012 Final Maturity June 1, 2024	2.0%	\$6,890	\$5,290	\$4,750

ECONOMIC FACTORS

The Consumer Price Index-All Urban Consumers was 2.7% for the San Francisco-Oakland-San Jose region and 1.0% for the U.S. City average for the year ended June 2016, compared to 2.3% and 0.1% as of June 2015.

The Daly City annual average unemployment rate was 4.0% in June 2016, down from 4.2% in June 2015. This compares with 3.3% for San Mateo County as a whole.

ADDITIONAL INFORMATION

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Department of Finance and Administrative Services, 333 – 90th Street, Daly City California 94015. Additional information about the City of Daly City, including our biennial budget document, can be found at www.dalycity.org.

CITY OF DALY CITY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 1H)	\$92,202,470	\$40,253,387	\$132,455,857
Cash with fiscal agent (Note 1H)	44	11,250	11,294
Accounts receivable, net	5,086,354	3,845,866	8,932,220
Inventories (Note 1I)	280,092	2,069,411	2,349,503
Prepays (Note 1I)	31,973	43,265	75,238
Internal balances (Note 6)	117,299	(117,299)	
Notes receivable (Note 12)	1,391,660		1,391,660
Loan receivable from Successor Agency (Note 14D)	13,278,097		13,278,097
Property held for development (Note 1C)	3,366,888		3,366,888
Capital assets (Note 4):			
Nondepreciable capital assets	35,333,826	4,085,263	39,419,089
Depreciable capital assets, net	61,899,314	68,085,974	129,985,288
Total Assets	212,988,017	118,277,117	331,265,134
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 7D)	28,255,365	4,115,939	32,371,304
LIABILITIES			
Accounts payable	5,702,521	1,882,335	7,584,856
Accrued payroll	1,693,858	240,898	1,934,756
Deposits payable	4,188,242	32,685	4,220,927
Interest payable	140,076	42,851	182,927
Unearned revenue	798,969		798,969
Compensated absences (Note 1L):			
Due within one year	5,800,000	840,349	6,640,349
Due in more than one year	2,240,355	506,846	2,747,201
Accrued claims payable (Note 10):			
Due within one year	3,357,411		3,357,411
Due in more than one year	5,548,589		5,548,589
OPEB obligation, due in more than one year (Note 8)	6,795,408	591,016	7,386,424
Net Pension Liability, due in more than one year (Note 7C)	99,413,378	12,781,759	112,195,137
Long-term debt (Note 5):			
Due within one year	2,349,000	776,313	3,125,313
Due in more than one year	24,976,000	6,276,298	31,252,298
Total Liabilities	163,003,807	23,971,350	186,975,157
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 7D)	28,638,354	4,445,180	33,083,534
NET POSITION (Note 11)			
Net investment in capital assets	94,823,140	65,118,626	159,941,766
Restricted for:			
Debt service	44	11,250	11,294
Streets and roads	5,798,637		5,798,637
Infrastructure	5,479,046		5,479,046
Low and Moderate Income Housing Asset	7,353,185		7,353,185
Other	1,114,084		1,114,084
Total Restricted Net Position	19,744,996	11,250	19,756,246
Unrestricted	(64,966,915)	28,846,650	(36,120,265)
Total Net Position	\$49,601,221	\$93,976,526	\$143,577,747

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
General government	\$10,685,635	\$4,074,661	\$2,284,822	\$2,151,473	(\$2,174,679)	(\$2,174,679)
Public safety	45,867,228	6,490,600	842,358		(38,534,270)	(38,534,270)
Public works	8,196,165	2,524,779	594,102		(5,077,284)	(5,077,284)
Streets and infrastructure	4,014,914	1,528,812	326,633	340,582	(1,818,887)	(1,818,887)
Culture and recreation	12,263,494	3,162,473	933,175		(8,167,846)	(8,167,846)
Economic and community development	4,099,948	6,162,433	1,330,847		3,393,332	3,393,332
Interest on long-term debt	40,000				(40,000)	(40,000)
Total Governmental Activities	85,167,384	23,943,758	6,311,937	2,492,055	(52,419,634)	(52,419,634)
Business-type Activities:						
Water Utility	16,082,814	16,645,244			\$562,430	562,430
Civic Center	892,003	695,906			(196,097)	(196,097)
Transfer Station	37,579	281,250			243,671	243,671
Sanitation District	14,325,333	19,695,887			5,370,554	5,370,554
Total Business-type Activities	31,337,729	37,318,287			5,980,558	5,980,558
Total	\$116,505,113	\$61,262,045	\$6,311,937	\$2,492,055	(52,419,634)	5,980,558
General revenues:						
Taxes:						
Property tax					29,591,108	1,754,195
Sales tax					13,688,644	
Utility users tax					6,099,207	
Franchise fees					3,828,424	
Other taxes					5,761,695	
Investment earnings					828,112	385,674
Miscellaneous					1,110,702	712,482
Gain on sale of property					41,913	
Transfers (Note 6)					2,060,161	(2,060,161)
SPECIAL ITEMS -						
Loans receivable					13,775,503	
Land transferred from Successor Agency					12,746,874	
Total general revenues and transfers					89,532,343	792,190
Change in Net Position					37,112,709	6,772,748
Net Position-Beginning					12,488,512	87,203,778
Net Position-Ending					\$49,601,221	\$93,976,526

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General	Gas Tax	Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 1H)	\$36,411,492	\$5,598,985	\$1,253,344	\$23,231,459	\$4,616,450	\$71,111,730
Accounts receivable, net	3,606,117	340,971	261,030	58,861	732,129	4,999,108
Due from other funds (Note 6)	621,793					621,793
Prepays					2,211	2,211
Inventories (Note 11)	175,415					175,415
Notes receivable (Note 12)			538,828		852,832	1,391,660
Loan receivable from Successor Agency (Note 14D)	13,278,097					13,278,097
Property held for development (Note 1C)					3,366,888	3,366,888
Total Assets	\$54,092,914	\$5,939,956	\$2,053,202	\$23,290,320	\$9,570,510	\$94,946,902
LIABILITIES						
Accounts payable	\$4,549,551	\$141,319	\$126,661	\$285,960	\$107,072	\$5,210,563
Accrued payroll	1,547,317		16,197		20,165	1,583,679
Due to other funds (Note 6)					621,793	621,793
Deposits payable	4,114,316				73,926	4,188,242
Unearned revenue			798,969			798,969
Total Liabilities	10,211,184	141,319	941,827	285,960	822,956	12,403,246
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - loans			538,828		852,832	1,391,660
FUND BALANCES						
Fund Balance (Note 11)						
Nonspendable	13,453,512				2,211	13,455,723
Restricted		5,798,637	572,547	5,479,046	7,892,511	19,742,741
Assigned	12,098,569			17,525,314		29,623,883
Unassigned	18,329,649					18,329,649
Total Fund Balances	43,881,730	5,798,637	572,547	23,004,360	7,894,722	81,151,996
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$54,092,914	\$5,939,956	\$2,053,202	\$23,290,320	\$9,570,510	\$94,946,902

See accompanying notes to financial statements

CITY OF DALY CITY
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances reported on the Governmental Funds Balance Sheet \$81,151,996

Amounts reported for Governmental Activities in the Statement of Net Position
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
therefore are not reported in the Governmental Funds. 90,359,310

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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

Cash and investments	21,090,784
Accounts receivable	87,246
Prepays	29,762
Inventories	104,677
Internal balances	117,299
Capital assets	6,873,830
Accounts payable	(491,958)
Accrued payroll	(110,179)
Interest payable	(122,416)
Due to other funds	
Accrued claims payable	(8,906,000)
Compensated absences	(493,207)
OPEB obligation	(484,413)
Long-term debt - due within one year	(2,070,000)
Long-term debt - due in more than one year	(22,845,000)

ACCRUAL OF NONCURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently
are taken into revenue in the Statement of Activities. 1,391,660

DEFERRED INFLOWS AND OUTFLOWS

The deferred outflows below are not current assets or financial resources; and the deferred inflows
are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows	28,255,365
Deferred inflows	(28,638,354)

LONG TERM ASSETS AND LIABILITIES

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

Long-term debt	(2,410,000)
Interest payable	(17,660)
OPEB Obligation	(6,310,995)
Net pension liability	(99,413,378)
Compensated absences	(7,547,148)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$49,601,221

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General	Gas Tax	Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$29,591,108					\$29,591,108
Gas tax		\$2,061,511				2,061,511
Sales tax	11,881,555	1,807,089				13,688,644
Utility users tax	6,099,207					6,099,207
Franchise fees	3,828,424					3,828,424
Other taxes	5,761,695					5,761,695
Licenses and permits	2,889,367					2,889,367
Fines and forfeitures	3,442,372					3,442,372
Rents and interest	1,548,653	60,077	\$313	\$228,605	\$4,154	1,841,802
Federal programs and grants			519,503		1,296,569	1,816,072
Receipts from other agencies	882,747	667,215	636,642	215,476		2,402,080
Charges and fees	8,205,402	4,988		3,588,804	2,833,680	14,632,874
Miscellaneous	5,041,866			264,800	220,481	5,527,147
Total Revenues	<u>79,172,396</u>	<u>4,600,880</u>	<u>1,156,458</u>	<u>4,297,685</u>	<u>4,354,884</u>	<u>93,582,303</u>
EXPENDITURES						
Current:						
General government	10,777,041					10,777,041
Public safety	48,569,198		405,372		73,382	49,047,952
Public works	7,379,143		189,113		21,442	7,589,698
Culture and recreation	9,285,590		306,603		976,958	10,569,151
Economic and community development	3,051,414		274,034		981,487	4,306,935
Capital projects		4,148,105		1,578,593		5,726,698
Debt service:						
Principal					260,000	260,000
Interest					28,730	28,730
Total Expenditures	<u>79,062,386</u>	<u>4,148,105</u>	<u>1,175,122</u>	<u>1,578,593</u>	<u>2,341,999</u>	<u>88,306,205</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>110,010</u>	<u>452,775</u>	<u>(18,664)</u>	<u>2,719,092</u>	<u>2,012,885</u>	<u>5,276,098</u>
OTHER FINANCING SOURCES (USES)						
Sale of property	1,600					1,600
Transfers in (Note 6)	4,963,379			113,436	484,898	5,561,713
Transfers (out) (Note 6)	(2,442,473)	(2,275,120)			(59,167)	(4,776,760)
Total Other Financing Sources (Uses)	<u>2,522,506</u>	<u>(2,275,120)</u>		<u>113,436</u>	<u>425,731</u>	<u>786,553</u>
SPECIAL ITEM - reestablishment of loan receivable from Successor Agency (Note 14D)	<u>13,775,503</u>					<u>13,775,503</u>
NET CHANGES IN FUND BALANCES	<u>16,408,019</u>	<u>(1,822,345)</u>	<u>(18,664)</u>	<u>2,832,528</u>	<u>2,438,616</u>	<u>19,838,154</u>
BEGINNING FUND BALANCES	<u>27,473,711</u>	<u>7,620,982</u>	<u>591,211</u>	<u>20,171,832</u>	<u>5,456,106</u>	<u>61,313,842</u>
ENDING FUND BALANCES	<u>\$43,881,730</u>	<u>\$5,798,637</u>	<u>\$572,547</u>	<u>\$23,004,360</u>	<u>\$7,894,722</u>	<u>\$81,151,996</u>

See accompanying notes to financial statements

CITY OF DALY CITY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$19,838,154

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance.	3,323,470
Net retirements are deducted from fund balance	129,172
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$1,811,058 which has already been allocated to serviced funds).	(4,189,025)
Assets transferred from Successor Agency are added to fund balance	12,746,874

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	260,000
Interest accrued is deducted from fund balance	(11,270)

ACCRUAL OF NONCURRENT ITEMS

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

Unearned revenue	173,650
Compensated absences	124,189
OPEB expense	203,002
Pension expense	2,423,897

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in net position of all internal service funds	2,090,596
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$37,112,709
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See accompanying notes to financial statements



CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax	\$27,377,006	\$27,377,006	\$29,591,108	\$2,214,102
Sales tax	11,149,025	11,149,025	11,881,555	732,530
Utility users tax	6,458,974	6,458,974	6,099,207	(359,767)
Franchise fees	3,684,201	3,684,201	3,828,424	144,223
Other taxes	5,043,868	5,043,868	5,761,695	717,827
Licenses and permits	1,524,870	1,524,870	2,889,367	1,364,497
Fines and forfeitures	2,390,549	2,390,549	3,442,372	1,051,823
Rents and interest	1,133,489	1,149,829	1,548,653	398,824
Receipts from other agencies	602,133	607,823	882,747	274,924
Charges and fees	6,130,637	6,133,597	8,205,402	2,071,805
Miscellaneous	3,537,855	3,733,334	5,041,866	1,308,532
Total Revenues	69,032,607	69,253,076	79,172,396	9,919,320
EXPENDITURES				
Current Operations:				
General Government				
Legislative:				
Salaries and benefits	180,941	180,941	186,538	(5,597)
Services and supplies	26,170	26,170	25,958	212
Other charges	16,389	16,389	15,034	1,355
Total Legislative	223,500	223,500	227,530	(4,030)
Legal:				
Salaries and benefits	838,436	838,436	774,135	64,301
Services and supplies	110,525	113,649	114,874	(1,225)
Other charges	8,204	8,204	6,941	1,263
Total Legal	957,165	960,289	895,950	64,339
Administrative:				
Salaries and benefits	5,622,490	5,620,076	7,907,861	(2,287,785)
Services and supplies	1,168,073	1,267,445	1,163,165	104,280
Capital outlay	5,000	5,000	5,822	(822)
Other charges	1,569,710	599,710	576,713	22,997
Total Administrative	8,365,273	7,492,231	9,653,561	(2,161,330)
Total General Government	9,545,938	8,676,020	10,777,041	(2,101,021)
Public Safety				
Police:				
Salaries and benefits	22,715,322	22,679,222	24,005,032	(1,325,810)
Services and supplies	4,002,355	4,078,125	4,221,095	(142,970)
Capital outlay	62,773	310,929	269,750	41,179
Other charges	270,194	280,194	437,479	(157,285)
Total Police	27,050,644	27,348,470	28,933,356	(1,584,886)
Fire:				
Salaries and benefits	13,473,087	13,473,087	15,753,282	(2,280,195)
Services and supplies	1,768,510	1,768,510	1,884,517	(116,007)
Capital outlay	42,129	42,129	37,223	4,906
Other charges	104,149	104,149	117,515	(13,366)
Total Fire	15,387,875	15,387,875	17,792,537	(2,404,662)

(Continued)

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Public Safety Communications				
Salaries and benefits	1,615,191	1,615,191	1,580,499	34,692
Services and supplies	249,826	249,826	256,334	(6,508)
Capital outlay	2,000	2,000		2,000
Other charges	12,472	12,472	6,472	6,000
Total Public Safety Communications	1,879,489	1,879,489	1,843,305	36,184
Total Public Safety	44,318,008	44,615,834	48,569,198	(3,953,364)
Public Works				
Salaries and benefits	5,574,481	5,399,480	4,981,888	417,592
Services and supplies	1,963,792	2,223,461	2,238,913	(15,452)
Other charges	111,696	111,696	158,342	(46,646)
Total Public Works	7,649,969	7,734,637	7,379,143	355,494
Culture and Recreation				
Salaries and benefits	4,978,043	5,037,209	5,328,085	(290,876)
Services and supplies	3,971,564	4,014,950	3,854,488	160,462
Capital outlay	9,000	31,615	30,954	661
Other charges	46,503	46,503	72,063	(25,560)
Total Culture and Recreation	9,005,110	9,130,277	9,285,590	(155,313)
Economic and Community Development				
Salaries and benefits	1,955,162	1,955,162	2,129,305	(174,143)
Services and supplies	893,658	940,322	878,858	61,464
Capital outlay	400	400		400
Other charges	44,480	44,480	43,251	1,229
Total Economic and Community Development	2,893,700	2,940,364	3,051,414	(111,050)
Total Expenditures	73,412,725	73,097,132	79,062,386	(5,965,254)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,380,118)	(3,844,056)	110,010	3,954,066
OTHER FINANCING SOURCES (USES)				
Sale of property			1,600	1,600
Transfers in	5,206,797	5,265,964	4,963,379	(302,585)
Transfers out	(766,909)	(2,477,227)	(2,442,473)	34,754
Total Other Financing Sources (Uses)	4,439,888	2,788,737	2,522,506	(266,231)
Net changes in fund balances before special items	\$59,770	(\$1,055,319)	2,632,516	\$3,687,835
SPECIAL ITEM - reestablishment of loan			13,775,503	
NET CHANGES IN FUND BALANCES			16,408,019	
BEGINNING FUND BALANCE			27,473,711	
ENDING FUND BALANCE			\$43,881,730	

See accompanying notes to financial statements

CITY OF DALY CITY
GAS TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Gas tax	\$2,713,486	\$2,713,486	\$2,061,511	(\$651,975)
Sales tax	1,673,736	1,673,736	1,807,089	133,353
Rents and interest	30,000	30,000	60,077	30,077
Federal programs and grants	2,045,000	2,045,000		(2,045,000)
Receipts from other agencies	1,055,000	1,055,000	667,215	(387,785)
Charges and services			4,988	4,988
Total Revenues	<u>7,517,222</u>	<u>7,517,222</u>	<u>4,600,880</u>	<u>(2,916,342)</u>
EXPENDITURES				
Capital projects	<u>6,703,681</u>	<u>9,095,507</u>	<u>4,148,105</u>	<u>4,947,402</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>813,541</u>	<u>(1,578,285)</u>	<u>452,775</u>	<u>2,031,060</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,567,380)</u>	<u>(2,577,705)</u>	<u>(2,275,120)</u>	<u>302,585</u>
Total Other Financing Sources (Uses)	<u>(2,567,380)</u>	<u>(2,577,705)</u>	<u>(2,275,120)</u>	<u>302,585</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,753,839)</u>	<u>(\$4,155,990)</u>	<u>(1,822,345)</u>	<u>\$2,333,645</u>
BEGINNING FUND BALANCE			<u>7,620,982</u>	
ENDING FUND BALANCE			<u>\$5,798,637</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
GRANTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Rents and interest			\$313	\$313
Federal programs and grants	\$256,849	\$640,261	519,503	(120,758)
Receipts from other agencies	419,876	1,507,574	636,642	(870,932)
Total Revenues	<u>676,725</u>	<u>2,147,835</u>	<u>1,156,458</u>	<u>(991,377)</u>
EXPENDITURES				
Public Safety				
Salaries and benefits		177,452	145,823	31,629
Services and supplies		962,706	256,186	706,520
Other charges		4,000	3,363	637
Total Public Safety		<u>1,144,158</u>	<u>405,372</u>	<u>738,786</u>
Public Works				
Services and supplies		332,644	184,748	147,896
Capital Outlay		5,873	4,365	1,508
Total Public Works		<u>338,517</u>	<u>189,113</u>	<u>149,404</u>
Culture and Recreation				
Salaries and benefits	321,629	321,629	233,135	88,494
Services and supplies	79,950	87,986	73,468	14,518
Total Culture and Recreation	<u>401,579</u>	<u>409,615</u>	<u>306,603</u>	<u>103,012</u>
Economic and Community Development				
Salaries and benefits	22,836	20,835	22,050	(1,215)
Services and supplies	3,294	2,841	1,626	1,215
Other charges	231,164	289,858	250,358	39,500
Total Economic and Community Development	<u>257,294</u>	<u>313,534</u>	<u>274,034</u>	<u>39,500</u>
Total Expenditures	<u>658,873</u>	<u>2,205,824</u>	<u>1,175,122</u>	<u>1,030,702</u>
NET CHANGE IN FUND BALANCES	<u>\$17,852</u>	<u>(\$57,989)</u>	(18,664)	<u>\$39,325</u>
BEGINNING FUND BALANCE			<u>591,211</u>	
ENDING FUND BALANCE			<u>\$572,547</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
ASSETS					
Current Assets:					
Cash and investments (Note 1H)	\$5,957,625	\$29,957,488	\$4,338,274	\$40,253,387	\$21,090,740
Cash with fiscal agent (Note 1H)	11,250			11,250	44
Accounts receivable, net (Note 1J)	2,477,835	1,347,135	20,896	3,845,866	87,246
Prepays	16,934	26,331		43,265	29,762
Inventories (Note 11)	463,872	1,605,539		2,069,411	104,677
Total Current Assets	8,927,516	32,936,493	4,359,170	46,223,179	21,312,469
Capital Assets (Note 4):					
Land	839,856	233,547	1,789,146	2,862,549	378,343
Buildings	272,379	893,519	6,753,006	7,918,904	35,817
Sewage facilities		58,958,085		58,958,085	
Wells and pump stations	9,074,783			9,074,783	
Water reservoirs	12,715,925			12,715,925	
Mains and subsurface lines	19,084,506	22,161,295		41,245,801	
Equipment	5,765,665	8,118,150	957,617	14,841,432	19,569,141
Furniture and fixtures	37,154	114,174		151,328	52,707
Construction in progress	176,628	1,046,086		1,222,714	167,014
Total Capital Assets	47,966,896	91,524,856	9,499,769	148,991,521	20,203,022
Less accumulated depreciation	(20,967,321)	(50,588,684)	(5,264,279)	(76,820,284)	(13,329,192)
Net Capital Assets	26,999,575	40,936,172	4,235,490	72,171,237	6,873,830
Total Noncurrent Assets	26,999,575	40,936,172	4,235,490	72,171,237	6,873,830
Total Assets	35,927,091	73,872,665	8,594,660	118,394,416	28,186,299
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension (Note 7D)	1,152,463	2,963,476		4,115,939	
LIABILITIES					
Current Liabilities:					
Accounts payable	1,064,567	777,642	10,607	1,852,816	491,958
Retentions payable	480	29,039		29,519	
Accrued payroll	63,795	177,103		240,898	110,179
Deposits payable	32,685			32,685	
Interest payable	9,271	33,580		42,851	122,416
Accrued claims payable (Note 10)					3,357,411
Compensated absences (Note 1L)	265,349	575,000		840,349	
Long-term debt (Note 5)	545,000	231,313		776,313	2,070,000
Total Current Liabilities	1,981,147	1,823,677	10,607	3,815,431	6,151,964
Noncurrent Liabilities:					
Compensated absences (Note 1L)		506,846		506,846	493,207
Accrued claims payable (Note 10)					5,548,589
OPEB obligation (Note 8)	234,352	356,664		591,016	484,413
Net Pension Liability (Note 7C)	3,578,893	9,202,866		12,781,759	
Long-term debt (Note 5)	4,205,000	2,071,298		6,276,298	22,845,000
Total Noncurrent Liabilities	8,018,245	12,137,674		20,155,919	29,371,209
Total Liabilities	9,999,392	13,961,351	10,607	23,971,350	35,523,173
DEFERRED INFLOWS OF RESOURCES					
Related to pension (Note 7D)	1,244,651	3,200,529		4,445,180	
NET POSITION (Note 11)					
Net investment in capital assets	22,249,575	38,633,561	4,235,490	65,118,626	6,873,830
Restricted for:					
Debt service	11,250			11,250	44
Unrestricted	3,574,686	21,040,700	4,348,563	28,963,949	(14,210,748)
Total Net Position	\$25,835,511	\$59,674,261	\$8,584,053	\$94,093,825	(\$7,336,874)

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included in business-type activities (117,299)

Net position of business-type activities \$93,976,526

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$16,645,244	\$306,810		\$16,952,054	
Sewer service charges		18,736,244		18,736,244	
Connection charges		652,833		652,833	
Rental income			\$695,906	695,906	
Lease revenue			281,250	281,250	
Charges to City departments					\$19,436,174
Other revenues	456,898	107,826	147,758	712,482	641,319
Total Operating Revenues	17,102,142	19,803,713	1,124,914	38,030,769	20,077,493
OPERATING EXPENSES					
Salaries and benefits	812,924	2,437,060		3,249,984	5,910,264
Services and supplies	1,604,955	6,322,522	538,681	8,466,158	2,857,728
Water purchases	9,154,110			9,154,110	
Utilities	1,029,044	994,035	94,168	2,117,247	410,482
Insurance	233,598	581,243	18,791	833,632	1,472,791
Claims and settlements					4,797,075
Depreciation (Note 4)	1,274,779	2,491,046	220,301	3,986,126	1,811,058
Other charges	1,841,177	1,413,318		3,254,495	630,473
Total Operating Expenses	15,950,587	14,239,224	871,941	31,061,752	17,889,871
Operating Income (Loss)	1,151,555	5,564,489	252,973	6,969,017	2,187,622
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,754,195		1,754,195	
Loss on disposal of capital assets					(40,313)
Interest income	73,896	284,887	26,891	385,674	126,508
Interest expense	(111,250)	(59,916)		(171,166)	(1,563,240)
Total Nonoperating Revenues (Expenses)	(37,354)	1,979,166	26,891	1,968,703	(1,477,045)
Income (Loss) Before Transfers	1,114,201	7,543,655	279,864	8,937,720	710,577
Transfers in (Note 6)	10,325	781,484		791,809	1,898,216
Transfers (out) (Note 6)	(1,689,464)	(1,105,147)	(57,359)	(2,851,970)	(623,008)
Net transfers	(1,679,139)	(323,663)	(57,359)	(2,060,161)	1,275,208
CHANGE IN NET POSITION	(564,938)	7,219,992	222,505	6,877,559	1,985,785
BEGINNING NET POSITION	26,400,449	52,454,269	8,361,548	87,216,266	(9,322,659)
ENDING NET POSITION	<u>\$25,835,511</u>	<u>\$59,674,261</u>	<u>\$8,584,053</u>	94,093,825	<u>(\$7,336,874)</u>

Net change in net position

6,877,559

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

(104,811)

Change in net position of business-type activities

\$6,772,748

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$17,282,515	\$19,450,813	\$1,111,680	\$37,845,008	\$20,084,911
Payments to suppliers	(13,864,250)	(9,685,082)	(652,733)	(24,202,065)	(5,106,205)
Payments to employees	(2,946,197)	(6,782,123)		(9,728,320)	(5,624,175)
Claims paid					(3,223,630)
Cash Flows from Operating Activities	472,068	2,983,608	458,947	3,914,623	6,130,901
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax		1,754,195		1,754,195	
Principal paid on noncapital debt					(1,840,000)
Interest paid on noncapital debt					(1,571,808)
Transfers in	10,325	781,484		791,809	1,898,216
Transfers out	(1,689,464)	(1,105,147)	(57,359)	(2,851,970)	(867,682)
Cash Flows from (used for) Noncapital Financing Activities	(1,679,139)	1,430,532	(57,359)	(305,966)	(2,381,274)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(785,650)	(1,275,266)		(2,060,916)	(1,848,741)
Proceeds from sale of capital assets					28,308
Principal paid on capital debt	(540,000)	(225,671)		(765,671)	
Interest paid on capital debt	(111,250)	(63,207)		(174,457)	
Cash Flows from (used for) Capital and Related Financing Activities	(1,436,900)	(1,564,144)		(3,001,044)	(1,820,433)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	73,897	284,887	26,891	385,675	126,508
Net Cash Flows	(2,570,074)	3,134,883	428,479	993,288	2,055,702
Cash and investments at beginning of period	8,538,949	26,822,605	3,909,795	39,271,349	19,035,082
Cash and investments at end of period	<u>\$5,968,875</u>	<u>\$29,957,488</u>	<u>\$4,338,274</u>	<u>\$40,264,637</u>	<u>\$21,090,784</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$1,151,555	\$5,564,489	\$252,973	\$6,969,017	\$2,187,622
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,274,779	2,491,046	220,301	3,986,126	1,811,058
Change in assets and liabilities:					
Accounts receivable, net	167,865	(352,900)	1,766	(183,269)	7,418
Prepaid	(16,934)	(25,281)		(42,215)	(29,762)
Inventories	27,595	(12,131)		15,464	(2,670)
Accounts payable	116,652	(364,741)	(1,093)	(249,182)	297,701
Retentions payable	(128,679)	28,189		(100,490)	
Accrued payroll	10,407	71,583		81,990	18,148
Deposits payable	12,508		(15,000)	(2,492)	
Accrued claims payable					1,573,445
Compensated absences	(11,489)	168,237		156,748	(3,916)
OPEB obligation	119,938	190,902		310,840	271,857
Due to retirement system	(2,252,129)	(4,775,785)		(7,027,914)	
Cash Flows from Operating Activities	\$472,068	\$2,983,608	\$458,947	\$3,914,623	\$6,130,901

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

These 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 City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE PURPOSE TRUST

The fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City.

AGENCY FUNDS

The funds account for assets held by the City as agent for individuals, governmental entities, and nonpublic organizations.

CITY OF DALY CITY
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS		
Cash and investments (Note 1H)	\$316,461	\$2,926,142
Receivables	3,092	1,616,982
Other assets		135,155
	319,553	4,678,279
LIABILITIES		
Accounts payable	269	\$2,435,782
Due to others		2,242,497
Deposits payable	154,050	
Loans payable to City (Note 14D)	13,278,097	
	13,432,416	4,678,279
NET POSITION		
Held in trust for other purposes	(\$13,112,863)	

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Successor Agency to the Redevelopment Agency <u>Private-Purpose Trust</u>
 ADDITIONS	
Rents and interest	\$61,302
From other agencies	1,317,633
Charges and fees	8,660
Miscellaneous	<u>50</u>
 Total additions	 <u>1,387,645</u>
 DEDUCTIONS	
Services and supplies	53,689
Other charges	6,741
Interest and fiscal charges	25,428
Special item (Note 14D & 14E):	
Land transferred to City	12,746,874
Reestablishment of loans payable to City	<u>13,775,503</u>
 Total deductions	 <u>26,608,235</u>
 CHANGE IN NET POSITION	 (25,220,590)
 NET POSITION	
Net Position - Beginning	<u>12,107,727</u>
Net Position - Ending	<u><u>(\$13,112,863)</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Note 1.

DESCRIPTION OF FUNDS AND SUMMARY OF ACCOUNTING POLICIES

The City of Daly City (City) was incorporated on March 22, 1911, and operates under a council-manager form of government. Daly City is a general law city, and provides the following services: public safety (police and fire), highways and streets, water, sanitary sewer, social services, library, recreation, public improvements, planning and zoning, and general administrative services.

The Basic Financial Statements include financial information for entities which are directly or indirectly governed by the City Council. The entities included are the City, the North San Mateo County Sanitation District, and the Daly City Public Facilities Financing Corporation (see Note 2).

The accounting policies of the City conform with generally accepted accounting principles as they apply to governments. The following is a summary of the more significant policies.

A. 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 Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A. These standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City and its component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities are generally 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 function of the City's governmental activities and for each segment of the business-type activities of the City. 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 charges paid by the recipients of goods or services offered by the programs, grants and contributions that are restricted to meeting the operational needs of a particular program and 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.

B. MAJOR FUNDS

Major funds are defined as funds which have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total of governmental and enterprise funds. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund type. The General Fund is always a major fund, and the City may select other funds it believes should be presented as major funds. The City selected the Gas Tax Fund for presentation as a major fund because of its importance and because it often qualifies as a major fund.

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

GENERAL FUND is the general operating fund of the City. It is used to account for all financial resources traditionally associated with governments which are not required to be accounted for in a separate fund.

GAS TAX SPECIAL REVENUE FUND is used to account for gas tax monies allocated by the State to the City for the streets and roads program.

GRANTS SPECIAL REVENUE FUND is used to account for miscellaneous grant monies, such as HOME, law enforcement special grants, and after school safety grants.

CAPITAL PROJECTS FUND is used to account for financial resources to be used for the acquisition or construction of major capital facilities or infrastructure other than those financed by proprietary funds.

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

WATER UTILITY FUND is used to account for activity related to providing water service to the community.

SANITATION DISTRICT FUND is used to account for activity related to providing residents with sanitary sewer services.

The City also reports the following fund types:

Internal Service Funds - These funds account for motor vehicles, central services, telephone, building maintenance, information services, self-insurance and pension bond payments. All of these services are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the City as an agent for Billing Services, Peninsula Traffic Congestion Relief Alliance, San Mateo Pre-Hospital Emergency Medical Services Group, and Supporters of Senior Center. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of these funds are excluded from the government-wide financial statements because they are not directly or indirectly governed by the City Council.

C. PROPERTY HELD FOR DEVELOPMENT

Property held for development is stated at the lower of historical cost or net realizable value (equal to agreed upon sales price if a disposition and development agreement has been reached with a developer).

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property tax and sales tax are considered measurable and available when in the hands of intermediary collecting governments and are recognized as revenue at that time. The primary revenue sources which are susceptible to accrual include taxes, rents, licenses, interest, grants and contributions. Fines and penalties and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

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

Certain indirect costs are included in program expenses reported for individual functions and activities. *Nonexchange 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 an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

E. BUDGETS, BUDGETARY ACCOUNTING AND ENCUMBRANCES

The City uses a biennial budget process whereby two individual annual budgets are adopted by City Council for all funds and component units other than the Agency Funds. Budgets are subject to public hearing before they are adopted by the City Council. Budgets are prepared on the basis of generally accepted accounting principles (GAAP basis).

The City is not legally required to prepare budgets for any of its funds, but does so as a matter of managerial policy. Budgets submitted to the City Council include both proposed appropriations and the means of financing them. The City Council approves total appropriations on a departmental basis.

The City Manager is authorized and directed to make any changes or transfers of appropriations within any Department of the City and from one Department to another as deemed necessary or feasible, as long as the total appropriations of the funds are not exceeded. Additional appropriations not included in the original budget resolutions require approval by the City Council. Budgeted amounts shown are as adopted and amended by the City Council. Individual amendments were not material in relation to the original appropriations. Budgets for the City's proprietary funds are considered as memorandum budgets used for the purpose of management control. These nonappropriated budgets are not included in the Basic Financial Statements.

The City uses an encumbrance system as an extension of normal budgetary accounting. Under this system purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund equity since they do not constitute expenditures or liabilities. Outstanding encumbrances at year end are automatically reappropriated the following year. Unencumbered and unexpended appropriations for other than capital outlay lapse at year-end. However, the Capital Projects Fund is not budgeted on a project-length basis. Only the budget estimated to be spent in the current fiscal year is appropriated, even if the project will continue into future fiscal years. The City prepares a ten year capital plan, and each project year budget (GAAP Basis) is appropriated separately on an on-going basis.

For the fiscal year ended June 30, 2016, the following expenditures exceeded the budgeted expenditures:

	<u>Expenditures Exceeded Budget</u>
General Fund:	
General Government:	
Legislative	\$4,030
Administrative	2,161,330
Public Safety:	
Police	1,584,886
Fire	2,404,662
Culture and Recreation	155,313
Economic and Community Development	111,050
Low and Moderate Income Housing Assets Special Revenue:	
Economic and Community Development	24,115

Expenditures exceeding budget are primarily driven by employee compensation absence cash outs, workers' compensation and employee injury leave, payments towards the City's retiree medical unfunded liability, unanticipated overtime use, and salary adjustments.

F. NEW GASB PRONOUNCEMENT

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 - The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

GASB Statement No. 76 - The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

GASB Statement No. 79 - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

G. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

H. CASH AND INVESTMENTS

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.

The City pools cash from all sources and all funds, except restricted Cash and Investments with Fiscal Agents, so the pool of funds can be invested consistent with goals for safety and liquidity, while maximizing yield. Cash is pooled so individual funds can make expenditures at any time.

Investment income is allocated among funds on the basis of average daily cash and investment balances in each fund, unless there are specific legal or contractual requirements to do otherwise.

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	\$132,455,857
Restricted cash and investments	11,294
Cash and investments of the City	<u>132,467,151</u>
Cash and investments in Fiduciary Funds (separate statement)	3,242,603
Total cash and investments	<u><u>\$135,709,754</u></u>

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 the City's Investment Policy 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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum In Portfolio	Maximum Investment In One Issuer
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	State Treasurers' limit	State Treasurers' limit
San Mateo County Investment Pool	Upon Demand	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	5 Years	A	30%	5%
U.S. Treasury Bonds, Notes, and Bills	5 Years	N/A	No Limit	No Limit
Federal Agency Securities (Government-Sponsored Enterprise Securities)	5 Years	N/A	No Limit*	No Limit*
Bankers' Acceptances	180 Days	A1/P1	40%	5%
Commercial Paper	270 Days	A1/P1	25%	5%
Money Market Mutual Funds	Upon Demand	AAA	15%	5%
State of California Obligations	5 Years	A	No Limit	5%
California Local Agency Obligations	5 Years	A	30%	5%
Repurchase Agreements	1 Year	A1/P1	15%	5%
Reverse Repurchase Agreements	92 Days	A1/P1	15%	5%
Passbook Savings Account	None	N/A	No Limit	No Limit
FDIC-Insured/Collateralized Time Certificates of Deposit	5 Years	N/A	30%	No Limit

* A maximum of \$14,000,000 of the City's portfolio may be invested in Government National Mortgage Association securities which, at the time of investment, have terms remaining to maturity in excess of five years.

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 as 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 ordinance, bond indentures or State statute.

The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum In Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	N/A	N/A	No Limit	No Limit
U.S. Government Agency Securities				
U.S. Government Sponsored	N/A	AAA	No Limit	No Limit
State Obligations		Highest Rating		
Commercial Paper	N/A	Category	No Limit	No Limit
Negotiable Certificates of Deposit	270 Days	A	No Limit	No Limit
Money Market Mutual Funds	365 days	A-1+	No Limit	No Limit
Bankers Acceptances	N/A	AAA	No Limit	No Limit
Local Obligations	360 days	A-1+	No Limit	No Limit
State of California Local Agency Investment Fund (LAIF Pool)	N/A	Highest Rating Category	No Limit	No Limit
Municipal Obligations	Upon Demand	N/A	\$65,000,000 per account	\$65,000,000 per account
Repurchase Agreements	N/A	AAA	No Limit	No Limit
	N/A	A	No Limit	No Limit

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's cash and 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 cash and investments by maturity:

Investment Type	Less than One Year	More than Five Years	Total
U.S. Government-Sponsored Enterprise Agencies		\$2,428,291	\$2,428,291
Money Market Mutual Funds	\$11,279		11,279
California Local Agency Investment Fund	1,257,315		1,257,315
San Mateo County Investment Pool	121,660,313		121,660,313
Certificate of Deposit	5,000,000		5,000,000
	\$127,928,907	\$2,428,291	130,357,198
Cash in Bank and on Hand			5,352,556
Total Cash and Investments			\$135,709,754

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2016, these investments have an average maturity of 167 days.

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2016, these investments matured in an average of 1.06 years.

Money Market Mutual Fund investments are available for withdrawal on demand and at June 30, 2016 have an average maturity of 46 days.

Fair Value Investments

GASB Statement 31 requires governments to present investments at fair value. The City adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year.

Credit Risk

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, 2016 are provided by Standard and Poor’s except as noted.

Investment Type	AAAm	AAAf	Total Investments
Money Market Mutual Funds	\$11,279		\$11,279
San Mateo County Investment Pool		\$121,660,313	121,660,313
Total	\$11,279	\$121,660,313	121,671,592
<i>Not rated:</i>			
California Local Agency Investment Fund			1,257,315
Certificate of Deposit			5,000,000
<i>Exempt from rating requirement:</i>			
U.S. Government-Sponsored Enterprise Agencies			2,428,291
Total Investments			\$130,357,198

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (for example, broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The City’s investment policy requires that securities transactions be executed on a delivery vs. payment basis. Funds are not wire-transferred until securities are delivered into safekeeping with the City’s third party custodian. The custodial relationship is subject to an agreement for services which may be separate from the agreement for other banking services. The safekeeping requirement does not apply to securities which are physically delivered to the City.

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the City has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the City's own data. The City should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the City are not available to other market participants.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

<u>Investment Type</u>	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:		
U.S. Government-Sponsored Enterprise Agencies	\$2,428,291	\$2,428,291
California Local Agency Investment Fund	1,257,315	1,257,315
San Mateo County Investment Pool	121,660,313	121,660,313
Subtotal	<u>\$125,345,919</u>	
Investments Measured at Amortized Cost		
Money Market Mutual Funds		11,279
Certificate of Deposit		5,000,000
Total Investments		<u>\$130,357,198</u>

The California Local Agency Investment Fund (LAIF), classified in Level 2 of the fair value hierarchy, is valued at \$1.26 million using fair value factor provided in the Pooled Money Investment Account (PMIA) Performance Report by the State Treasurer's Office. All other investments classified in Level 2, were valued using prices provided by the City's custodian bank.

I. INVENTORY AND PREPAIDS

Inventory is valued at cost, using the first-in, first-out method. For the General Fund, inventories consist of consumable supplies, and do not constitute available spendable resources, even though they are a component of net current assets. For proprietary funds, inventories represent materials and supplies for operations. The consumption method of accounting is applied to inventories.

Prepays represent services that are paid for in advance. For governmental funds, prepaids do not constitute available spendable resources even though they are a component of net current assets. The consumption method of accounting is applied to prepaids.

J. WATER UTILITY ACCOUNTS RECEIVABLE

The City bills usage to water utility customers on a bimonthly basis in arrears. At any given time, an average of one month's usage is unread and unbilled. These unbilled estimated usages have been recognized as revenue and receivables in the financial statements of the Water Utility enterprise fund.

K. ADVANCES TO OTHER FUNDS AND AGENCIES

Current portions of interfund loans receivable (reported in "due from" asset accounts) are considered available spendable resources.

L. ACCUMULATED UNPAID VACATION, COMPENSATORY AND SICK LEAVE

Accumulated unpaid employee benefits are accrued at year-end. If vacation or compensatory leave is not taken by employees during their employment, the City is obligated to make cash payments to them on termination or retirement at the salary rates then in effect. City employees receive from thirteen to twenty-eight days of vacation each year.

Full-time City employees receive one working day of sick leave for each month of employment. Employees who terminate for reasons other than death, retirement or abolishment of position lose all accumulated sick leave. Upon death, retirement after the age of 50 and 5 years of service or abolishment of position the City is obligated to pay 50% of unused sick leave, up to 800 hours, at the salary rate then in effect. The value of vested sick leave liability for all employees qualified for retirement on June 30 of each year is accrued.

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, compensated absences are reported only if they are still outstanding following an employee's resignation or retirement.

The changes in liability for compensated absences were as follows:

	Governmental Activities	Business Type Activities	Total
Balance June 30, 2015	\$8,168,460	\$1,190,447	\$9,358,907
Additions	5,273,205	1,043,465	6,316,670
Payments	(5,401,310)	(886,717)	(6,288,027)
Balance June 30, 2016	<u>\$8,040,355</u>	<u>\$1,347,195</u>	<u>\$9,387,550</u>
Due within one year	<u>\$5,800,000</u>	<u>\$840,349</u>	<u>\$6,640,349</u>

Compensated absences are liquidated by the fund that has recorded the liability. Governmental activities compensated absences are liquidated primarily by the General Fund.

M. CLAIMS AND JUDGMENTS

The City has recognized a liability for workers' compensation and general liability claims in the Self-Insurance Internal Service Fund. This liability reflects the costs of claims determined to be probable of assertion and measurable in amount.

N. PROPERTY TAX LEVY, COLLECTION, MAXIMUM RATES

Article 13 of the California State Constitution provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value, and may be adjusted by no more than two percent per year unless the property is sold or transferred, in which case it is then assessed at sales price. Assessed value is calculated at 100% of sales price as defined by the above referenced Article 13.

The State Legislature has determined the method of distribution of receipts from the \$1.00 tax levy among the county, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter-approved debt service. San Mateo County assesses properties, bills for, and collects property taxes on the following schedule:

	<u>SECURED</u>	<u>UNSECURED</u>
Valuation dates	March 1	March 1
Lien/levy dates	January 1	January 1
Due Dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 April 10	August 31

The term "unsecured" refers to taxes on property not secured by liens on real property. Property taxes levied are recorded as revenue and receivables, net of estimated uncollectible amounts, in the fiscal year of levy. Property taxes which cannot be recorded as current year revenues, in accordance with the modified accrual basis of accounting, have been recorded as deferred revenues.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2.

REPORTING ENTITY

The City's Basic Financial Statements include the financial activities of the City, the North San Mateo County Sanitation District and the Daly City Public Facilities Financing Corporation. These entities are controlled by governing boards consisting of the City Council. Council members are financially accountable for these entities' operations and approve fees, debt issues and adopt budgets.

The North San Mateo County Sanitation District became a subsidiary district of the City on July 1, 1985. The activities of the District are reported in the Sanitation District Enterprise Fund.

The activities of the Daly City Public Facilities Financing Corporation (Corporation) are included in the basic financial statements of the Water Utility Enterprise Fund in proportion to the activities carried out on its behalf because the City Council sits as the Board of this entity. The City established the Corporation to facilitate the issuance of Certificates of Participation, currently consisting of various expansion and upgrade projects in the Water Utility. The Corporation acts as a conduit for the leasing of the associated facilities of the utility in order to allow the issuance of its Certificates of Participation (See Note 5).

Note 3.

COMMITMENTS AND CONTINGENCIES

A. CONSTRUCTION CONTRACTS

At June 30, 2016, the City had made commitments of approximately \$5.6 million for construction work, legal and consulting fees, and purchases of supplies and equipment.

B. LITIGATION

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

C. ENCUMBRANCES

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2016 were \$98,569 in the General Fund.

D. FEDERAL AND STATE GRANT PROGRAMS

The City participates in Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 2016 by the City’s independent accountants in accordance with the provisions of the federal Single Audit Act as amended 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.

Note 4.
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. The City’s policy is to capitalize all assets with costs exceeding \$25,000 for infrastructure, \$5,000 for all other classes of capital assets, and with useful lives exceeding two years.

The City depreciates capital assets 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 calculated 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	20-50 years	Sanitation Subsurface Lines	25 years
Vehicle, Equipment, Furniture & Fixtures	5-20 years	Water Mains	25 years
Streets and Infrastructure	20-60 years	Sewage Collection Facilities	10-50 years
Wells and Pump Stations	40-50 years	Sewage Treatment Facilities	15-50 years
Water Reservoirs	40-99 years	Sewage Disposal Facilities	15-50 years
Park Structures & Improvements	10-30 years		

The City capitalizes major asset purchases and improvements which increase the useful life of the related assets. Minor purchases and routine repair and maintenance costs are charged directly to expense.

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.

A. CAPITAL ASSET ADDITIONS AND RETIREMENTS

Capital assets at June 30 comprise:

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Governmental activities:					
Capital assets not being depreciated:					
Land	\$20,677,468	\$12,746,874			\$33,424,342
Construction in progress	671,160	1,534,256		(\$295,932)	1,909,484
Total capital assets not being depreciated	<u>21,348,628</u>	<u>14,281,130</u>		<u>(295,932)</u>	<u>35,333,826</u>
Capital assets being depreciated:					
Buildings & improvements	56,146,047		(\$25,000)		56,121,047
Streets & infrastructure	76,414,671	1,681,935			78,096,606
Vehicles & equipment	23,220,582	2,088,924	(937,862)	44,400	24,416,044
Furniture & fixtures	430,300				430,300
Park structures & improvements	5,851,735			251,532	6,103,267
Total capital assets being depreciated	<u>162,063,335</u>	<u>3,770,859</u>	<u>(962,862)</u>	<u>295,932</u>	<u>165,167,264</u>
Less accumulated depreciation for:					
Buildings & improvements	28,433,676	1,508,963	(25,000)		29,917,639
Streets & infrastructure	50,703,003	2,241,899			52,944,902
Vehicles & equipment	15,886,725	2,016,214	(865,509)		17,037,430
Furniture & fixtures	430,299				430,299
Park structures & improvements	2,704,673	233,007			2,937,680
Total accumulated depreciation	<u>98,158,376</u>	<u>6,000,083</u>	<u>(890,509)</u>		<u>103,267,950</u>
Net depreciable assets	<u>63,904,959</u>	<u>(2,229,224)</u>	<u>(72,353)</u>	<u>295,932</u>	<u>61,899,314</u>
Governmental activity capital assets, net	<u>\$85,253,587</u>	<u>\$12,051,906</u>	<u>(\$72,353)</u>		<u>\$97,233,140</u>

	Balance June 30, 2015	Additions	Transfers	Balance June 30, 2016
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$2,862,549			\$2,862,549
Construction in progress	3,288,672	\$1,648,899	(\$3,714,857)	1,222,714
Total capital assets not being depreciated	6,151,221	1,648,899	(3,714,857)	4,085,263
Capital assets being depreciated:				
Buildings	7,662,168		256,736	7,918,904
Sewage facilities	58,958,084			58,958,084
Wells & pump stations	7,011,400		2,063,384	9,074,784
Water reservoirs	12,715,925			12,715,925
Mains & subsurface lines	39,851,064		1,394,737	41,245,801
Equipment	14,464,665	376,767		14,841,432
Furniture & fixtures	116,081	35,247		151,328
Total capital assets being depreciated	140,779,387	412,014	3,714,857	144,906,258
Less accumulated depreciation for:				
Buildings	5,100,939	205,418		5,306,357
Sewage facilities	33,735,807	1,226,997		34,962,804
Wells & pump stations	3,481,909	167,514		3,649,423
Water reservoirs	4,630,779	215,455		4,846,234
Mains & subsurface lines	17,545,694	1,302,764		18,848,458
Equipment	8,280,500	861,732		9,142,232
Furniture & fixtures	58,532	6,244		64,776
Total accumulated depreciation	72,834,160	3,986,124		76,820,284
Net depreciable assets	67,945,227	(3,574,110)	3,714,857	68,085,974
Business-type activity capital assets, net	\$74,096,448	(\$1,925,211)		\$72,171,237

B. CAPITAL ASSET CONTRIBUTIONS

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

C. DEPRECIATION ALLOCATION

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

Governmental Activities	
General government	\$181,603
Public safety	300,226
Public works	5,515
Culture and recreation	1,458,745
Streets and infrastructure	2,242,936
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,811,058</u>
Total Governmental Activities	<u><u>\$6,000,083</u></u>
Business-Type Activities	
Water Utility	\$1,274,779
Sanitation District	2,491,044
Civic Center	190,694
Transfer Station	<u>29,607</u>
Total Business-Type Activities	<u><u>\$3,986,124</u></u>

Note 5.
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2016, are as follows:

	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Current Portion
<i>Governmental Activity Debt</i>					
Housing & Urban Development Section 108 Loan 0.35%-2.49%, due 2023	\$4,500,000	\$2,670,000	\$260,000	\$2,410,000	\$279,000
2004 Series A-1 Pension Obligation Bonds 2.650%-5.896%, due 2024	36,235,000	26,755,000	1,840,000	24,915,000	2,070,000
Total Governmental Activity		<u>29,425,000</u>	<u>2,100,000</u>	<u>27,325,000</u>	<u>2,349,000</u>
<i>Business-Type Activity Debt</i>					
State Water Resources Control Board Loan 2.5%, due 2025	4,450,128	2,528,282	225,671	2,302,611	231,313
2012 Water Revenue Refunding Bond 2%, due 2024	6,890,000	5,290,000	540,000	4,750,000	545,000
Total Business-Type Activity		<u>7,818,282</u>	<u>765,671</u>	<u>7,052,611</u>	<u>776,313</u>
Total City Long-Term Obligations		<u>\$37,243,282</u>	<u>\$2,865,671</u>	<u>\$34,377,611</u>	<u>\$3,125,313</u>

During fiscal 2004, the City entered into a \$4,500,000 note payable agreement guaranteed under the Department of Housing and Urban Development's (HUD) Section 108 Loan Guarantee Program. Proceeds from the note were used to finance the design and construction of the Bayshore Community Center. Principal payments are due annually on August 1; interest payments are due semi-annually on August 1 and February 1. Debt service is payable from future Federal Block Grant monies. The City has pledged certain future grants revenue under Section 106 and Section 108(q) for which the City may become eligible and program income generated directly from the use of the loan funds to repay the note. On April 27, 2015, the City refinanced the loan in order to obtain a lower interest rate. The City realized an interest savings of approximately \$384,328. As of June 30, 2016, total principal and interest remaining on the note is \$2,597,857. For fiscal year 2016, principal and interest paid were \$288,850 and total block grant revenues were \$1,206,584.

On June 1, 2004, the City, through the California Statewide Communities Development Authority, issued \$36,235,000 of Taxable Pension Obligation Bonds, Series A-1, to prepay the City's unfunded PERS accrued actuarial liability of \$35,600,000. Principal is due annually on June 1 and interest is due semiannually on June 1 and December 1, through June 1, 2024. Debt service is payable from available City resources. For fiscal year 2016, principal and interest paid were \$3,411,808.

On November 18, 2003, the City received a loan in the amount of \$4,450,128, plus accrued interest, from the California State Water Resources Control Board. Proceeds from the loan were used for construction of tertiary treatment facilities and distribution pipelines in the City's Sanitation District. Principal and interest are due annually on December 1 through December 1, 2024. As long as the loan is outstanding, the City has pledged the Sanitation District Enterprise Fund revenues net of the operations and maintenance expenses but excluding depreciation, as defined in the loan agreement. As of June 30, 2016, total principal and interest remaining on the note is \$2,599,907. For fiscal year 2016, principal and interest paid were \$288,878 and total Sanitation District Enterprise net revenues were \$5,007,614.

On September 10, 2012, the City authorized the sale of \$6,890,000 of 2012 Water Revenue Refunding Bonds to refinance the outstanding balance of the 2004 Certificates of Participation. Principal payments are due annually on June 1 and interest is due semiannually on June 1 and December 1, commencing June 1, 2013, through June 1, 2024. The City has pledged Water Utility Enterprise Fund revenues, net of the operations and maintenance expenses but excluding depreciation, for debt service, as defined in the indenture. As of June 30, 2016, total principal and interest remaining on the bonds is \$5,193,950. For fiscal year 2016, principal and interest paid were \$651,250 and total Water Utility Enterprise Fund net revenues were \$2,409,400.

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$2,349,000	\$1,510,204	\$776,313	\$158,015
2018	2,623,000	1,385,613	802,096	135,882
2019	2,919,000	1,245,024	818,023	118,655
2020	3,236,000	1,086,402	834,099	101,079
2021	3,580,000	908,894	855,326	83,152
2022-2025	12,618,000	1,457,685	2,966,754	144,463
	<u>\$27,325,000</u>	<u>\$7,593,822</u>	<u>\$7,052,611</u>	<u>\$741,246</u>

Note 6.

CURRENT INTERFUND 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. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2016, the amounts of current interfund balances were as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Community Block Grant Special Revenue Fund	\$621,793
		<u>\$621,793</u>

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Transfer Amount</u>
General Fund	Capital Projects Fund	\$110,936
	Nonmajor Governmental Funds	484,898
	Internal Service Funds	1,846,639
Gas Tax Special Revenue Fund	General Fund	2,264,795
	Water Utility Enterprise Fund	10,325
Water Utility Enterprise Fund	General Fund	859,980
	Sanitation District Enterprise Fund	781,484
	Internal Service Funds	48,000
Sanitation District Enterprise Fund	General Fund	1,101,570
	Internal Service Funds	3,577
Nonmajor Governmental Funds	General Fund	59,167
Nonmajor Enterprise Funds	General Fund	57,359
Internal Service Funds	General Fund	620,508
	Capital Projects Fund	2,500
		<u>\$8,251,738</u>

The purpose of the majority of transfers is to provide general support to another fund. General Fund transfers out typically represent an operating subsidy or in the case of grants, a match of another fund's expenditures.

INTERNAL BALANCES

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

Note 7.

RETIREMENT PLAN

A. GENERAL INFORMATION ABOUT THE PENSION PLANS

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

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0%-3.0%	1.0%-2.5%
Required employee contribution rates	8%	50% of the Total Normal Cost
Required employer contribution rates	20.553%	20.553%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.4%-3.0%	2.0%-2.5%
Required employee contribution rates	9%	50% of the Total Normal Cost
Required employer contribution rates	26.506%	26.506%

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	432	286
Inactive employees entitled to but not yet receiving benefits	367	88
Active employees	310	174
Total	<u>1,109</u>	<u>548</u>

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

B. NET PENSION LIABILITY

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
Mortality	Derived using CalPers Membership Data for all Funds (2)

- (1) Net of pension plan investment and administrative expenses, including inflation
- (2) The mortality table used was developed based on CalPERS’ specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Change of Assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51%	5.25%	5.71%
Global Debt Securities	19%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

C. CHANGES IN THE NET PENSION LIABILITY

The changes in the Net Pension Liability for each Plan follow:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	<u>\$275,683,597</u>	<u>\$228,445,077</u>	<u>\$47,238,520</u>
Changes in the year:			
Service cost	4,355,451		4,355,451
Interest on the total pension liability	20,028,375		20,028,375
Changes in assumptions	(4,888,600)		(4,888,600)
Differences between actual and expected experience	(5,096,599)		(5,096,599)
Plan to Plan Resource Movement		(493)	493
Contributions - employer		3,732,343	(3,732,343)
Contributions - employee		1,959,273	(1,959,273)
Net investment income		5,074,277	(5,074,277)
Benefit payments, including refunds of employee contributions	(12,134,586)	(12,134,586)	
Administrative Expense		(255,289)	255,289
Net changes	<u>2,264,041</u>	<u>(1,624,475)</u>	<u>3,888,516</u>
Balance at June 30, 2015	<u><u>\$277,947,638</u></u>	<u><u>\$226,820,602</u></u>	<u><u>\$51,127,036</u></u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	<u>\$275,975,394</u>	<u>\$223,582,794</u>	<u>\$52,392,600</u>
Changes in the year:			
Service cost	4,776,984		4,776,984
Interest on the total pension liability	20,368,130		20,368,130
Changes in assumptions	(4,770,631)		(4,770,631)
Differences between actual and expected experience	(455,068)		(455,068)
Plan to Plan Resource Movement		493	(493)
Contributions - employer		4,630,110	(4,630,110)
Contributions - employee		1,864,455	(1,864,455)
Net investment income		4,997,920	(4,997,920)
Benefit payments, including refunds of employee contributions	(13,776,270)	(13,776,270)	
Administrative Expense		(249,064)	249,064
Net changes	<u>6,143,145</u>	<u>(2,532,356)</u>	<u>8,675,501</u>
Balance at June 30, 2015	<u><u>282,118,539</u></u>	<u><u>221,050,438</u></u>	<u><u>61,068,101</u></u>
TOTAL - ALL PLANS	<u><u>\$560,066,177</u></u>	<u><u>\$447,871,040</u></u>	<u><u>\$112,195,137</u></u>

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

	Miscellaneous	Safety	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$88,193,491	\$97,023,613	\$185,217,104
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$51,127,036	\$61,068,101	\$112,195,137
1% Increase	8.65%	8.65%	8.50%
Net Pension Liability	\$20,460,735	\$31,182,266	\$51,643,001

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

D. PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense. For the year ended June 30, 2016, the City recognized pension expense of \$2,423,897. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$13,278,462	
Differences between actual and expected experience		(\$3,386,619)
Changes in assumptions		(6,378,616)
Net differences between projected and actual earnings on plan investments	19,092,842	(23,318,299)
Total	<u>\$32,371,304</u>	<u>(\$33,083,534)</u>

The amount of \$13,278,462 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$8,445,220)
2018	(6,448,179)
2019	(3,870,505)
2020	4,773,212

E. PAYABLE TO THE PENSION PLAN

At June 30, 2016, the City had no unpaid contributions to the pension plan required for the fiscal year.

Note 8.

POST EMPLOYMENT BENEFITS OTHER THAN PENSION

The City provides certain health care benefits for employees who retire directly from the City with at least five years of service with the City and who are vested in the California Public Employees Retirement System (CalPERS). The City participates in the CalPERS health care plan which is governed under the California Public Employees Health and Medical Care Act (PEMCHA). Required retiree medical plan contributions are also governed by PEMCHA for member agencies.

The City contributes up to a fixed dollar amount for retiree medical benefits, which varies by employee bargaining group and coverage level as governed by PEMCHA. Benefits continue for surviving spouses in amounts as required by PEMCHA. Should an eligible retiree opt out of the CalPERS medical plan, they will receive \$120 to \$125 per month in lieu of contributions to the CalPERS plan. As of June 30, 2016, approximately 329 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 454 active employees that should they meet requirements will be eligible to receive health care benefits upon retirement.

A. FUNDING POLICY AND ACTUARIAL ASSUMPTIONS

The annual required contribution (ARC) was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included 3.00% inflation rate, 4.00% investment rate of return, 3.25% projected annual salary increase, and 5% to 6.7% health cost inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year closed amortization period for an initial June 30, 2008 Unfunded Accrued Actuarial Liability (UAAL), a 20 year closed amortization period for method assumptions and plan changes and 15 years for gains and losses, with a maximum of a 30 year combined closed period.

B. FUNDING PROGRESS AND FUNDED STATUS

In fiscal year 2016, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Obligation June 30, 2015	<u>\$7,006,729</u>
Annual required contribution (ARC)	4,795,000
Interest on net OPEB obligation	278,954
Adjustment to ARC	<u>(509,089)</u>
Net OPEB cost	4,564,865
Contributions made:	
City's contribution to CERBT	(2,000,000)
City's portion of current year premiums paid	<u>(2,185,170)</u>
Change in net OPEB Liability	<u>379,695</u>
Net OPEB Obligation June 30, 2016	<u><u>\$7,386,424</u></u>

The Plan's annual required contributions and actual contributions for the past three years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$3,907,467	\$4,388,838	112%	\$8,645,290
6/30/2015	4,128,380	5,766,941	140%	7,006,729
6/30/2016	4,564,865	4,185,170	92%	7,386,424

As of January 1, 2015, the most recent actuarial valuation date, the funded status was as follows:

Valuation Date	Actuarial		Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
6/30/2015	\$5,217,000	\$63,523,000	(\$58,306,000)	8%	\$43,337,000	(134.5%)

Note 9.

DEFERRED COMPENSATION PLAN

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 Internal Revenue Service.

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 10.

SELF-INSURANCE

The Self-Insurance Internal Service Fund was established in 1979 to provide for payment of costs associated with the City’s risk management programs. Fund revenues consist of interest earnings, reimbursements of claims paid by the Fund and charges to other funds. The latter is intended to match the charges for insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, operating expenses and the provision of reserves for pending and possible future claims.

The City has a self-insured retention for the first \$250,000 of general and automobile liability claims and maintains a \$10,000 deductible for property losses. Losses in excess of the retention up to \$25,000,000 on general and automobile liability are covered by purchased excess insurance. The City purchases combined property, boiler and machinery and automobile comprehensive insurance covering all but the deductible on the full value of City property. Settlements have never exceeded insurance coverage. The City expenses the incurred liabilities for claims in cases where such amounts are reasonably determinable and where the likelihood of liability exists. Included are estimates for incurred but not reported claims, which are calculated based on claims experience. In addition, the City has reserved remaining net position (which provision is not charged to expense) for possible future claims.

The City is a member of California State Association of Counties Excess Insurance Authority (CSAC-EIA), a joint powers authority (JPA) which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$350,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a statutory limit. During the fiscal year ended June 30, 2016, the City contributed \$332,244 to CSAC-EIA for current year coverage. Audited financial statements for CSAC-EIA are available from CSAC-EIA at 75 Iron Point Circle, Suite 200, Folsom, CA95630.

The City's present value liability for uninsured claims including a provision for claims incurred but not reported using a discount rate of 2.5% was computed as follows based on claims experience for the years ended June 30, 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning balance of claims payable	\$7,332,555	\$6,484,819	\$6,301,018
Increase in estimated claims liability	4,797,075	3,870,109	2,413,596
Claims paid	<u>(3,223,630)</u>	<u>(3,022,373)</u>	<u>(2,229,795)</u>
Ending balance of claims payable	<u>\$8,906,000</u>	<u>\$7,332,555</u>	<u>\$6,484,819</u>
Current Portion	<u>\$3,357,411</u>	<u>\$2,669,544</u>	<u>\$2,227,649</u>

Note 11.
NET POSITION

Net Position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position and are described below:

Net Investment in Capital Assets, describes the portion of Net Position 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 Position 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 amounts required to be set aside for low and moderate income housing.

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

A. GOVERNMENTAL FUND BALANCES

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources.

For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

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

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

Committed fund balances have constraints imposed by formal action of the City Council by resolution which may be altered only by formal action in the same manner. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council by resolution or its designee (City Manager) and may be changed at the discretion of the City Council by resolution. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

Detailed classifications of the City's Fund Balances, as of June 30, 2016, are below:

Fund Balance Classifications	General Fund	Gas Tax	Grants	Capital Projects	Other Governmental Funds	Total
Nonspendables:						
Items not in spendable form:						
Inventories	\$175,415					\$175,415
Prepays					\$2,211	2,211
Loans to Private Purpose Trust Fund	13,278,097					13,278,097
Total Nonspendable Fund Balances	13,453,512				2,211	13,455,723
Restricted for:						
Gas Tax Projects		\$5,798,637				5,798,637
Capital Projects				\$5,479,046		5,479,046
Low and Moderate Income Housing Assets					7,353,047	7,353,047
Linda Vista Benefit Assessment					416,840	416,840
Traffic Safety					122,624	122,624
Grants			\$572,547			572,547
Total Restricted Fund Balances		5,798,637	572,547	5,479,046	7,892,511	19,742,741
Assigned to:						
Encumbrances	98,569					98,569
Operating Capital	12,000,000					12,000,000
Capital Projects				17,525,314		17,525,314
Total Assigned Fund Balances	12,098,569			17,525,314		29,623,883
Unassigned:						
General fund	18,329,649					18,329,649
Total Fund Balances	\$43,881,730	\$5,798,637	\$572,547	\$23,004,360	\$7,894,722	\$81,151,996

Note 12.
LOANS AND NOTES RECEIVABLE

The City administers a housing rehabilitation program using Housing and Community Development Block Grant (CDBG) and Cal Home funds that is accounted for in the Community Block Grant Special Revenue Fund and Grants Special Revenue Fund. Under this program, individuals with incomes below a certain level are eligible to receive low interest loans, secured by deeds of trust or mobile home liens, for construction work on their homes. Although these loans and notes are expected to be repaid, their balance has been offset by unavailable revenue as they are not expected to be repaid during the next fiscal year.

During fiscal year 2016, the City made loans to 5 participants under this program and the CDBG loan program activity is as follows:

Beginning Balance	\$1,218,010
New loans	226,819
Loan repayments	<u>(53,169)</u>
Ending Balance	<u><u>\$1,391,660</u></u>

Note 13.

FUND DEFICIT

The Building Maintenance, Self-Insurance and the PERS Contributions Internal Service Funds had deficits amounting to \$498,170, \$881,823 and \$18,359,218, respectively, at June 30, 2016. The deficits will be eliminated with future revenues and available funding or other resources.

Note 14.

ACTIVITIES OF THE SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Information presented in the following footnotes represents assets and liabilities of the Successor Agency.

A. CASH

Cash and investments of the Successor Agency as of June 30, 2016 are discussed in Note 1H above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2016.

B. LONG-TERM DEBT

On January 30, 2007, the City's former Redevelopment Agency entered into a loan agreement with California Housing Finance Agency in the amount of \$1,500,000, bearing a simple interest rate of 3% per annum and due fiscal year 2017, to assist the Agency in operating a local revolving loan program. The program provides short-term financing for the development of home ownership and multifamily rental projects. The City paid off the loan on June 8, 2016 for a total of \$1,154,208, which consists of \$904,670 principal and \$249,538 interest.

C. LONG RANGE PROPERTY MANAGEMENT PLAN APPROVAL

On December 14, 2015 the Successor Agency received confirmation from the DOF that the DOF had reviewed and approved the Successor Agency's Long Range Property Management Plan (LRPMP). Properties formally held by the Redevelopment Agency are to be transferred to the City.

D. SPECIAL ITEM - PROPERTY HELD FOR REDEVELOPMENT

In fiscal year 2012, the Successor Agency assumed the property held for redevelopment from the City's former Redevelopment Agency in the amount of \$16,113,762. In fiscal year 2013, the Successor Agency transferred \$3,366,888, the value associated with property at the northeast corner of the Martin and Carter Street intersection, to the Daly City Housing Development Finance Agency. Consistent with the DOF approved Long Range Property Management Plan remaining property held by the Successor Agency was transferred to the City for the purpose of future development, public use, or disposition. The balance of property transferred to the City in fiscal year 2016 is \$12,746,874.

E. SPECIAL ITEM - LOANS BETWEEN THE CITY AND THE FORMER REDEVELOPMENT AGENCY

Due to the dissolution of the Redevelopment Agency, loans payable, totaling \$23,842,357, from the Redevelopment Agency to the General Fund were written off as of June 30, 2012. In May 2016 the State Department of Finance (DOF) and confirmed and approved repayment of the loan payment from the former Redevelopment Agency to the City General Fund totaling \$13,775,503, payable at the statutory interest rate of 3% of the outstanding amount. As of June 30, 2016, the loan repayment has been recorded as a loan receivable in the City's General Fund and in compliance with GASB 54 is classified as nonspendable fund balance (see Note 11) and therefore cannot be appropriated against until funds are received from the State via the County of San Mateo. In June 2016, the Successor Agency has received the first repayment from the DOF totaling \$497,406. A repayment schedule is expected from the County and the loan will be paid over 15 years.

F. SUBSEQUENT EVENT

In October 2016, the City received confirmation and approval of an additional repayment of the loan from the former Redevelopment Agency to the City General Fund totaling \$4,579,613. This additional repayment will be recorded as a loan receivable in the City's General Fund, be classified as nonspendable fund balance and cannot be appropriated against until funds are received from the State.



REQUIRED SUPPLEMENTARY INFORMATION

AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS:

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

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

SCHEDULE OF CONTRIBUTIONS – PENSION PLANS

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

SCHEDULE OF FUNDING PROGRESS – OPEB PLAN

This schedule presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Daly City, Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	MISCELLANEOUS	
	2013-2014	2014-2015
Total Pension Liability		
Service Cost	\$4,928,638	\$4,355,451
Interest	19,456,167	20,028,375
Differences between expected and actual experience		(5,096,599)
Changes in assumptions		(4,888,600)
Changes in benefits		
Benefit payments, including refunds of employee contributions	(11,304,889)	(12,134,586)
Net change in total pension liability	13,079,916	2,264,041
Total pension liability - beginning	262,603,681	275,683,597
Total pension liability - ending (a)	<u>\$275,683,597</u>	<u>\$277,947,638</u>
Plan fiduciary net position		
Contributions - employer	\$3,860,928	\$3,732,343
Contributions - employee	2,090,754	1,959,273
Net investment income	34,374,839	5,074,277
Benefit payments, including refunds of employee contributions	(11,304,889)	(12,134,586)
Administrative Expense		(255,289)
Plan to Plan Resource Movement		(493)
Net change in plan fiduciary net position	29,021,632	(1,624,475)
Plan fiduciary net position - beginning	199,423,445	228,445,077
Plan fiduciary net position - ending (b)	<u>\$228,445,077</u>	<u>\$226,820,602</u>
Net pension liability - ending (a)-(b)	<u>\$47,238,520</u>	<u>\$51,127,036</u>
Plan fiduciary net position as a percentage of the total pension liability	82.86%	81.61%
Covered - payroll	\$24,443,972	\$26,991,779
Net pension liability as percentage of covered-employee payroll	193.25%	189.42%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: CalPERS Accounting Valuation

City of Daly City, Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	SAFETY	
	2013-2014	2014-2015
Total Pension Liability		
Service Cost	\$5,018,136	\$4,776,984
Interest	19,532,405	20,368,130
Differences between expected and actual experience		(455,068)
Changes in assumptions		(4,770,631)
Changes in benefits		
Benefit payments, including refunds of employee contributions	(12,996,278)	(13,776,270)
Net change in total pension liability	11,554,263	6,143,145
Total pension liability - beginning	264,421,131	275,975,394
Total pension liability - ending (a)	<u>\$275,975,394</u>	<u>\$282,118,539</u>
Plan fiduciary net position		
Contributions - employer	\$4,225,009	\$4,630,110
Contributions - employee	2,632,654	1,864,455
Net investment income	33,622,839	4,997,920
Benefit payments, including refunds of employee contributions	(12,996,278)	(13,776,270)
Administrative Expense		(249,064)
Plan to Plan Resource Management		493
Net change in plan fiduciary net position	27,484,224	(2,532,356)
Plan fiduciary net position - beginning	196,098,570	223,582,794
Plan fiduciary net position - ending (b)	<u>\$223,582,794</u>	<u>\$221,050,438</u>
Net pension liability - ending (a)-(b)	<u>\$52,392,600</u>	<u>\$61,068,101</u>
Plan fiduciary net position as a percentage of the total pension liability	81.02%	78.35%
Covered - employee payroll	\$19,652,763	\$23,875,525
Net pension liability as percentage of covered-employee payroll	266.59%	255.78%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: CalPERS Accounting Valuation

City of Daly City, Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	MISCELLANEOUS	
	2015	2016
Actuarially determined contribution	\$3,860,928	\$3,732,343
Contributions in relation to the actuarially determined contributions	(3,860,928)	(3,732,343)
Contribution deficiency (excess)	\$24,443,972	\$26,991,779
Covered-employee payroll	\$24,443,972	\$26,991,779
Contributions as a percentage of covered-employee payroll	15.80%	13.83%
Notes to Schedule		
Valuation date:	6/30/2013	6/30/2014

Methods and assumptions used to determine contribution rates for the 6/30/13 valuation:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age (based on experience study)	59 years old
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2015 experience study report available on CalPERS' website.

Methods and assumptions used to determine contribution rates for the 6/30/14 valuation:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Retirement age (based on experience study)	59 years old
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2015 experience study report available on CalPERS' website.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

City of Daly City, Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	SAFETY	
	2015	2016
Actuarially determined contribution	\$4,225,009	\$4,630,110
Contributions in relation to the actuarially determined contributions	(4,225,009)	(4,630,110)
Contribution deficiency (excess)	-	-
Covered-employee payroll	19,652,763	23,875,525
Contributions as a percentage of covered-employee payroll	21.50%	19.39%
Notes to Schedule		
Valuation date:	6/30/2013	6/30/2014

Methods and assumptions used to determine contribution rates for the 6/30/13 valuation:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age (based on experience study)	54 years old
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

Methods and assumptions used to determine contribution rates for the 6/30/14 valuation:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Retirement age (based on experience study)	54 years old
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

City of Daly City
 Schedule of Funding Progress – Other Post Employment Benefits
 As of the fiscal year ending June 30, 2016
 Last Three Actuarial Valuation

Valuation Date	Actuarial		Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
1/1/2011	\$0	\$40,910,000	(\$40,910,000)	0%	\$45,974,000	(89.0%)
1/1/2013	0	46,958,000	(46,958,000)	0%	42,630,000	(110.2%)
6/30/2015	5,217,000	63,523,000	(58,306,000)	8%	43,337,000	(134.5%)

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources traditionally associated with governments which are not required to be accounted for in a separate fund. It comprises of the following activities: General, Special Deposits, and Traffic Enforcement.

CITY OF DALY CITY
GENERAL FUND
COMBINING FUND BALANCE SHEET
JUNE 30, 2016

	General	Special Deposits	Traffic Enforcement	Total General Fund
ASSETS				
Cash and investments	\$31,012,370	\$5,167,276	\$231,846	\$36,411,492
Accounts receivable, net	3,494,761	52,044	59,312	3,606,117
Due from other funds	621,793			621,793
Inventories	175,415			175,415
Loans to the Private Purpose Trust Fund	13,278,097			13,278,097
Total Assets	\$48,582,436	\$5,219,320	\$291,158	\$54,092,914
LIABILITIES				
Accounts payable	\$3,842,512	\$684,918	\$22,121	\$4,549,551
Accrued payroll	1,545,827		1,490	1,547,317
Deposits payable		4,114,316		4,114,316
Total Liabilities	5,388,339	4,799,234	23,611	10,211,184
FUND BALANCES				
Fund Balance				
Nonspendable	13,453,512			13,453,512
Assigned	12,098,569			12,098,569
Unassigned	17,642,016	420,086	267,547	18,329,649
Total Fund Balances	43,194,097	420,086	267,547	43,881,730
Total Liabilities, and Fund Balances	\$48,582,436	\$5,219,320	\$291,158	\$54,092,914

CITY OF DALY CITY
GENERAL FUND
COMBINING FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	General	Special Deposits	Traffic Enforcements	Total General Funds
REVENUES				
Property tax	\$29,591,108			\$29,591,108
Sales tax	11,881,555			11,881,555
Utility users tax	6,099,207			6,099,207
Franchise fees	3,828,424			3,828,424
Other taxes	5,761,695			5,761,695
Licenses and permits	2,889,367			2,889,367
Fines and forfeitures	3,089,459		\$352,913	3,442,372
Rents and interest	1,548,653			1,548,653
Receipts from other agencies	882,747			882,747
Charges and fees	8,069,810	\$135,592		8,205,402
Miscellaneous	5,024,843	17,023		5,041,866
Total Revenues	78,666,868	152,615	352,913	79,172,396
EXPENDITURES				
Current:				
General government	10,767,925	9,116		10,777,041
Public safety	48,264,978		304,220	48,569,198
Public works	7,379,143			7,379,143
Culture and recreation	9,176,093	109,497		9,285,590
Economic and community development	3,051,414			3,051,414
Total Expenditures	78,639,553	118,613	304,220	79,062,386
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,315	34,002	48,693	110,010
OTHER FINANCING SOURCES (USES)				
Sale of property		1,600		1,600
Transfers in	4,963,379			4,963,379
Transfers (out)	(2,442,473)			(2,442,473)
Total Other Financing Sources (Uses)	2,520,906	1,600		2,522,506
NET CHANGES IN FUND BALANCES	2,548,221	35,602	48,693	2,632,516
Special Items	13,775,503			13,775,503
NET CHANGE IN FUND BALANCES	16,323,724	35,602	48,693	16,408,019
BEGINNING FUND BALANCES	26,870,373	384,484	218,854	27,473,711
ENDING FUND BALANCES	\$43,194,097	\$420,086	\$267,547	\$43,881,730



**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or rehabilitation of major capital assets other than those financed by Proprietary Funds.

CITY OF DALY CITY
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Rents and interest	\$138,500	\$228,605	\$90,105
Receipts from other agencies		215,476	215,476
Charges and fees	2,705,946	3,588,804	882,858
Miscellaneous	137,859	264,800	126,941
Total Revenues	<u>2,982,305</u>	<u>4,297,685</u>	<u>1,315,380</u>
EXPENDITURES			
Capital projects	<u>3,894,330</u>	<u>1,578,593</u>	<u>2,315,737</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(912,025)</u>	<u>2,719,092</u>	<u>3,631,117</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>102,500</u>	<u>113,436</u>	<u>10,936</u>
Total Other Financing Sources (Uses)	<u>102,500</u>	<u>113,436</u>	<u>10,936</u>
NET CHANGE IN FUND BALANCES	<u><u>(\$809,525)</u></u>	2,832,528	<u><u>\$3,642,053</u></u>
BEGINNING FUND BALANCE		<u>20,171,832</u>	
ENDING FUND BALANCE		<u><u>\$23,004,360</u></u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action.

The City's Special Revenue Funds are as follows:

- Low and Moderate Income Housing Assets – to account for the activities of the Housing Successor Agency to the Daly City Redevelopment Agency.
- Doelger Senior Center - to account for the operations of the Doelger Senior Center program.
- Community Block Grant - to account for monies received by the City as a participant in the federal Community Development Block Grant (CDBG) program.
- Linda Vista Benefit Assessment - to account for the charges and for the costs of maintenance of storm drains in the Linda Vista Subdivision.
- Traffic Safety – to account for grant funds and vehicle impound fees authorized by State law specifically to provide traffic safety programs.

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	SPECIAL REVENUE FUNDS		
	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant
ASSETS			
Cash and investments	\$4,060,830	\$15,391	
Accounts receivable, net		17,011	\$715,118
Prepaid	138	2,073	
Notes receivable			852,832
Property held for development	3,366,888		
Total Assets	\$7,427,856	\$34,475	\$1,567,950
LIABILITIES			
Accounts payable		\$22,995	\$83,312
Accrued payroll	\$745	9,407	10,013
Due to other funds			621,793
Deposits payable	73,926		
Total Liabilities	74,671	32,402	715,118
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - loans			852,832
FUND BALANCES			
Nonspendable	138	2,073	
Restricted	7,353,047		
Total Fund Balances	7,353,185	2,073	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$7,427,856	\$34,475	\$715,118

SPECIAL REVENUE FUNDS

<u>Linda Vista Benefit Assessment</u>	<u>Traffic Safety</u>	<u>Total Nonmajor Governmental Funds</u>
\$416,840	\$123,389	\$4,616,450 732,129 2,211 852,832 <u>3,366,888</u>
<u>\$416,840</u>	<u>\$123,389</u>	<u>\$9,570,510</u>
	\$765	\$107,072 20,165 621,793 73,926
	<u>765</u>	<u>822,956</u>
		<u>852,832</u>
<u>\$416,840</u>	<u>122,624</u>	2,211 <u>7,892,511</u>
<u>416,840</u>	<u>122,624</u>	<u>7,894,722</u>
<u>\$416,840</u>	<u>\$123,389</u>	<u>\$9,570,510</u>

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS		
	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant
REVENUES			
Rents and interest			
Federal programs and grants		\$207,711	\$1,088,858
Charges and fees	\$2,459,236	245,584	
Miscellaneous	2,852	100,005	117,624
Total Revenues	<u>2,462,088</u>	<u>553,300</u>	<u>1,206,482</u>
EXPENDITURES			
Public safety			
Public works			
Culture and recreation		976,958	
Economic and community development	63,735		917,752
Debt service:			
Principal			260,000
Interest			28,730
Total Expenditures	<u>63,735</u>	<u>976,958</u>	<u>1,206,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,398,353</u>	<u>(423,658)</u>	
OTHER FINANCING SOURCES (USES)			
Transfers in		484,898	
Transfers out		(59,167)	
Total Other Financing Sources (Uses)		<u>425,731</u>	
NET CHANGE IN FUND BALANCES	2,398,353	2,073	
BEGINNING FUND BALANCES	<u>4,954,832</u>		
ENDING FUND BALANCES	<u><u>\$7,353,185</u></u>	<u><u>\$2,073</u></u>	

SPECIAL REVENUE FUNDS

<u>Linda Vista Benefit Assessment</u>	<u>Traffic Safety</u>	<u>Total Nonmajor Governmental Funds</u>
\$4,154		\$4,154
44,380	\$84,480	1,296,569
		2,833,680
		220,481
<u>48,534</u>	<u>84,480</u>	<u>4,354,884</u>
	73,382	73,382
21,442		21,442
		976,958
		981,487
		260,000
		28,730
<u>21,442</u>	<u>73,382</u>	<u>2,341,999</u>
<u>27,092</u>	<u>11,098</u>	<u>2,012,885</u>
		484,898
		(59,167)
		425,731
27,092	11,098	2,438,616
389,748	111,526	5,456,106
<u>\$416,840</u>	<u>\$122,624</u>	<u>\$7,894,722</u>

CITY OF DALY CITY
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	LOW AND MODERATE INCOME HOUSING ASSETS			DOELGER SENIOR CENTER		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest						
Federal programs and grants				\$203,991	\$207,711	\$3,720
Charges and fees		\$2,459,236	\$2,459,236	258,200	245,584	(12,616)
Miscellaneous	\$2,850	2,852	2	100,200	100,005	(195)
Total Revenues	2,850	2,462,088	2,459,238	562,391	553,300	(9,091)
EXPENDITURES						
Public Safety						
Salaries and benefits						
Services and supplies						
Capital outlay						
Other charges						
Total Public Safety						
Public Works						
Services and supplies						
Capital outlay						
Other charges						
Total Public Works						
Culture and Recreation						
Salaries and benefits				415,138	352,194	62,944
Services and supplies				611,158	613,252	(2,094)
Other charges				7,517	11,512	(3,995)
Total Culture and Recreation				1,033,813	976,958	56,855
Economic and Community Development						
Salaries and benefits	28,620	31,985	(3,365)			
Services and supplies		1,750	(1,750)			
Other charges	11,000	30,000	(19,000)			
Debt Service:						
Principal						
Interest						
Total Economic and Community Development	39,620	63,735	(24,115)			
Total Expenditures	39,620	63,735	(24,115)	1,033,813	976,958	56,855
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,770)	2,398,353	2,435,123	(471,422)	(423,658)	47,764
OTHER FINANCING SOURCES (USES)						
Transfers in				530,588	484,898	(45,690)
Transfers out				(59,166)	(59,167)	(1)
Total Other Financing Sources (Uses)				471,422	425,731	(45,691)
NET CHANGE IN FUND BALANCES	(\$36,770)	2,398,353	\$2,435,123		2,073	\$2,073
BEGINNING FUND BALANCES		4,954,832				
ENDING FUND BALANCES		\$7,353,185			\$2,073	



NONMAJOR PROPRIETARY FUNDS

The City maintains the following nonmajor enterprise funds:

- Civic Center - to account for rental activity of real property owned by the City in the Civic Center area.
- Transfer Station - to account for the activity of the Mussel Rock garbage transfer station.

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
JUNE 30, 2016

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$2,618,785	\$1,719,489	\$4,338,274
Accounts receivable, net	19,795	1,101	20,896
Total Current Assets	<u>2,638,580</u>	<u>1,720,590</u>	<u>4,359,170</u>
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	936,705	20,912	957,617
Total Capital Assets	<u>8,201,195</u>	<u>1,298,574</u>	<u>9,499,769</u>
Less accumulated depreciation	<u>(4,145,443)</u>	<u>(1,118,836)</u>	<u>(5,264,279)</u>
Net Capital Assets	<u>4,055,752</u>	<u>179,738</u>	<u>4,235,490</u>
Total Assets	<u>\$6,694,332</u>	<u>\$1,900,328</u>	<u>\$8,594,660</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>\$10,607</u>		<u>\$10,607</u>
Total Liabilities	<u>10,607</u>		<u>10,607</u>
NET POSITION			
Net investment in capital assets	4,055,752	\$179,738	4,235,490
Unrestricted	<u>2,627,973</u>	<u>1,720,590</u>	<u>4,348,563</u>
Total Net Position	<u>\$6,683,725</u>	<u>\$1,900,328</u>	<u>\$8,584,053</u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$695,906		\$695,906
Lease revenue		\$281,250	281,250
Other revenues	<u>53,439</u>	<u>94,319</u>	<u>147,758</u>
Total Operating Revenues	<u>749,345</u>	<u>375,569</u>	<u>1,124,914</u>
OPERATING EXPENSES			
Services and supplies	529,726	8,955	538,681
Utilities	94,168		94,168
Insurance	18,791		18,791
Depreciation	<u>190,694</u>	<u>29,607</u>	<u>220,301</u>
Total Operating Expenses	<u>833,379</u>	<u>38,562</u>	<u>871,941</u>
Operating Income	<u>(84,034)</u>	<u>337,007</u>	<u>252,973</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>26,891</u>		<u>26,891</u>
Income (Loss) Before Transfers	(57,143)	337,007	279,864
Transfers out	<u>(57,359)</u>		<u>(57,359)</u>
Change in Net Position	(114,502)	337,007	222,505
BEGINNING NET POSITION	<u>6,798,227</u>	<u>1,563,321</u>	<u>8,361,548</u>
ENDING NET POSITION	<u>\$6,683,725</u>	<u>\$1,900,328</u>	<u>\$8,584,053</u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Civic Center	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$736,111	\$375,569	\$1,111,680
Payments to suppliers	(643,778)	(8,955)	(652,733)
Cash Flows from Operating Activities	<u>92,333</u>	<u>366,614</u>	<u>458,947</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(57,359)		(57,359)
Cash Flows from Noncapital financing activities	<u>(57,359)</u>		<u>(57,359)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	26,891		26,891
Net Cash Flows	61,865	366,614	428,479
Cash and investments at beginning of year	<u>2,556,920</u>	<u>1,352,875</u>	<u>3,909,795</u>
Cash and investments at end of year	<u><u>\$2,618,785</u></u>	<u><u>\$1,719,489</u></u>	<u><u>\$4,338,274</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	(\$84,034)	\$337,007	\$252,973
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	190,694	29,607	220,301
Change in assets and liabilities:			
Accounts receivable	1,766		1,766
Accounts payable	(1,093)		(1,093)
Deposits payable	(15,000)		(15,000)
Cash Flows from Operating Activities	<u><u>\$92,333</u></u>	<u><u>\$366,614</u></u>	<u><u>\$458,947</u></u>

INTERNAL SERVICE FUNDS

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

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund financial statements.

The City's Internal Service Funds are:

- Motor Vehicles - to account for the purchase and maintenance of all motor vehicles provided as a service to City departments.
- Central Services - to account for and allocate costs related to providing mail messenger services for City departments.
- PBX - to account for services provided for the operation and maintenance of the City's telephone system.
- Building Maintenance - to account for services provided for the maintenance of City facilities.
- Information Services - to account for the distribution of computer hardware, software and operating costs to various City departments.
- Self-Insurance - to account for the costs of workers compensation, automotive, and general liability claims against the City.
- PERS Contributions - to account for the long-term debt, prepaid PERS contributions and repayments from benefiting City funds and departments resulting from the City's PERS Obligation Bond issue.

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Motor Vehicles	Central Services	PBX	Building Maintenance
ASSETS				
Current Assets:				
Cash and investments	\$3,419,123	\$416,669	\$238,192	\$231,314
Cash with fiscal agent				
Accounts receivable, net	36,712			
Prepays	6,888	376		16,427
Inventories	93,968			10,709
Total Current Assets	3,556,691	417,045	238,192	258,450
Capital Assets:				
Land				
Buildings	35,817			
Equipment	15,030,218	9,370	932,404	50,417
Furniture and fixtures				6,093
Construction in progress				
Total Capital Assets	15,066,035	9,370	932,404	56,510
Less Accumulated Depreciation	(9,470,358)	(3,748)	(760,739)	(55,357)
Net Capital Assets	5,595,677	5,622	171,665	1,153
Total Assets	9,152,368	422,667	409,857	259,603
LIABILITIES				
Current Liabilities:				
Accounts payable	348,377	1,077	11,907	63,534
Accrued payroll	16,984	1,888		55,933
Interest payable				
Accrued claims payable				
PERS obligation bonds				
Due to other funds (Note 6)				
Total Current Liabilities	365,361	2,965	11,907	119,467
Long-Term Liabilities:				
Compensated absences	55,879			332,457
Accrued claims payable				
OPEB Obligation	81,775			305,849
PERS obligation bonds				
Total Long-Term Liabilities	137,654			638,306
Total Liabilities	503,015	2,965	11,907	757,773
NET POSITION				
Net investment in capital assets	5,595,677	5,622	171,665	1,153
Restricted for debt service				
Unrestricted	3,053,676	414,080	226,285	(499,323)
Total Net Position (Deficit)	\$8,649,353	\$419,702	\$397,950	(\$498,170)

Information Services	Self-Insurance	PERS Contributions	Total
\$2,449,905	\$7,657,383	\$6,678,154	\$21,090,740
		44	44
	50,534		87,246
4,143	1,928		29,762
			104,677
<u>2,454,048</u>	<u>7,709,845</u>	<u>6,678,198</u>	<u>21,312,469</u>
	378,343		378,343
			35,817
3,546,732			19,569,141
46,614			52,707
167,014			167,014
<u>3,760,360</u>	<u>378,343</u>		<u>20,203,022</u>
<u>(3,038,990)</u>			<u>(13,329,192)</u>
<u>721,370</u>	<u>378,343</u>		<u>6,873,830</u>
<u>3,175,418</u>	<u>8,088,188</u>	<u>6,678,198</u>	<u>28,186,299</u>
39,064	27,999		491,958
25,623	9,751		110,179
		122,416	122,416
	3,357,411		3,357,411
		2,070,000	2,070,000
<u>64,687</u>	<u>3,395,161</u>	<u>2,192,416</u>	<u>6,151,964</u>
78,610	26,261		493,207
	5,548,589		5,548,589
96,789			484,413
		22,845,000	22,845,000
<u>175,399</u>	<u>5,574,850</u>	<u>22,845,000</u>	<u>29,371,209</u>
<u>240,086</u>	<u>8,970,011</u>	<u>25,037,416</u>	<u>35,523,173</u>
721,370	378,343		6,873,830
		44	44
2,213,962	(1,260,166)	(18,359,262)	(14,210,748)
<u>\$2,935,332</u>	<u>(\$881,823)</u>	<u>(\$18,359,218)</u>	<u>(\$7,336,874)</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Motor Vehicles	Central Services	PBX	Building Maintenance
OPERATING REVENUES				
Charges to City departments	\$3,500,978	\$203,044	\$214,227	\$3,609,079
Other revenues	504,828		4,455	17,637
Total Operating Revenues	4,005,806	203,044	218,682	3,626,716
OPERATING EXPENSES				
Salaries and benefits	1,012,659	82,239		3,035,403
Services and supplies	1,103,423	141,835	56,775	871,512
Utilities	28,681	185	149,078	204,239
Insurance	533,460	265		6,416
Claims and settlements				
Depreciation	1,380,517	1,874	164,806	659
Other charges	436,605	1,607		14,354
Total Operating Expenses	4,495,345	228,005	370,659	4,132,583
Operating Income (Loss)	(489,539)	(24,961)	(151,977)	(505,867)
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	(40,313)			
Interest income	36,915	4,329	2,211	(3,342)
Interest expense				
Total Nonoperating Revenues (Expenses)	(3,398)	4,329	2,211	(3,342)
Income (Loss) Before Transfers	(492,937)	(20,632)	(149,766)	(509,209)
Transfers in	151,299	33,421		900,000
Transfers out	(72,027)	(10,317)	(11,776)	(121,923)
Net Transfers	79,272	23,104	(11,776)	778,077
Change in Net Position	(413,665)	2,472	(161,542)	268,868
BEGINNING NET POSITION (DEFICITS)	9,063,018	417,230	559,492	(767,038)
ENDING NET POSITION (DEFICITS)	\$8,649,353	\$419,702	\$397,950	(\$498,170)

<u>Information Services</u>	<u>Self- Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$2,579,514	\$5,884,443	\$3,444,889	\$19,436,174
150	114,249		641,319
<u>2,579,664</u>	<u>5,998,692</u>	<u>3,444,889</u>	<u>20,077,493</u>
1,406,744	373,219		5,910,264
392,737	284,933	6,513	2,857,728
27,520	779		410,482
507	932,143		1,472,791
	4,797,075		4,797,075
263,202			1,811,058
168,261	9,646		630,473
<u>2,258,971</u>	<u>6,397,795</u>	<u>6,513</u>	<u>17,889,871</u>
<u>320,693</u>	<u>(399,103)</u>	<u>3,438,376</u>	<u>2,187,622</u>
			(40,313)
23,590	62,790	15	126,508
		(1,563,240)	(1,563,240)
<u>23,590</u>	<u>62,790</u>	<u>(1,563,225)</u>	<u>(1,477,045)</u>
<u>344,283</u>	<u>(336,313)</u>	<u>1,875,151</u>	<u>710,577</u>
13,496		800,000	1,898,216
(203,285)	(203,680)		(623,008)
<u>(189,789)</u>	<u>(203,680)</u>	<u>800,000</u>	<u>1,275,208</u>
154,494	(539,993)	2,675,151	1,985,785
<u>2,780,838</u>	<u>(341,830)</u>	<u>(21,034,369)</u>	<u>(9,322,659)</u>
<u>\$2,935,332</u>	<u>(\$881,823)</u>	<u>(\$18,359,218)</u>	<u>(\$7,336,874)</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Motor Vehicles	Central Services	PBX	Building Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,978,495	\$203,044	\$233,233	\$3,626,716
Payments to suppliers	(1,856,001)	(146,788)	(205,902)	(1,086,843)
Payments to employees	(968,032)	(78,496)		(2,838,620)
Claims paid				
Cash Flows from (used for) Operating Activities	1,154,462	(22,240)	27,331	(298,747)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Interfund receipts	151,299	33,421		900,000
Interfund payments	(72,027)	(10,317)	(11,776)	(366,597)
Cash Flows from (used for) Noncapital Financing Activities	79,272	23,104	(11,776)	533,403
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,774,356)			
Proceeds from sale of capital assets	28,308			
Cash Flows from (used for) Capital and Related Financing Activities	(1,746,048)			
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income (expense)	36,915	4,329	2,211	(3,342)
Net Cash Flows	(475,399)	5,193	17,766	231,314
Cash and investments at beginning of period	3,894,522	411,476	220,426	
Cash and investments at end of period	<u>\$3,419,123</u>	<u>\$416,669</u>	<u>\$238,192</u>	<u>\$231,314</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	(\$489,539)	(\$24,961)	(\$151,977)	(\$505,867)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	1,380,517	1,874	164,806	659
Change in assets and liabilities:				
Receivables, net	(27,311)		14,551	
Inventories	(4,413)			1,743
Prepaid	(6,888)	(376)		(16,427)
Accounts payable	257,469	(2,520)	(49)	24,362
Accrued claims payable				
Accrued payroll	1,646	200		10,386
Compensated absences	(7,125)			21,000
OPEB obligation	50,106	3,543		165,397
Cash Flows from (used for) Operating Activities	\$1,154,462	(22,240)	\$27,331	(298,747)

<u>Information Services</u>	<u>Self-Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$2,579,814	\$6,018,720	\$3,444,889	\$20,084,911
(591,341)	(1,212,817)	(6,513)	(5,106,205)
(1,371,299)	(367,728)		(5,624,175)
	(3,223,630)		(3,223,630)
<u>617,174</u>	<u>1,214,545</u>	<u>3,438,376</u>	<u>6,130,901</u>
		(1,840,000)	(1,840,000)
		(1,571,808)	(1,571,808)
13,496		800,000	1,898,216
(203,285)	(203,680)		(867,682)
<u>(189,789)</u>	<u>(203,680)</u>	<u>(2,611,808)</u>	<u>(2,381,274)</u>
(74,385)			(1,848,741)
			28,308
<u>(74,385)</u>			<u>(1,820,433)</u>
<u>23,590</u>	<u>62,790</u>	<u>15</u>	<u>126,508</u>
376,590	1,073,655	826,583	2,055,702
<u>2,073,315</u>	<u>6,583,728</u>	<u>5,851,615</u>	<u>19,035,082</u>
<u>\$2,449,905</u>	<u>\$7,657,383</u>	<u>\$6,678,198</u>	<u>\$21,090,784</u>
\$320,693	(\$399,103)	\$3,438,376	\$2,187,622
263,202			1,811,058
150	20,028		7,418
			(2,670)
(4,143)	(1,928)		(29,762)
1,827	16,612		297,701
	1,573,445		1,573,445
750	5,166		18,148
(18,116)	325		(3,916)
<u>52,811</u>			<u>271,857</u>
<u>\$617,174</u>	<u>\$1,214,545</u>	<u>\$3,438,376</u>	<u>\$6,130,901</u>



AGENCY FUNDS

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and nonpublic organizations. Agency funds are required to be presented separately from the Government-wide and Fund financial statements.

These funds include the following:

- Billing Services - an agency fund to account for the cash temporarily held by the City in its role as billing agent for garbage collection services provided by Allied Waste Services.
- Peninsula Traffic Congestion Relief Alliance (PTCRA) - an agency fund to reflect cash held by the City in its role as fiscal agent for this agency. The PTCRA works with San Mateo County Cities to encourage use of public transportation.
- San Mateo Pre-Hospital Emergency Services Group (SMPHESG) - an agency fund to reflect cash held by the City in its role as fiscal agent for this agency. SMPHESG was established to provide paramedic first responder service as part of the fire agencies' response to medical calls.
- Supporters of Senior Center – an agency fund to reflect cash held by the City in its role as fiscal agent for the Supporters of Doelger Senior Center, a private nonprofit organization benefiting seniors in Daly City.

CITY OF DALY CITY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>Billing Services</u>				
<u>Assets</u>				
Cash and investments	\$1,115,350	\$13,367,014	\$13,372,261	\$1,110,103
Receivables	1,123,292	2,559,467	2,583,621	1,099,138
Total Assets	<u>\$2,238,642</u>	<u>\$15,926,481</u>	<u>\$15,955,882</u>	<u>\$2,209,241</u>
<u>Liabilities</u>				
Accounts payable	<u>\$2,238,642</u>	<u>\$15,926,481</u>	<u>\$15,955,882</u>	<u>\$2,209,241</u>
<u>PTCRA</u>				
<u>Assets</u>				
Cash and investments	\$76,595	\$3,839,982	\$3,734,178	\$182,399
Receivables	706,831	517,844	706,831	517,844
Other assets	73,314	12,599	8,312	77,601
Total Assets	<u>\$856,740</u>	<u>\$4,370,425</u>	<u>\$4,449,321</u>	<u>\$777,844</u>
<u>Liabilities</u>				
Accounts payable	\$232,962	\$2,747,286	\$2,774,208	\$206,040
Due to others	623,778	1,623,139	1,675,113	571,804
Total Liabilities	<u>\$856,740</u>	<u>\$4,370,425</u>	<u>\$4,449,321</u>	<u>\$777,844</u>
<u>SMPHESG</u>				
<u>Assets</u>				
Cash and investments	\$1,497,932	\$4,339,492	\$4,231,015	\$1,606,409
Other assets	1,021	21,695	15,756	6,960
Total Assets	<u>\$1,498,953</u>	<u>\$4,361,187</u>	<u>\$4,246,771</u>	<u>\$1,613,369</u>
<u>Liabilities</u>				
Accounts payable	\$44,387	\$3,501,753	\$3,533,761	\$12,379
Due to others	1,454,566	859,434	713,010	1,600,990
Total Liabilities	<u>\$1,498,953</u>	<u>\$4,361,187</u>	<u>\$4,246,771</u>	<u>\$1,613,369</u>

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	\$143,987	\$84,122	\$200,878	\$27,231
Other assets	300	52,551	2,257	50,594
Total Assets	<u>\$144,287</u>	<u>\$136,673</u>	<u>\$203,135</u>	<u>\$77,825</u>
<u>Liabilities</u>				
Accounts payable	\$5,487	\$56,660	\$54,025	\$8,122
Due to others	138,800	80,013	149,110	69,703
Total Liabilities	<u>\$144,287</u>	<u>\$136,673</u>	<u>\$203,135</u>	<u>\$77,825</u>
 <u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$2,833,864	\$21,630,610	\$21,538,332	\$2,926,142
Receivables	1,830,123	3,077,311	3,290,452	1,616,982
Other assets	74,635	86,845	26,325	135,155
Total Assets	<u>\$4,738,622</u>	<u>\$24,794,766</u>	<u>\$24,855,109</u>	<u>\$4,678,279</u>
<u>Liabilities</u>				
Accounts payable	\$2,521,478	\$22,232,180	\$22,317,876	\$2,435,782
Due to others	2,217,144	2,562,586	2,537,233	2,242,497
Total Liabilities	<u>\$4,738,622</u>	<u>\$24,794,766</u>	<u>\$24,855,109</u>	<u>\$4,678,279</u>



STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

1. Assessed Value of Taxable Real Property
2. Direct and Overlapping Property Tax Rates
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Water Utility District

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

STATISTICAL SECTION - (Continued)
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Operating Information

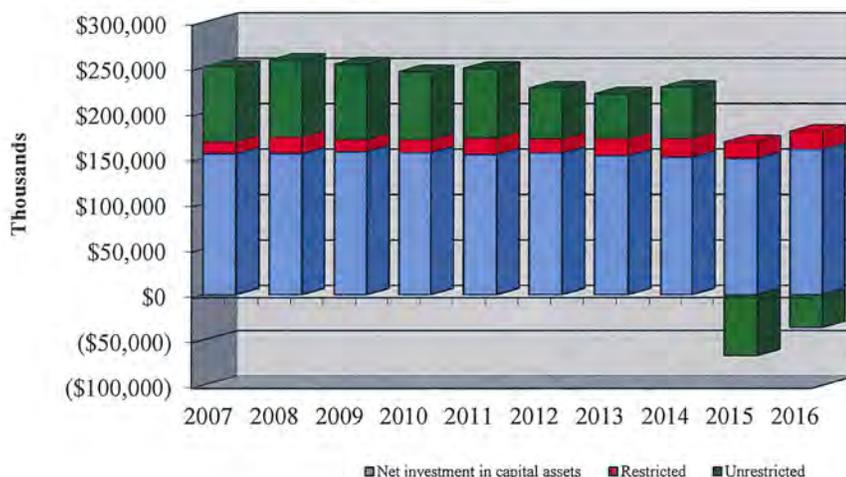
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

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

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



	2007	2008	2009	2010	2011
Governmental activities					
Net investment in capital assets	\$93,379,579	\$92,883,528	\$91,354,782	\$90,670,525	\$87,925,557
Restricted	9,032,201	13,869,264	13,104,841	13,931,086	17,883,253
Unrestricted	57,260,439	54,502,547	51,980,355	43,329,957	40,494,570
Total governmental activities net position	\$159,672,219	\$161,255,339	\$156,439,978	\$147,931,568	\$146,303,380
Business-type activities					
Net investment in capital asset	\$61,675,498	\$62,401,418	\$66,137,475	\$65,670,580	\$66,344,770
Restricted	4,371,497	4,218,833	4,597		
Unrestricted	24,848,980	30,305,199	31,253,864	32,019,212	36,653,957
Total business-type activities net position	\$90,895,975	\$96,925,450	\$97,395,936	\$97,689,792	\$102,998,727
Primary government					
Net investment in capital assets	\$155,055,077	\$155,284,946	\$157,492,257	\$156,341,105	\$154,270,327
Restricted	13,403,698	18,088,097	13,109,438	13,931,086	17,883,253
Unrestricted	82,109,419	84,807,746	83,234,219	75,349,169	77,148,527
Total primary government net position	\$250,568,194	\$258,180,789	\$253,835,914	\$245,621,360	\$249,302,107
	2012	2013	2014	2015	2016
Governmental activities					
Net investment in capital assets	\$87,549,833	\$85,483,907	\$84,272,501	\$82,583,587	\$94,823,140
Restricted	15,053,531	18,829,245	20,021,555	17,933,727	19,744,996
Unrestricted	23,884,922	18,898,618	22,495,121	(88,028,802)	(64,966,915)
Total governmental activities net position	\$126,488,286	\$123,211,770	\$126,789,177	\$12,488,512	\$49,601,221
Business-type activities					
Net investment in capital assets	\$68,587,946	\$67,479,305	\$67,235,990	\$66,278,166	\$65,118,626
Restricted			11,229	11,231	11,250
Unrestricted	32,290,613	30,663,259	34,392,335	20,914,381	28,846,650
Total business-type activities net position	\$100,878,559	\$98,142,564	\$101,639,554	\$87,203,778	\$93,976,526
Primary government					
Net investment in capital assets	\$156,137,779	\$152,963,212	\$151,508,491	\$148,861,753	\$159,941,766
Restricted	15,053,531	18,829,245	20,032,784	17,944,958	19,756,246
Unrestricted	56,175,535	49,561,877	56,887,456	(67,114,421)	(36,120,265)
Total primary government net position	\$227,366,845	\$221,354,334	\$228,428,731	\$99,692,290	\$143,577,747

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses					
Governmental activities:					
General government	\$7,444,142	\$8,370,140	\$9,401,885	\$9,435,028	\$9,269,313
Public safety	39,270,270	41,515,902	42,404,296	44,054,707	42,429,411
Public works	6,429,613	6,277,793	6,526,712	5,725,707	6,350,402
Streets and infrastructure	3,567,017	4,496,272	3,823,885	3,661,752	3,133,030
Culture and recreation	14,817,138	17,185,257	17,045,290	18,130,986	16,181,808
Economic and community development	8,033,736	6,802,421	9,274,398	9,395,160	8,581,051
Nondepartmental	287,243				
Interest on long term debt	1,640,993	1,926,468	1,498,377	376,641	361,793
Total governmental activities expenses	<u>81,490,152</u>	<u>86,574,253</u>	<u>89,974,843</u>	<u>90,779,981</u>	<u>86,306,808</u>
Business-type activities:					
Water	9,287,617	10,777,580	11,496,966	11,230,423	10,537,952
Civic center	615,099	598,634	749,560	717,905	681,758
Transfer station	1,322,444	1,005,081	65,987	54,118	98,655
Sanitation district	14,084,248	15,506,062	17,006,931	16,742,058	15,710,913
Total business-type activities expenses	<u>25,309,408</u>	<u>27,887,357</u>	<u>29,319,444</u>	<u>28,744,504</u>	<u>27,029,278</u>
Total primary government expenses	<u>\$106,799,560</u>	<u>\$114,461,610</u>	<u>\$119,294,287</u>	<u>\$119,524,485</u>	<u>\$113,336,086</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$96,257	\$111,829	\$117,873	\$128,702	\$540,836
Public safety	4,029,069	3,676,585	4,953,076	4,939,418	4,689,990
Public works	1,176,476	959,193	1,123,139	1,431,784	1,533,714
Streets and infrastructure	1,111,118	1,076,212	1,247,967	907,565	1,219,820
Culture and recreation	2,674,550	2,848,327	2,975,580	2,567,160	2,732,104
Economic and community development	2,673,444	2,333,758	2,717,488	2,135,626	2,070,063
Nondepartmental	795,596	\$454,839	462,733	341,860	
Operating grants and contributions	10,128,248	9,780,388	7,310,809	7,391,970	10,608,563
Capital grants and contributions	1,504,218	2,306,965	534,330	2,271,751	1,744,640
Total governmental activities program revenues	<u>24,188,976</u>	<u>23,548,096</u>	<u>21,442,995</u>	<u>22,115,836</u>	<u>25,139,730</u>
Business-type activities:					
Charges for services:					
Water	12,030,977	12,960,840	12,752,887	12,272,749	13,014,097
Civic center	959,500	985,189	1,011,711	805,391	831,384
Transfer station	1,622,442	2,086,047	375,000	375,000	375,000
Sanitation district	15,273,552	16,858,914	16,410,870	15,851,654	15,731,505
Total business-type activities program revenues	<u>29,886,471</u>	<u>32,890,990</u>	<u>30,550,468</u>	<u>29,304,794</u>	<u>29,951,986</u>
Total primary government program revenues	<u>\$54,075,447</u>	<u>\$56,439,086</u>	<u>\$51,993,463</u>	<u>\$51,420,630</u>	<u>\$55,091,716</u>
Net (Expense)/Revenue					
Governmental activities	(\$57,301,176)	(\$63,026,157)	(\$68,531,848)	(\$68,664,145)	(\$61,167,078)
Business-type activities	4,577,063	5,003,633	1,231,024	560,290	2,922,708
Total primary government net expense	<u>(\$52,724,113)</u>	<u>(\$58,022,524)</u>	<u>(\$67,300,824)</u>	<u>(\$68,103,855)</u>	<u>(\$58,244,370)</u>

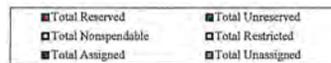
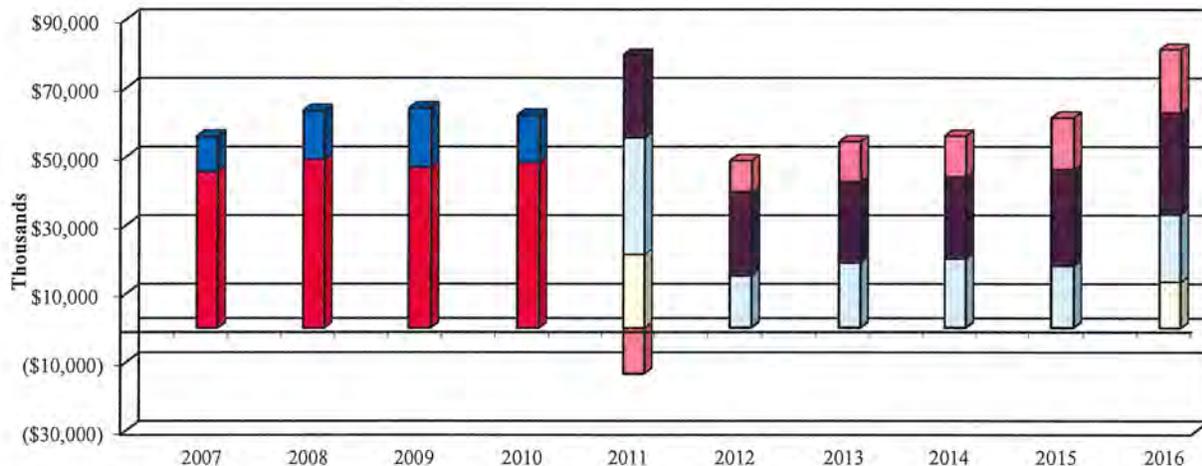
2012	2013	2014	2015	2016
\$10,260,757	\$8,823,639	\$10,889,822	\$9,669,627	\$10,685,635
45,511,296	44,910,136	42,704,694	43,774,625	45,867,228
5,406,051	5,064,375	5,597,137	7,579,522	8,196,165
3,395,911	4,114,332	3,318,214	3,466,347	4,014,914
14,415,687	13,811,273	13,350,277	11,621,738	12,263,494
5,654,736	4,661,549	3,592,174	4,718,470	4,099,948
335,549	177,561	166,114	172,642	40,000
<u>84,979,987</u>	<u>81,562,865</u>	<u>79,618,432</u>	<u>81,002,971</u>	<u>85,167,384</u>
13,460,939	15,266,033	13,337,352	14,451,497	16,082,814
686,051	813,497	841,901	853,913	892,003
48,926	151,582	165,477	178,290	37,579
18,587,421	16,663,492	18,262,624	18,629,686	14,325,333
32,783,337	32,894,604	32,607,354	34,113,386	31,337,729
<u>\$117,763,324</u>	<u>\$114,457,469</u>	<u>\$112,225,786</u>	<u>\$115,116,357</u>	<u>\$116,505,113</u>
\$764,719	\$753,748	\$1,034,252	\$5,054,225	\$4,074,661
4,685,400	4,415,226	4,454,105	5,403,840	6,490,600
1,259,803	1,313,510	1,036,109	1,528,698	2,524,779
953,473	1,009,844	1,135,335	1,283,105	1,528,812
2,913,641	2,723,265	2,812,145	2,989,174	3,162,473
2,095,455	2,374,804	2,243,212	4,961,729	6,162,433
8,189,627	7,356,801	7,901,753	8,467,395	6,311,937
3,421,710	763,676	325,832	3,355,718	2,492,055
<u>24,283,828</u>	<u>20,710,874</u>	<u>20,942,743</u>	<u>33,043,884</u>	<u>32,747,750</u>
14,625,062	16,357,654	18,095,452	18,731,931	16,645,244
759,286	671,556	834,950	976,374	695,906
375,000	375,000	375,000	375,000	281,250
15,018,052	15,600,570	16,676,480	18,416,575	19,695,887
30,777,400	33,004,780	35,981,882	38,499,880	37,318,287
<u>\$55,061,228</u>	<u>\$53,715,654</u>	<u>\$56,924,625</u>	<u>\$71,543,764</u>	<u>\$70,066,037</u>
(\$60,696,159)	(\$60,851,991)	(\$58,675,689)	(\$47,959,087)	(\$52,419,634)
(2,005,937)	110,176	3,374,528	4,386,494	5,980,558
<u>(\$62,702,096)</u>	<u>(\$60,741,815)</u>	<u>(\$55,301,161)</u>	<u>(\$43,572,593)</u>	<u>(\$46,439,076)</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$28,283,735	\$30,646,825	\$30,964,095	\$29,262,868	\$29,886,156
Sales taxes	10,677,978	11,411,106	10,520,797	9,016,619	10,178,386
Utility users tax	6,312,871	6,875,368	6,870,869	6,779,160	6,635,130
Franchise fees	2,736,020	2,788,859	3,378,546	3,432,346	3,471,922
Other taxes	3,918,576	3,919,957	4,134,141	3,962,240	4,189,893
Motor vehicle in-lieu	569,826	470,726	362,136	315,203	493,293
Investment earnings	4,259,540	4,013,587	1,703,334	960,155	711,989
Other revenues	2,028,616	2,514,957	2,700,781	3,706,703	3,313,961
Transfers	4,109,381	1,967,892	3,081,788	2,720,441	658,160
Gain/(Loss) on sale of property Extraordinary or Special item					
Total government activities	<u>62,896,543</u>	<u>64,609,277</u>	<u>63,716,487</u>	<u>60,155,735</u>	<u>59,538,890</u>
Business-type activities:					
Property taxes	1,300,831	1,389,793	1,452,957	1,376,028	1,377,982
Investment earnings	1,224,333	1,138,848	311,498	486,593	413,972
Other revenues	620,714	465,093	556,795	591,386	1,252,433
Gain/(Loss) on sale of property					
Transfers	(4,109,381)	(1,967,892)	(3,081,788)	(2,720,441)	(658,160)
Extraordinary item					
Total business-type activities	<u>(963,503)</u>	<u>1,025,842</u>	<u>(760,538)</u>	<u>(266,434)</u>	<u>2,386,227</u>
Total primary government	<u>\$61,933,040</u>	<u>\$65,635,119</u>	<u>\$62,955,949</u>	<u>\$59,889,301</u>	<u>\$61,925,117</u>
Change in Net Position					
Governmental activities	\$5,595,367	\$1,583,120	(\$4,815,361)	(\$8,508,410)	(\$1,628,188)
Business-type activities	3,613,560	6,029,475	470,486	293,856	5,308,935
Total primary government	<u>\$9,208,927</u>	<u>\$7,612,595</u>	<u>(\$4,344,875)</u>	<u>(\$8,214,554)</u>	<u>\$3,680,747</u>

2012	2013	2014	2015	2016
\$27,903,523	\$24,682,775	\$26,609,070	\$29,327,703	\$29,591,108
10,638,574	11,619,157	12,594,335	12,379,135	13,688,644
6,532,361	6,528,566	6,422,821	6,399,410	6,099,207
3,500,118	3,544,075	3,663,247	3,675,411	3,828,424
4,203,616	4,756,255	5,247,886	5,322,471	5,761,695
109,179	45,981		44,416	
1,018,793	12,330	925,838	467,009	828,112
3,180,451	3,758,739	3,936,433	1,061,054	1,110,702
2,800,581	3,010,709	2,853,466	2,983,597	2,060,161
			(3,003,763)	41,913
<u>(19,006,131)</u>	<u>(383,112)</u>			<u>26,522,377</u>
<u>40,881,065</u>	<u>57,575,475</u>	<u>62,253,096</u>	<u>58,656,443</u>	<u>89,532,343</u>
1,433,604	1,470,340	1,558,773	1,713,895	1,754,195
534,239	(23,403)	493,501	265,045	385,674
704,506	715,729	918,589	2,350,952	712,482
14,001	1,872	5,065		
(2,800,581)	(3,010,709)	(2,853,466)	(2,983,597)	(2,060,161)
	(2,000,000)			
<u>(114,231)</u>	<u>(2,846,171)</u>	<u>122,462</u>	<u>1,346,295</u>	<u>792,190</u>
<u>\$40,766,834</u>	<u>\$54,729,304</u>	<u>\$62,375,558</u>	<u>\$60,002,738</u>	<u>\$90,324,533</u>
(\$19,815,094)	(\$3,276,516)	\$3,577,407	\$10,697,356	\$37,112,709
(2,120,168)	(2,735,995)	3,496,990	5,732,789	6,772,748
<u>(\$21,935,262)</u>	<u>(\$6,012,511)</u>	<u>\$7,074,397</u>	<u>\$16,430,145</u>	<u>\$43,885,457</u>

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



	(b)					
	2007	2008	2009	2010	2011	2012
General Fund						
Reserved	\$21,610,095	\$21,565,875	\$21,566,507	\$21,460,127		
Unreserved	20,026,623	21,845,434	21,782,963	20,817,474		
Nonspendable					\$21,438,707	\$238,031
Assigned					12,229,191	12,249,286
Unassigned					9,265,602	9,039,548
Total General Fund	<u>\$41,636,718</u>	<u>\$43,411,309</u>	<u>\$43,349,470</u>	<u>\$42,277,601</u>	<u>\$42,933,500</u>	<u>\$21,526,865</u>
All Other Governmental Funds						
Reserved	\$23,997,000	\$27,576,108	\$25,361,720	\$26,791,488		
Unreserved, reported in:						
Special revenue funds	(28,488,626)	(23,682,598)	(20,036,126)	(20,313,715)		
Capital project funds	18,780,851	16,075,592	15,423,021	13,238,998		
Nonspendable						
Restricted					\$34,018,497	\$15,053,292
Assigned					11,973,786	12,211,293
Unassigned					(22,559,924)	
Total all other governmental funds	<u>\$14,289,225</u>	<u>\$19,969,102</u>	<u>\$20,748,615</u>	<u>\$19,716,771</u>	<u>\$23,432,359</u>	<u>\$27,264,585</u>
All Governmental Funds						
Total Reserved	\$45,607,095	\$49,141,983	\$46,928,227	\$48,251,615		
Total Unreserved	10,318,848	14,238,428	17,169,858	13,742,757		
Total Nonspendable					\$21,438,707	\$238,031
Total Restricted					34,018,497	15,053,292
Total Assigned					24,202,977	24,460,579
Total Unassigned					(13,294,322)	9,039,548
Total All Governmental Funds	<u>\$55,925,943</u>	<u>\$63,380,411</u>	<u>\$64,098,085</u>	<u>\$61,994,372</u>	<u>\$66,365,859</u>	<u>\$48,791,450</u>

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

(b) In fiscal year 2011, the City implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources.

2013	2014	2015	2016
\$178,570	\$186,129	\$194,403	\$13,453,512
12,109,457	12,103,389	12,220,256	12,098,569
11,522,227	11,838,923	15,059,052	18,329,649
<u>\$23,810,254</u>	<u>\$24,128,441</u>	<u>\$27,473,711</u>	<u>\$43,881,730</u> (a)
			\$2,211
\$18,829,210	\$20,021,531	\$17,933,698	19,742,741
11,698,471	11,873,724	15,906,433	17,525,314
<u>\$30,527,681</u>	<u>\$31,895,255</u>	<u>\$33,840,131</u>	<u>\$37,270,266</u> (a)
\$178,570	\$186,129	\$194,403	\$13,455,723
18,829,210	20,021,531	17,933,698	19,742,741
23,807,928	23,977,113	28,126,689	29,623,883
11,522,227	11,838,923	15,059,052	18,329,649
<u>\$54,337,935</u>	<u>\$56,023,696</u>	<u>\$61,313,842</u>	<u>\$81,151,996</u>

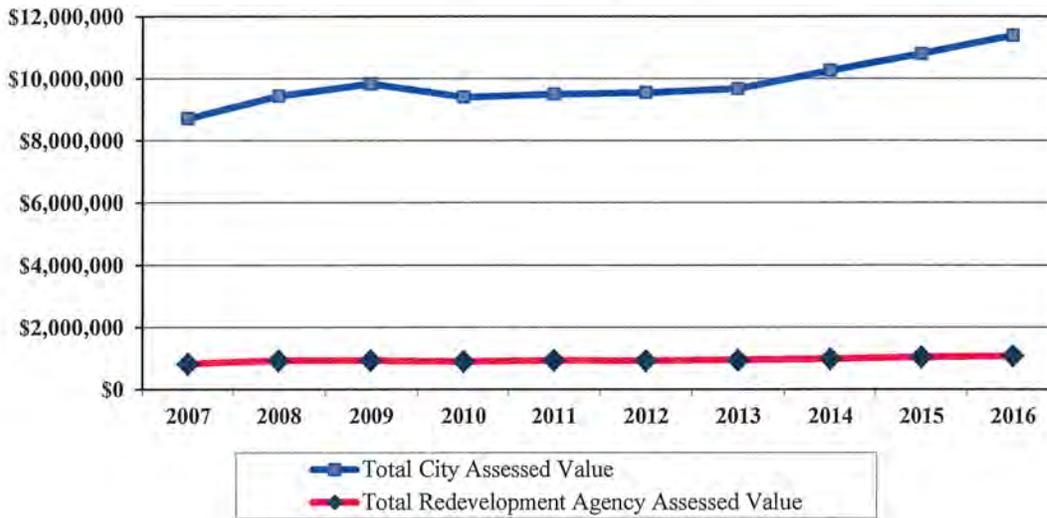
CITY OF DALY CITY
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
Taxes	\$54,942,019	\$58,503,214	\$58,265,663	\$55,022,812
Licenses, permits and fees	1,850,696	1,558,126	1,728,788	1,399,042
Fines and forfeitures	2,106,353	1,986,902	2,638,628	2,842,822
Use of money and property	5,069,211	5,837,640	4,223,929	4,578,244
Intergovernmental revenues	8,267,077	8,736,129	4,887,424	6,336,813
Charges for services	7,037,911	6,853,338	8,133,070	7,517,777
Other	3,129,369	3,202,504	3,590,101	4,159,677
Total Revenues	<u>82,402,636</u>	<u>86,677,853</u>	<u>83,467,603</u>	<u>81,857,187</u>
Expenditures				
Current:				
General government	7,483,067	7,664,184	8,464,269	8,449,067
Public safety	37,591,200	40,150,051	41,096,189	41,391,460
Public works	5,766,831	5,790,515	5,627,447	5,384,642
Culture and recreation	13,361,317	14,189,456	14,993,277	13,571,549
Community development	8,089,467	6,854,996	9,193,905	9,258,231
Capital projects	9,754,278	6,209,739	4,645,217	7,205,608
Debt service:				
Principal repayment	256,767	272,150	287,785	305,684
Interest and fiscal charges	1,519,210	1,906,552	1,479,099	848,328
Total Expenditures	<u>83,822,137</u>	<u>83,037,643</u>	<u>85,787,188</u>	<u>86,414,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,419,501)</u>	<u>3,640,210</u>	<u>(2,319,585)</u>	<u>(4,557,382)</u>
Other Financing Sources (Uses)				
Sale of property				
Amount paid to State				
Transfers in	8,718,603	7,413,734	7,164,378	6,811,899
Transfers out	(5,769,183)	(6,079,476)	(4,127,119)	(4,358,230)
Loan proceeds	904,670	2,480,000		
Sale of capital assets	316,682			
Total other financing sources (uses)	<u>4,170,772</u>	<u>3,814,258</u>	<u>3,037,259</u>	<u>2,453,669</u>
Extraordinary items				
Assets transferred to/liabilities assumed by Successor Agency				
Net Change in fund balances	<u>\$2,751,271</u>	<u>\$7,454,468</u>	<u>\$717,674</u>	<u>(\$2,103,713)</u>
Debt service as a percentage of noncapital expenditures	2.4%	2.8%	2.1%	1.4%

For the Fiscal Year Ended June 30,

2011	2012	2013	2014	2015	2016
\$58,097,799	\$56,413,948	\$54,183,995	\$58,493,320	\$60,767,789	\$61,030,589
1,468,663	1,409,698	1,578,457	1,697,703	2,679,745	2,889,367
2,772,583	2,440,465	2,420,754	2,301,580	2,740,510	3,442,372
4,333,962	3,132,897	1,050,149	1,864,656	1,499,885	1,841,802
7,527,353	7,267,441	4,366,743	3,511,403	6,092,246	4,218,152
8,505,783	7,637,246	7,479,277	7,757,549	12,763,912	14,632,874
3,583,288	4,044,012	4,748,815	4,615,471	5,307,064	5,527,147
86,289,431	82,345,707	75,828,190	80,241,682	91,851,151	93,582,303
8,612,120	8,682,126	8,194,893	10,882,785	9,495,891	10,777,041
41,115,067	42,226,973	42,150,729	42,737,888	44,972,711	49,047,952
5,136,940	4,995,361	4,726,801	4,712,465	7,053,586	7,589,698
13,078,179	12,650,231	12,105,970	11,932,443	10,085,356	10,569,151
8,900,024	5,773,301	4,666,975	3,896,212	4,917,443	4,306,935
5,502,027	6,977,961	4,336,490	4,149,538	4,359,239	5,726,698
323,861	2,679,000	212,000	227,000	244,000	260,000
490,281	312,381	181,942	170,919	235,066	28,730
83,158,499	84,297,334	76,575,800	78,709,250	81,363,292	88,306,205
3,130,932	(1,951,627)	(747,610)	1,532,432	10,487,859	5,276,098
	5,787	18,057		(3,003,763)	1,600
				(3,750,000)	
6,490,408	5,753,543	5,812,723	5,523,006	6,306,265	5,561,713
(5,249,853)	(2,838,147)	(2,903,573)	(5,369,677)	(4,750,215)	(4,776,760)
1,240,555	2,921,183	2,927,207	153,329	(5,197,713)	786,553
	(18,543,965)	3,366,888			
\$4,371,487	(\$17,574,409)	\$5,546,485	\$1,685,761	\$5,290,146	\$6,062,651
1.0%	4.0%	0.5%	0.5%	0.6%	0.3%

**CITY OF DALY CITY
 ASSESSED VALUE OF TAXABLE REAL PROPERTY
 LAST TEN FISCAL YEARS
 (in thousand dollars)**

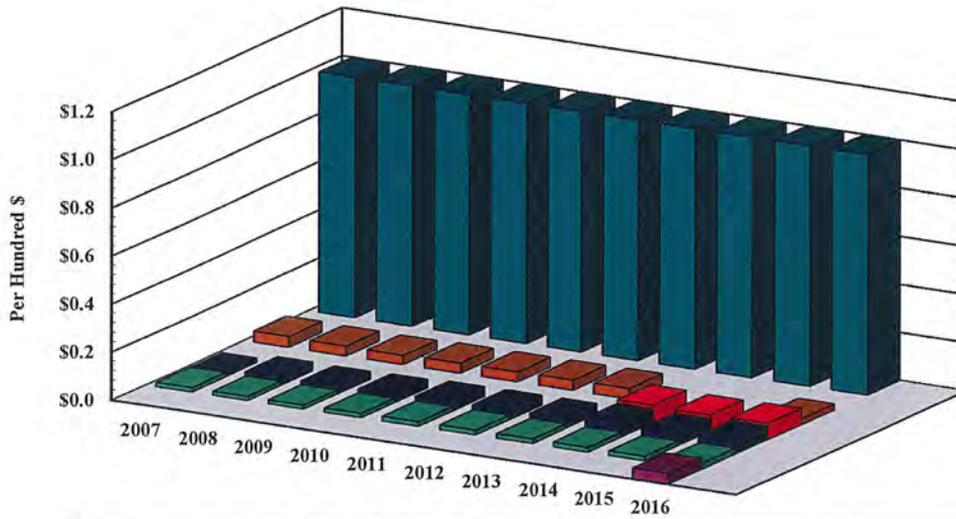


Fiscal Year Ended June 30	City				Redevelopment Agency				Total Direct Tax Rate (2)
	Secured	Unsecured	Exemptions	Total Assessed Value (1)	Secured	Unsecured	Exemptions	Total Assessed Value (1)	
2007	\$7,602,177	\$181,063	\$107,290	\$7,890,530	\$778,698	\$41,163	\$6,556	\$826,417	1.00%
2008	8,175,019	236,671	105,501	8,517,191	849,990	73,358	6,530	929,878	1.00%
2009	8,589,324	212,333	103,778	8,905,435	881,309	48,519	6,474	936,302	1.00%
2010	8,181,880	224,478	104,176	8,510,534	846,570	47,811	6,443	900,824	1.00%
2011	8,224,722	235,725	104,742	8,565,189	875,392	53,443	6,523	935,358	1.00%
2012	8,287,585	242,088	103,652	8,633,325	860,939	53,608	6,507	921,054	1.00%
2013	8,391,284	237,106	102,195	8,730,585	893,143	50,023	6,516	949,682	1.00%
2014	8,951,230	227,850	100,563	9,279,643	929,050	51,354	6,413	986,817	1.00%
2015	9,426,340	239,970	99,548	9,765,858	980,736	53,445	6,373	1,040,554	1.00%
2016	9,962,576	257,377	98,669	10,318,622	1,011,512	57,075	6,370	1,074,957	1.00%

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

Source: San Mateo County Controller's Office Annual Publication: Tax Rates and Valuation of Taxable Property

**CITY OF DALY CITY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(Rate per \$100 of Assessed Value)
LAST TEN FISCAL YEARS**



■ South San Francisco Unified School District	■ San Mateo Junior College
■ Jefferson High School District	■ Jefferson Elementary School District
■ Pacifica Elementary School	■ Laguna Salada Elementary School
■ Basic County Wide Levy	

Fiscal Year	Basic County Wide Levy	Jefferson Elementary School District	Jefferson High School District	San Mateo Junior College	So San Francisco Unified School District	Pacifica Elementary School	Total
2007	\$1.0000		\$0.0174	\$0.0184		\$0.0457	\$1.0815
2008	1.0000		0.0361	0.0171		0.0411	1.0943
2009	1.0000		0.0333	0.0165		0.0384	1.0882
2010	1.0000		0.0360	0.0182		0.0417	1.0959
2011	1.0000		0.0416	0.0193		0.0412	1.1021
2012	1.0000		0.0422	0.0199		0.0422	1.1043
2013	1.0000		0.0430	0.0194		0.0432	1.1056
2014	1.0000	\$0.0713	0.0574	0.0194			1.1481
2015	1.0000	0.0662	0.0530	0.0190			1.1382
2016	1.0000	0.0674	0.0583	0.0250	\$0.0457	0.0250	1.2214

Notes: In 1979, State Proposition 13 amended the constitution to provide that the general tax rate be limited to one percent of market value, distributed among all tax agencies. Assessed valuation is set at 100 percent of market value at transfer of title and the tax rate is \$1 per \$100 of assessed value.

The City of Daly City has 67 tax code areas, many with different rates because of differing school district boundaries. The highest tax rate is shown here.

Source: San Mateo County Controller's Office Annual Publication: Tax Rates and Valuation of Taxable Property

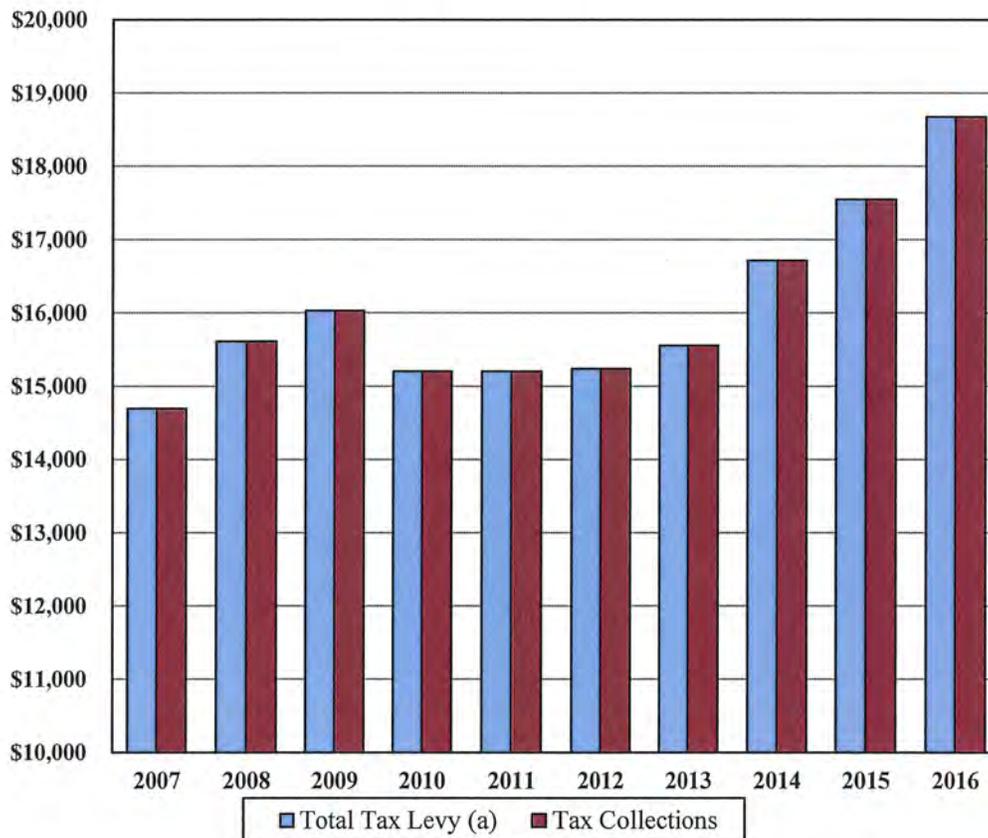
CITY OF DALY CITY
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2015-2016			2006 - 2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Daly City Serramonte Center, LLC	\$194,416,490	1	1.90%	\$106,930,727	2	1.36%
Kimco Westlake LP	157,147,175	2	1.54%			
Westlake Assoc Lessee	127,154,638	3	1.24%	112,978,655	4	1.43%
Pacific Plaza	88,193,115	4	0.86%			
Century Theaters Inc	61,358,410	5	0.60%			
Wasl Daly City Investors	54,000,000	6	0.53%			
BRE Piper MF (Skyline Heights)	47,875,872	7	0.47%			
Seton Medical Center	43,215,733	8	0.42%	195,234,509	1	0.45%
Equity Hillside (88 Hillside)	41,357,610	9	0.40%			
Serramonte Corporate Center (Kaiser)	40,806,675	10	0.40%	35,887,578	7	0.45%
Daly City Skyline Associates				129,540,000	3	1.64%
Pacific Plaza Partners						
Westlake Kimco				92,772,649	5	1.18%
LINC Franciscan Mobile Home Park				45,543,521	6	0.58%
Met Life Skyline Apartments				36,751,338	8	0.47%
Lavaca Portfolio Investors				31,466,081	9	0.40%
Daly City Partners (Serramonte Plaza)				29,769,912	10	0.38%
Subtotal	\$855,525,718		8.4%	\$816,874,970		10.4%

Total Assessed Valuation:
Fiscal Year 2015-2016 \$10,219,955,118
Fiscal Year 2006-2007 \$7,890,530,353

Source: San Mateo County Assessor Fiscal Year Combined Tax Rolls

**CITY OF DALY CITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(in thousand dollars)**



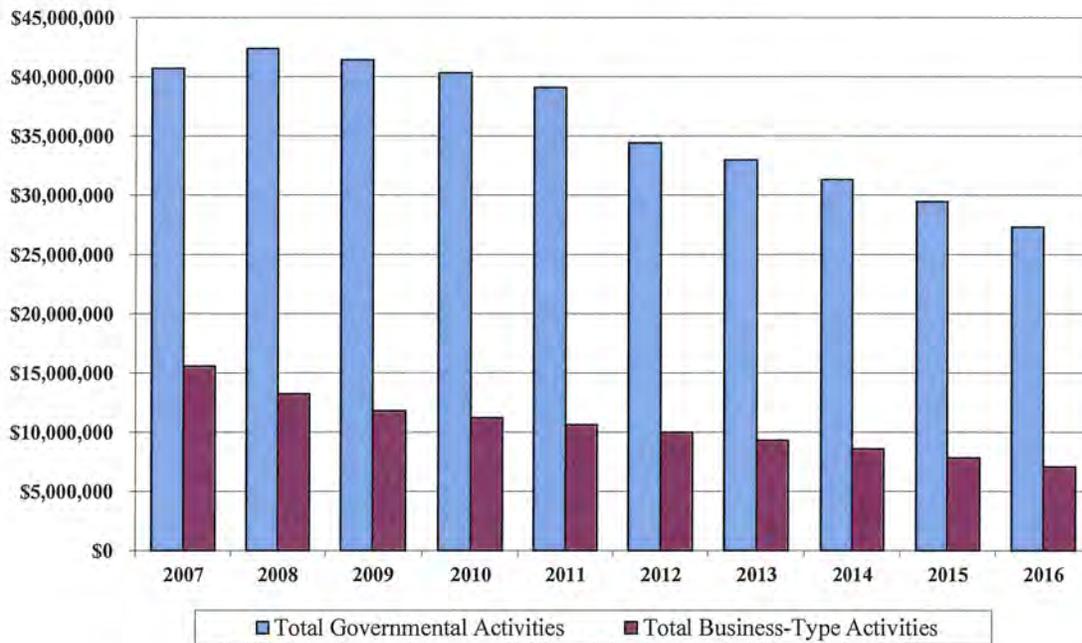
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2007	\$14,693	\$14,693	100.00%		\$14,693	100.00%
2008	15,610	15,610	100.00%		15,610	100.00%
2009	16,029	16,029	100.00%		16,029	100.00%
2010	15,204	15,204	100.00%		15,204	100.00%
2011	15,204	15,204	100.00%		15,204	100.00%
2012	15,236	15,236	100.00%		15,236	100.00%
2013	15,555	15,555	100.00%		15,555	100.00%
2014	16,713	16,713	100.00%		16,713	100.00%
2015	17,543	17,543	100.00%		17,543	100.00%
2016	18,675	18,675	100.00%		18,675	100.00%

Source: City of Daly City

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

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

CITY OF DALY CITY
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Fiscal Year	Line of Credit	Governmental Activities					Total
		Capital Lease	HUD Section 108 Loan	PERS Pension Obligation Bonds	CHFA HELP Loan	Promissory Note	
2007		\$515,480	\$4,226,000	\$35,065,000	\$904,670		\$40,711,150
2008		395,330	4,074,000	34,520,000	904,670	\$2,480,000	42,374,000
2009		269,545	3,912,000	33,860,000	904,670	2,480,000	41,426,215
2010		137,861	3,738,000	33,070,000	904,670	2,480,000	40,330,531
2011			3,552,000	32,140,000	904,670	2,480,000	39,076,670
2012			3,353,000	31,060,000			34,413,000
2013			3,141,000	29,810,000			32,951,000
2014			2,914,000	28,380,000			31,294,000
2015			2,670,000	26,755,000			29,425,000
2016			2,410,000	24,915,000			27,325,000

Fiscal Year	Business-Type Activities				Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Sewer Certificates of Participation	Water Certificates of Participation	Water Revenue Bond	State Water Resources Board Loan				
2007	\$2,625,000	\$8,785,000		\$4,146,376	\$15,556,376	\$56,267,526	1.92%	530.03
2008	855,000	8,415,000		3,961,157	13,231,157	55,605,157	1.97%	522.80
2009		8,030,000		3,771,308	11,801,308	53,227,523	1.85%	496.99
2010		7,635,000		3,576,713	11,211,713	51,542,244	1.78%	475.56
2011		7,225,000		3,377,252	10,602,252	49,678,922	1.81%	487.43
2012		6,800,000		3,172,805	9,972,805	44,385,805	1.51%	432.64
2013			\$6,330,000	2,963,246	9,293,246	42,244,246	1.43%	408.76
2014			5,815,000	2,748,449	8,563,449	39,857,449	1.33%	379.32
2015			5,290,000	2,528,282	7,818,282	37,243,282	1.22%	351.98
2016			4,750,000	2,302,610	7,052,610	34,377,610	Not Available	314.99

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

Sources: City of Daly City
State of California, Department of Finance (population)

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

**CITY OF DALY CITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2016**

2015-16 Assessed Valuation \$ 10,318,622,318

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	<u>Total Debt 06/30/16</u>	<u>% Applicable (1)</u>	<u>City's Share of Debt 06/30/16</u>
San Mateo Community College District	\$644,384,027	5.785%	\$37,277,616
South San Francisco Unified School District	181,153,045	8.735%	15,823,718
Jefferson Union High School District	183,678,786	50.801%	93,310,660
Bayshore School District	5,790,000	77.494%	4,486,903
Brisbane School District	6,255,437	19.478%	1,218,434
Jefferson School District	90,150,000	85.953%	<u>77,486,630</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			 <u>229,603,961</u>
 <u>OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	\$432,359,816	5.785%	\$25,012,015
San Mateo County Board of Education Certificates of Participation	9,890,000	5.785%	572,137
San Mateo County Flood Control District Certificates of Participation	18,725,000	27.295%	5,110,989
South San Francisco Unified School District Certificates of Participation	493,946	8.735%	43,146
Jefferson Union H.S.D. Certificates of Participation	1,580,000	50.801%	802,656
 TOTAL OVERLAPPING GENERAL FUND DEBT			 <u>31,540,943</u>
 TOTAL OVERLAPPING DEBT			 <u>261,144,904</u>
 <u>DIRECT DEBT</u>			
City of Daly City Pension Obligation Bonds	\$24,915,000	100.000%	\$24,915,000
HUD Section 108 Loan	2,410,000	100.000%	\$2,410,000
 TOTAL DIRECT DEBT			 <u>\$27,325,000</u>
 COMBINED TOTAL DEBT			 <u>\$288,469,904 (2)</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

<u>Ratios to 2015-16 Assessed Valuation</u>	
Total Overlapping Tax and Assessment Debt	2.23%
Combined Total Debt	2.80%

Source: California Municipal Statistics, Inc.

**CITY OF DALY CITY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2016**

ASSESSED VALUATION:

Total property assessed value, net of exempt real property	\$10,318,622,318
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$386,948,337
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt (b)	\$4,750,000
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Less: Tax Allocation Bonds and Certificate of Participation not subject to limit	4,750,000
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Amount of debt subject to limit	0
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LEGAL BONDED DEBT MARGIN	\$386,948,337
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
(in thousand dollars)				
2004	\$231,002	0	\$231,002	0.00%
2005	254,359	0	254,359	0.00%
2006	270,478	0	270,478	0.00%
2007	295,895	0	295,895	0.00%
2008	319,395	0	319,395	0.00%
2009	333,954	0	333,954	0.00%
2010	319,145	0	319,145	0.00%
2011	321,195	0	321,195	0.00%
2012	323,750	0	323,750	0.00%
2013	327,397	0	327,397	0.00%
2014	347,987	0	347,987	0.00%
2015	366,220	0	366,220	0.00%
2016	386,948	0	386,948	0.00%

NOTE:

(a) California Government Code Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

(b) 2012 Water Revenue Refunding Bond



**CITY OF DALY CITY
WATER UTILITY FUND**

NUMBER OF CONNECTIONS BY USERS AS OF JUNE 30, 2016

<u>Category</u>	<u>Number of Connections</u>
Residential	21,872
Commercial	779
Government	95
Irrigation	257
Hydrant	27
Other	<u>-</u>
Total Connections	<u><u>23,030</u></u>

**WATER UTILITY FUND CERTIFICATES OF PARTICIPATION
HISTORICAL REVENUES, EXPENDITURES AND BOND COVERAGE
LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Gross Revenues (1)	<u>\$12,529,986</u>	<u>\$13,448,021</u>	<u>\$13,115,342</u>	<u>\$12,699,761</u>	<u>\$13,497,857</u>
Operating Expenses (including depreciation) (2)	8,848,516	10,382,294	11,111,591	10,637,744	10,424,358
Depreciation	(1,042,174)	(1,142,717)	(1,149,384)	(1,192,935)	(1,218,606)
Operating Transfers Out	<u>2,926,560</u>	<u>3,078,501</u>	<u>2,204,264</u>	<u>2,376,455</u>	<u>2,158,670</u>
Total Operating Expenses	<u>10,732,902</u>	<u>12,318,078</u>	<u>12,166,471</u>	<u>11,821,264</u>	<u>11,364,422</u>
Net Revenue Available for Debt	<u>\$1,797,084</u>	<u>\$1,129,943</u>	<u>\$948,871</u>	<u>\$878,497</u>	<u>\$2,133,435</u>
Total Debt Service Requirement	<u>\$754,034</u>	<u>\$753,234</u>	<u>\$755,284</u>	<u>\$751,809</u>	<u>\$751,996</u>
Coverage	2.38	1.50	1.26	1.17	2.84

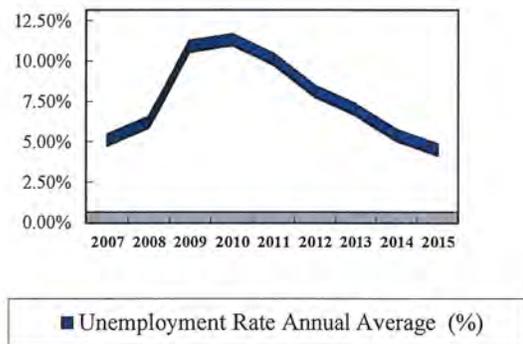
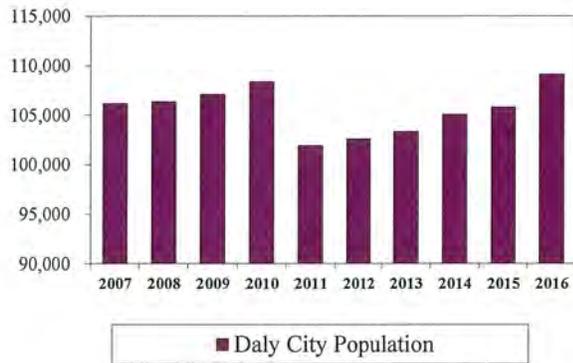
Notes: (1) Includes all Water Utility Operating Revenue, and Nonoperating Revenue including Nonoperating Interest Revenue and Transfers in
(2) Includes all Water Utility Operating Expenses

Source: City of Daly City Annual Financial Statements

**WATER UTILITY FUND CERTIFICATES OF PARTICIPATION
HISTORICAL REVENUES, EXPENDITURES AND BOND COVERAGE
LAST TEN FISCAL YEARS**

	2012	2013	2014	2015	2016
Gross Revenues (1)	\$15,185,857	\$16,801,668	\$18,931,871	\$20,425,104	\$17,186,361
Operating Expenses (including depreciation) (2)	12,718,342	13,910,737	13,276,951	14,354,432	15,950,589
Depreciation	(1,257,540)	(1,263,850)	(1,261,733)	(1,255,728)	(1,274,779)
Operating Transfers Out	2,372,007	2,587,195	2,318,226	2,378,434	1,689,464
Total Operating Expenses	13,832,809	15,234,082	14,333,444	15,477,138	16,365,274
Net Revenue Available for Debt	\$1,353,048	\$1,567,586	\$4,598,427	\$4,947,966	\$821,087
Total Debt Service Requirement	\$751,621	\$649,531	\$647,050	\$647,750	\$651,250
Coverage	1.80	2.41	7.11	7.64	1.26

CITY OF DALY CITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



Year	Daly City Population as of January (1)	Occupied Housing Units as of January (1)	Persons per Occupied Housing Unit (1)	Unemployment Rate Annual Average (%) (2)	Per Capita Personal Income (3)	Total Personal Income (3) (in thousands)	San Mateo County Population (1)	City Population % of County
2007	106,160	31,378	3.358	4.8%	\$27,656	\$2,935,961	\$733,386	14.48%
2008	106,361	31,401	3.362	5.9%	26,513	2,819,949	739,171	14.39%
2009	107,099	31,419	3.384	10.6%	26,797	2,869,932	745,563	14.36%
2010	108,383	31,495	3.416	11.0%	26,650	2,888,407	754,061	14.37%
2011	101,920	31,110	3.230	9.8%	26,902	2,741,852	724,452	14.07%
2012	102,593	31,210	3.265	7.8%	28,649	2,939,187	729,196	14.07%
2013	103,347	31,090	3.210	6.7%	28,498	2,945,183	735,678	14.05%
2014	105,076	31,460	3.320	5.1%	28,627	3,008,011	745,193	14.10%
2015	105,810	31,468	3.340	4.2%	28,753	3,063,977	753,123	14.05%
2016	109,139	33,029	3.400	Not Available	Not Available	Not Available	766,041	14.25%

Sources:

- (1) California State Department of Finance
- (2) California Employment Development Department
- (3) US Census Bureau

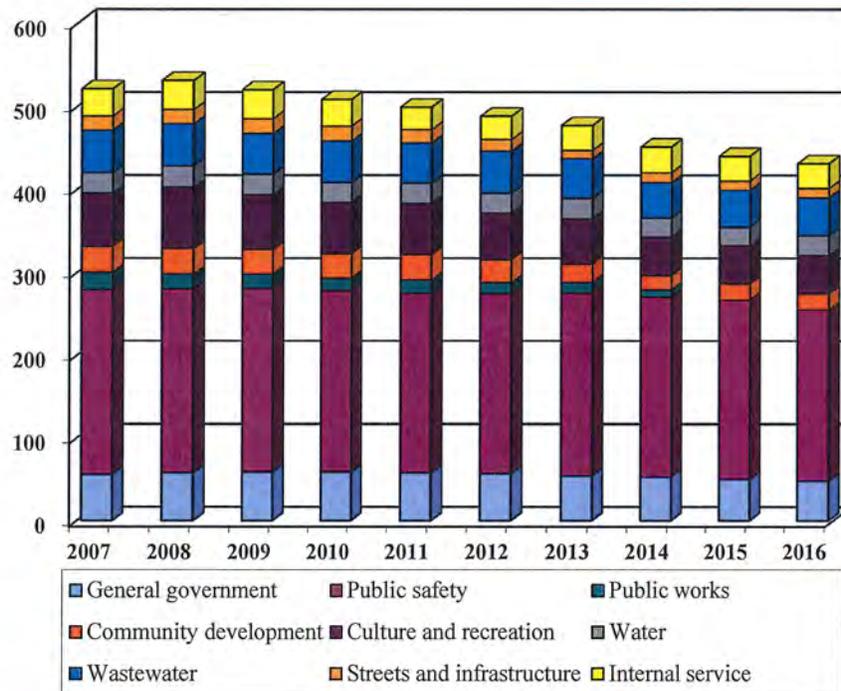
**CITY OF DALY CITY
Principal Employers
Current Year and Nine Years Ago**

Employer	2015-2016			2006-2007		
	Number of Employees (1)	Rank	Percentage of Total City Employment	Number of Employees (1)	Rank	Percentage of Total City Employment
Seton Medical Center	1,326	1	9.6%	1,659	1	8.7%
Jefferson Elementary School District	706	2	5.1%	604	4	3.2%
City of Daly City	560	3	4.1%	744	2	3.9%
Jefferson High School District	500	4	3.6%	700	3	3.7%
Genesys Telecommunications Laboratory	500	5	3.6%	375	7	2.0%
Cow Palace	400	6	2.9%	407	6	2.1%
St. Francis Convalescent Pavilion	350	7	2.5%	343	8	1.8%
Target Stores - Serramonte	287	8	2.1%	330	9	1.7%
Pacific, Gas & Electric	278	9	2.0%			
Macy's	265	10	1.9%	296	10	1.6%
US Postal Service including Intl Mail Facility				584	5	3.1%
Subtotal	<u>5,172</u>		<u>37.5%</u>	<u>6,042</u>		<u>31.8%</u>
Total Daly City Employment	<u>13,795</u> (3)			<u>19,020</u> (2)		

Note: (1) Includes both full-time and part-time employees
(2) Based on 2007 Economic Census - data updated only every 5 years
(3) Based on 2012 Economic Census - data updated only every 5 years

Source: City of Daly City Economic and Community Development Department
U.S. Bureau of Census

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
General government	56	58	59	59	58	57	54	53	50	48
Public safety	223	222	222	219	217	217	221	217	217	207
Public works	21	18	17	15	16	14	13	9	13	13
Community development	31	30	29	29	30	27	22	17	19	19
Culture and recreation	64	74	66	62	62	56	54	46	46	46
Water	25	26	25	24	24	24	25	23	22	24
Wastewater	51	51	49	50	49	51	48	43	45	46
Streets and infrastructure	17	17	18	18	16	14	10	12	11	11
Internal service	33	35	35	32	27	28	30	31	30	30
Total	521	531	520	508	499	488	477	451	453	444

Source: City of Daly City



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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public safety (calendar year data)					
Fire					
Fire calls for service	6,012	6,206	6,308	6,309	6,516
Fire inspections conducted	4,305	4,544	3,951	3,510	3,554
Police					
Police calls for service	75,190	81,375	55,098	75,970	72,665
Law violations					
Part I crimes	2,448	2,349	2,006	2,071	2,079
Part II crimes	4,607	4,082	4,428	4,791	4,745
Physical arrests (adults)	1,861	1,644	1,896	2,315	2,450
Physical arrests (juvenile)	481	365	333	316	342
Traffic violations	9,124	8,359	13,345	14,843	8,910
Parking violations	56,070	74,512	91,549	72,128	65,505
Public works					
Street repairs - asphalt patching (sq. ft.)	20,610	5,655	4,350	40,067	17,118
Street slurry seal (ft.)	63,659	65,472	79,960	57,250	60,720
Street resurfacing (ft.)	5,973	3,907	0	9,963	7,920
Traffic signal responses	83	93	71	67	58
Street light responses	407	402	393	371	314
Street signs replaced	548	1,796	436	560	1,108
Streets swept (miles)	21,754	19,629	17,956	19,956	20,712
Line striping and curb painting (linear ft.)	8,671	3,403	5,732	3,785	500
Sidewalks inspected (miles)	13	17	20	16	3
Weeds and rubbish responses	493	387	445	396	400
Culture and recreation					
Recreation					
Recreation class participants	7,500	10,000	8,000	7,500	6,158
Youth recreation playground program participants	900	900	900	500	3,400
Volunteer support hours	45,000	45,000	45,000	50,000	78,921
Senior meals served	21,130	22,218	24,804	23,821	29,586
Number of health fair events	4	0	2	2	1
Health fair events attendance	2,000	0	1,000	1,100	150
Facility rentals (non City events)	900	900	750	800	2,255
Library					
Volumes in collection - all formats	206,581	211,999	217,529	225,109	222,946
Total volumes borrowed	625,783	632,935	664,348	729,420	596,428
# of uses of electronic resources	185,068	200,601	207,800	234,308	115,846
Youth services program attendance	9,864	15,195	19,296	17,021	14,941
Water					
Water service connections	23,034	22,814	22,790	22,843	22,830
Water main breaks	58	55	72	60	43
Average daily consumption (thousands of gallons)	7,324	7,785	7,317	7,521	6,519
Wastewater					
Storm drain inlets					
Sewer service connections	29,000	29,000	29,000	29,000	29,000
Sewer main blockages	6	7	7	1	2
Average daily treatment (thousands of gallons)	7,370	7,270	6,820	6,817	7,160

Source: City of Daly City

Note: n/a denotes information not available.

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

Function/Program	2012	2013	2014	2015	2016
Public safety (calendar year data)					
Fire					
Fire calls for service	7,129	7,179	7,497	7,543	8,046
Fire inspections conducted	3,309	3,558	3,247	3,143	3,099
Police					
Police calls for service	73,095	79,999	84,417	86,688	n/a
Law violations					
Part I crimes	2,040	2,082	1,888	2,020	n/a
Part II crimes	4,641	4,685	4,899	5,040	n/a
Physical arrests (adults)	2,494	2,562	2,931	3,212	n/a
Physical arrests (juvenile)	352	207	218	159	n/a
Traffic violations	9,637	8,134	7,323	7,515	n/a
Parking violations	62,867	60,301	74,178	96,244	n/a
Public works					
Street repairs - asphalt patching (sq. ft.)	9,500	20,000	59,050	32,000	38,000
Street slurry seal (ft.)	64,416	87,648	59,140	46,400	78,125
Street resurfacing (ft.)	14,256	12,144	8,444	3,800	11,476
Traffic signal responses	14	10	35	116	127
Street light responses	78	54	225	281	202
Street signs replaced	450	320	455	430	305
Streets swept (miles)	21,966	25,019	25,054	25,224	25,305
Line striping and curb painting (linear ft.)	10,778	12,000	5,600	5,800	4,800
Sidewalks inspected (miles)	0	0	0	0	0
Weeds and rubbish responses	804	800	450	450	196
Culture and recreation					
Recreation					
Recreation class participants	10,621	10,862	13,075	14,000	14,800
Youth recreation playground program participants	4,251	4,472	5,002	4,657	5,814
Volunteer support hours	60,667	63,753	82,475	63,597	68,085
Senior meals served	26,305	32,971	24,700	35,749	40,942
Number of health fair events	1	1	2	2	2
Health fair events attendance	300	400	800	800	800
Facility rentals (non City events)	1,252	1,300	1,000	956	981
Library					
Volumes in collection - all formats	215,373	214,466	220,123	220,123	224,431
Total volumes borrowed	533,135	501,757	480,349	480,349	457,642
# of uses of electronic resources	81,318	66,982	60,374	60,413	58,284
Youth services program attendance	17,624	16,025	13,194	16,025	18,967
Water					
Water service connections	22,868	22,921	22,910	22,936	22,964
Water main breaks	79	98	86	95	64
Average daily consumption (thousands of gallons)	6,868	7,142	6,571	5,933	6,220
Wastewater					
Storm drain inlets					2,181
Sewer service connections	22,946	22,942	22,942	22,995	22,965
Sewer main blockages	1	1	3	3	2
Average daily treatment (thousands of gallons)	6,500	6,290	6,940	6,382	5,510

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

Function/Program	Fiscal Year June 30,				
	2007	2008	2009	2010	2011
Public safety					
Fire stations	5	5	5	5	5
Police stations	1	1	1	1	1
Police patrol vehicles	31	31	30	30	29
Public works					
Miles of streets	112	112	112	112	112
Street lights	3,200	3,200	3,200	3,200	3,200
Traffic signals (# of intersections)	40	40	40	40	40
Miles of storm drains	45	70	70	70	70
Culture and recreation					
Parks and recreation					
City parks	19	19	19	19	19
City parks acreage	200	200	200	200	200
Park trees	2,500	2,400	2,400	2,400	2,400
Playgrounds	26	26	26	26	26
Picnic areas	23	23	23	23	23
Tot lots	7	7	7	7	7
Dog off-leash areas	2	2	2	2	2
Street landscaped medians (miles)	21	21	21	21	21
Roadway landscaping acreage	500	500	500	500	500
Street trees	2,700	2,700	2,700	2,700	2,700
Community centers and clubhouses	12	12	12	12	12
Senior centers	1	1	1	1	1
Gymnasiums	3	4	4	4	4
Tennis courts	7	9	9	9	9
Artificial turf sports fields	1	1	1	1	1
Outdoor basketball courts	15	15	15	15	15
Baseball/softball diamonds	8	8	8	8	8
Soccer/football fields	1	1	1	1	1
Night sport lighted facilities	9	9	9	9	9
Library					
City Libraries (# of branches)	4	4	4	4	4
Water					
Miles of water mains	187	187	187	187	187
Fire hydrants	1,437	1,489	1,497	1,497	1,497
Storage capacity (thousands of gallons)	22,981	22,981	22,981	24,490	24,490
Wastewater					
Number of treatment plants	1	1	1	1	1
Miles of sanitary sewers	177	177	177	177	177
Miles of combined sewers	14	14	14	14	14
Treatment capacity (thousands of gallons)					
Dry weather	8,000	8,000	8,000	8,000	8,000
Wet weather	25,000	25,000	25,000	25,000	25,000

Source: City of Daly City

Note:

(1) In FY 2014-15, the City completed a digitized inventory of all City owned street trees as well as in City parks

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

Function/Program	Fiscal Year June 30,				2016
	2012	2013	2014	2015	
Public safety					
Fire stations	5	5	5	5	5
Police stations	1	1	1	1	1
Police patrol vehicles	30	32	31	31	31
Public works					
Miles of streets	112	112	112	112	112
Street lights	3,200	3,200	3,200	3,200	3,200
Traffic signals (# of intersections)	40	40	40	40	40
Miles of storm drains	70	70	70	70	70
Culture and recreation					
Parks and recreation					
City parks	19	19	19	19	19
City parks acreage	200	200	200	200	200
Park trees	2,400	2,300	2,300	4,144	4,135 (1)
Playgrounds	26	26	26	26	26
Picnic areas	23	23	23	23	23
Tot lots	7	7	7	7	7
Dog off-leash areas	2	2	2	2	2
Street landscaped medians (miles)	21	21	21	21	21
Roadway landscaping acreage	500	500	500	500	500
Street trees	2,700	2,675	2,675	3,067	3,048 (1)
Community centers and clubhouses	12	12	12	12	12
Senior centers	1	1	1	1	1
Gymnasiums	4	4	3	3	3
Tennis courts	9	9	9	9	9
Artificial turf sports fields	1	1	1	1	1
Outdoor basketball courts	15	15	15	15	15
Baseball/softball diamonds	8	8	8	8	8
Soccer/football fields	1	1	1	1	1
Night sport lighted facilities	9	6	6	6	6
Library					
City Libraries (# of branches)	4	4	4	4	4
Water					
Miles of water mains	187	187	187	187	187
Fire hydrants	1,497	1,497	1,497	1,497	1,497
Storage capacity (thousands of gallons)	24,490	24,490	24,490	23,512	23,512
Wastewater					
Number of treatment plants	1	1	1	1	1
Miles of sanitary sewers	177	177	177	177	177
Miles of combined sewers	14	14	14	14	14
Treatment capacity (thousands of gallons)					
Dry weather	8,000	8,000	8,000	8,000	8,000
Wet weather	25,000	25,000	25,000	25,000	25,000

