CITY OF DALY CITY, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2003

Daly City Redevelopment Agency

Daly City Public Facilities Corporation

North San Mateo County Sanitation District

Prepared by

DEPARTMENT OF FINANCE
AND
ADMINISTRATIVE SERVICES

Donald W. McVey
Director

DALY CITY · CALIFORNIA ·

GATEWAY TO THE PENINSULA

CITY OF DALY CITY

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CITY OF DALY CITY

333-90TH STREET

DALY CITY, CA 94015-1895

PHONE: (650) 991-8000

December 3, 2003

Honorable Mayor
Members of the City Council
Citizens of Daly City

We are pleased to submit the Comprehensive Annual Financial Report of the City of Daly City for the fiscal year ended June 30, 2003. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe the data presented is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. To provide a reasonable basis for making these representations the City has established a comprehensive system of internal controls that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive system of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The City of Daly City's financial statements have been audited by a firm of independent certified public accountants. The goal of such an audit is to provide reasonable assurance that these financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by the City; and evaluating the overall financial statement presentation. The results of that audit concluded that these financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this comprehensive annual financial report.

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.

GAAP requires that the City provide a narrative introduction, overview, and analysis to accompany the basic financial statements referred to as Management's Discussion and Analysis (MD&A).

This letter of transmittal is intended to supplement and complement the MD&A and should be read in conjunction with it.

GENERAL INFORMATION - CITY OF DALY CITY

The City of Daly City is located in northern San Mateo County, adjacent to the southern boundary of the City and County of San Francisco. A population of 105,000 is contained within approximately 7.6 square miles of substantially developed land. The City is considered the "Gateway to the Peninsula", as it is strategically placed directly south of San Francisco.

The City has a council-manager form of government and was incorporated on March 22, 1911. 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 engages a City Manager and a 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 annual budget, to coordinate and oversee all activities of the organization, and to implement the laws, policies, and budgets adopted by the City Council.

REPORTING ENTITY AND SERVICES PROVIDED

This report includes all funds and account groups of the City of Daly City. The financial statements include the financial activities of the City, the Daly City Redevelopment Agency, the North San Mateo County Sanitation District, and the Daly City Public Facilities Financing Corporation. 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 Redevelopment Agency, the North San Mateo County Sanitation District, and the Daly City Public Facilities Financing Corporation. The City Manager also serves as the Executive Director of the Redevelopment Agency and the General Manager of the Sanitation District. The Sanitation District is included in the proprietary fund types as an enterprise fund, and includes the activities of the Daly City Public Facilities Financing Corporation.

The City provides a full range of municipal services. These include police, fire, library, recreation and related social services, 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, sanitary sewer services, and a transfer station for solid waste under an enterprise fund system, with user fees covering the cost of providing the programs.

ECONOMIC CONDITIONS AND OUTLOOK

As we enter the new fiscal year, uncertainties abound. We have a new governor in California, but we still have the same old imbalance of on-going revenues and expenditures at the State level. The current estimate is $14 billion per year and counting. All of this continues to put local revenues at risk. The City lost approximately $1.6 million to the State for fiscal 2004, consisting of a "loan" of the first quarter's vehicle license fee receipts plus the remaining State Library Fund grant money and additional property tax transferred to the State, this time from our redevelopment agency.

It's surprising that we feel lucky losing only this much. It could have easily been another $4 million to $6 million without intense lobbying efforts by city officials, employees, and local citizens that want their local taxes to stay local. Even with some improvement in the overall California economy the State faces continuing and nearly insurmountable challenges. How this will ultimately affect the City is unknown.

The local economy has continued to hold steady, with total General Fund revenues growing by only a small amount for the second year in a row. We are thankful that at least they have not fallen, as in so many other local communities. One of the bright spots has been in local sales tax, which has actually grown about eight percent in fiscal 2003. Most other cities in our region have seen continued declines in this very important revenue source. One of the reasons for our results has been the success of the new Pacific Plaza development on Junipero Serra Boulevard. With an office building at near full occupancy, a theater complex, and restaurants, it has revitalized central Daly City. It is a Redevelopment Agency success story.

Even with the uncertainty of the last two years, we have continued to focus our efforts on the major capital improvement program. Having accumulated one-time monies over the last 10 years, the City embarked on a much needed program to improve and/or replace City facilities. Two of the most significant projects are still to come, the Bayshore Community Center and the War Memorial Community Center. Bayshore is under construction, while War Memorial is out to bid. These two facilities will substantially improve the City's ability to provide recreational programs to its residents. It is also likely that these two projects will be the last of the major improvement projects. One-time revenue sources have dried up with the fiscal crisis and increasing pension obligations to the retirement system.

The City's two major enterprise funds, the water utility and sanitation district, have seen continually increasing costs due to additional regulatory requirements, along with State fees never charged before or dramatically increased as a result of the State budget problems. The water utility in particular is experiencing continued price increases on water purchased from the City and County of San Francisco. With San Francisco's multibillion dollar renovation of the Hetch Hetchy system occurring over the next ten years, purchased water will continue to cost more, resulting in increasing rates to our residents. On the plus side, we continue to pump local well water for about half our needs so that mitigates the otherwise necessary rate increases.

DEBT ADMINISTRATION

The City of Daly City has no outstanding general obligation bonds at June 30, 2003. Long-term debt consists of one capital lease obligation and one certificate of participation. Amortization schedules for these obligations are included in the notes to the Basic Financial Statements.

CASH MANAGEMENT

The City is allowed a wide range of investment opportunities under State law. Some of the options are U.S. Treasury securities, notes or bonds of other government agencies within the State, bankers acceptances and commercial paper, certificates of deposit, repurchase or reverse repurchase agreements, medium-term notes issued by U.S. Corporations, mutual funds which invest exclusively in otherwise allowed investments, the State Treasurer's Local Agency Investment Fund,

and the County of San Mateo Investment Pool. Pooled investments at year-end consisted entirely of the State Treasurer's Local Agency Investment Fund, certificates of deposit, and the County of San Mateo Investment Pool. These were the primary investment vehicles throughout the fiscal year. Investment income includes any adjustment necessary to bring the portfolio to fair value for financial reporting purposes. However, it is the City's practice and policy to hold all investments until maturity, so any temporary market gain or loss is unlikely to be realized.

RISK MANAGEMENT

The City's self-insurance programs cover general, auto, property and specialty liability, unemployment benefits, and workers' compensation. Most recurring program costs are paid through annual charges assessed to every City department, with additional funding provided from reserve fund investment income. The City uses purchased insurance in excess of self-insured deductibles to mitigate any potential losses. The City also employs various risk reduction techniques, including employee safety training and an employee safety committee that evaluates each on-the-job injury and makes constructive suggestions to help prevent future injuries.

INDEPENDENT AUDIT

The City Council contracts for an annual audit of the books of accounts, financial records and transactions of City departments, divisions and functions by the firm of Maze and Associates, Certified Public Accountants. The audit is complete and the accounting firm's unqualified report has been included in this document.

AWARDS

The Government Finance Officers Association awards a Certificate of Achievement for Excellence in Financial Reporting to those entities whose annual financial reports are judged to conform substantially with high standards of public financial reporting, including generally accepted accounting principles promulgated by the Governmental Accounting Standard Board and its predecessor, the National Council on Governmental Accounting. The City of Daly City was awarded a Certificate of Conformance for its annual report for the fiscal years 1982, 1983 and 1984, and the Certificate of Achievement for Excellence in Financial Reporting in 1985 through 2002. The 1982 and 1983 reports were also awarded the Certificate of Award for Meritorious Financial Reporting by the California Society of Municipal Finance Officers, and the 1984 through 2002 reports received the Outstanding award. It is our belief that the accompanying fiscal year 2003 financial report meets the same high program standards, and it will be submitted to both award programs for review.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its Comprehensive Operating and Capital Budget for the 1991 through 2003 fiscal years. In order 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.

ACKNOWLEDGMENT

The Department of Finance sincerely appreciates the support, cooperation, and assistance of the City Council and City staff in addressing the financial concerns of fiscal year 2003. Special acknowledgment is due the staff of the Accounting Division for their continued high level of performance, including their extraordinary work in implementing GASB 34.

Respectfully submitted,

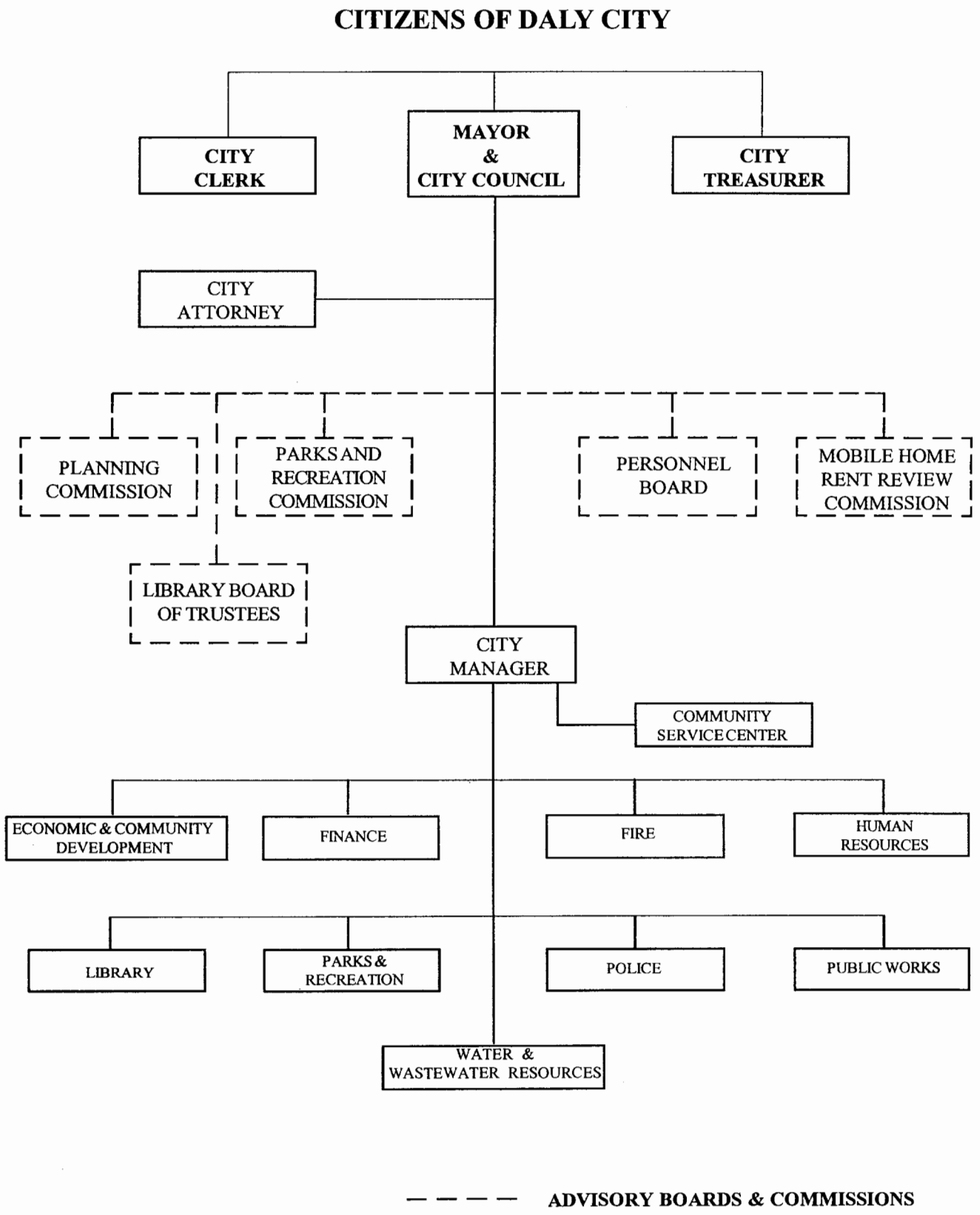
Donald W. McVey
Director of Finance

John C. Martin
City Manager

City of Daly City

ORGANIZATION STRUCTURE

Fiscal Year 2002-2003



CITY OF DALY CITY
CITY COUNCIL

Adrienne J. Tissier, Mayor

Sal Torres, Vice Mayor

Maggie Gomez

Michael P. Guingona

Carol L. Klatt

ADMINISTRATION AND DEPARTMENT HEADS

City Manager	John C. Martin
City Clerk	Helen Flowerday
City Treasurer	Anthony J. Zidich
City Attorney	Stan Gustavson
Fire Chief	Ron Myers
Police Chief	Gary S. McLane
Library Director	Susanna C. Gilden
Director of Public Works	Peter Gleichenhaus
Director of Human Resources	Diane L. Cronin
Director of Parks & Recreation	Michael F. Stallings
Director of Water & Wastewater Resources	Patrick Sweetland
Director of Finance and Administrative Services	Donald W. McVey
Director of Economic & Community Development	Terry Sedik

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of Daly City

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

February 24, 2003

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

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, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

DALY CITY · CALIFORNIA ·

GATEWAY TO THE PENINSULA

MAZE & ASSOCIATES

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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS

Honorable Mayor and Members of the
City Council of the City of Daly City, California

We have audited the basic 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 as of and for the year ended June 30, 2003 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to in the first paragraph present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Daly City at June 30, 2003 and the results of its operations and the cash flows of its proprietary fund types, and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The basic financial statements referred to above follow the requirements of the Government Accounting Standards Board's Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* No. 36, *Recipient Reporting for Certain Nonexchange Revenues, an Amendment of GASB Statement No. 33,* No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Omnibus,* and No. 38, *Certain Financial Statement Note Disclosures,* as discussed in Note 1 to the basic financial statements.

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Statistical Section listed in the table of contents was not audited by us and, accordingly, we do not express an opinion on this information.

Maze & Associates

December 3, 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal 2003 is the first year the City is required to issue its financial statements in the format prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34), which requires the City to provide this overview of its financial activities for the fiscal year.

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, 2003. The following information, especially the information presented about government-wide financial status and results include many new concepts introduced with the advent of GASB 34.

With these changes, great care must be taken when comparing the 2003 financial statements with those of prior years. The inclusion of infrastructure assets, as well as adding their annual depreciation costs to governmental activities show a different picture of costs and make comparisons to previous reports challenging.

FISCAL 2003 FINANCIAL HIGHLIGHTS

- The City's total net assets increased $13.9 million during Fiscal 2003. At June 30, 2003, net assets totaled $221 million.
- Total City revenues, including program and general revenues, were $101 million, while total expenses were $87 million in fiscal 2003. Total capital assets increased $10.2 million.
- Net assets in governmental funds were $140.4 million, while net assets in business activities were $81 million.
- Governmental program revenues were $27.2 million compared with $26.9 million in fiscal 2002.
- Governmental general revenues of $44.4 million represent an increase of $2.9 million over the prior year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in three sections:

1) Introductory Section, containing the Transmittal Letter and miscellaneous other information
2) Financial Section, containing the Independent Auditors' Report, Management's Discussion and Analysis (this part), 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 Nonmajor Governmental Funds and Fiduciary Funds
3) Statistical Section containing financial trend data, insurance information 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 Assets and the Statement of Activities. The Statement of Net Assets 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 assets 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 Assets 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 nonmajor 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, including assessment districts and where the City acts as a fiscal agent.

The Government-wide Financial Statements

The Statement of Net Assets 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. The City's governmental activities include the activities of a separate legal entity, the Daly City Redevelopment Agency, because the City is financially accountable for the Agency
- 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 nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor 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 can not 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 assets 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 agent for certain assessment districts and several small local agencies. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. 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 assets and changes in net assets of the City's Governmental Activities and Business-Type Activities (Tables 1, 2 and 3) presented in the City-wide Statement of Net Assets and Statement of Activities that follow.

Table 1
Net Assets at June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Cash and investments	$ 62,834	$ 54,929	$ 17,804	$ 19,511	$ 80,638	$ 74,440
Other assets	18,615	21,904	4,146	4,348	22,761	26,252
Capital assets	75,983	69,818	72,524	68,482	148,507	138,300
Total assets	157,432	146,651	94,474	92,341	251,906	238,992
Long-term liabilities	9,961	8,762	9,994	11,040	19,955	19,802
Other liabilities	7,056	8,635	3,480	3,115	10,536	11,750
Total liabilities	17,017	17,397	13,474	14,155	30,491	31,552
Net assets:						
Invested in capital assets, Net of related debt	74,918	68,778	72,524	68,482	147,442	137,260
Restricted	7,226		1,048		8,274	-
Unrestricted	58,271	60,476	7,428	9,704	65,699	70,180
Total net assets	$ 140,415	$ 129,254	$ 81,000	$ 78,186	$ 221,415	$ 207,440

Governmental Activities

The City's net assets from governmental activities increased $11.2 million (9%) to $140.4 million in 2003 from $129.2 million in 2002. This increase is the Change in Net Assets reflected in the Statement of Activities, as shown in Table 2, and is explained below.

- Cash and investments increased $7.9 million principally as a result of increases of $3.4 million in the Gas Tax Special Revenue Fund reflecting grants received and funds accumulated for future roadway capital projects, an increase of $4.2 million in major capital project cash reserves to fund specific capital projects of City-wide benefit, an increase of $1.4 million in the Redevelopment

Agency resulting from significant increases in property tax revenue, an increase of $1 million in the General Fund as a result of repayment of Redevelopment Agency advances, an increase in the Self Insurance Fund cash balance of $0.6 million as a result of disaster claims reimbursements, and a decrease in federal grant advances of $3.5 million as a result of spending those grant funds.

- Other assets decreased $3.5 million primarily as a result of a decrease in grants and other advances receivable, and partially reflected in the increase in cash noted above.

- Net assets invested in capital assets net of related debt increased $6.1 million primarily due to the City's continued investment in infrastructure, including streets and roadways and major capital improvements.

- Restricted net assets have no comparable amount for 2002, as this is the first year of GASB 34 implementation.

- Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Unrestricted net assets of $58.2 million are available to finance day-to-day operations and other expenditures approved by City Council.

Business-type Activities

The net assets of business-type activities increased $2.8 million in fiscal 2003, to a total of $81 million, primarily as the result of applying cash reserves to fund capital projects. There were no significant changes in funding sources or expenses during the fiscal year.

CHANGES IN NET ASSETS

Table 2 shows that total revenues increased $5.5 million in fiscal 2003, as a result of increases in capital grants in the form of federal road grants, Redevelopment Agency property taxes, and charges for services in the proprietary funds. Other individual increases and decreases are not considered material. Expenses for fiscal 2002 for governmental activities are not available for comparative purposes as fiscal 2003 is the first year of implementation of GASB 34. Business-type activity expenses increased $1 million or 4.7 percent, commensurate with labor cost increases.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	$ 12,230	$ 12,409	$ 25,778	$ 25,193	$ 38,008	$ 37,602
Operating grants & contributions	12,014	13,260	385	281	12,399	13,541
Capital grants & contributions	2,997	1,243	1,431	-	4,428	1,243
Total program revenues	27,241	26,912	27,594	25,474	54,835	52,386
General revenues:						
Property tax	15,426	13,002	939	926	16,365	13,928
Sales tax	8,950	8,469			8,950	8,469
Motor vehicle in-lieu	6,092	5,849			6,092	5,849
Other taxes	9,455	9,319			9,455	9,319
Investments earnings	3,504	2,963	706	835	4,210	3,798
Other	941	1,816	251	46	1,192	1,862
Total general revenues	44,368	41,418	1,896	1,807	46,264	43,225
Total revenues	71,609	68,330	29,490	27,281	101,099	95,611
Expenses:						
General government	3,861	N/A			3,861	N/A
Public safety	29,896				29,896	
Public works	5,820				5,820	
Streets & infrastructure	1,909				1,909	
Culture & recreation	11,472				11,472	
Economic & community dev.	10,273				10,273	
Nondepartmental	408				408	
Interest on long-term debt	1,032				1,032	
Water utility			8,440	7,652	8,440	
Sewer			12,115	11,771	12,115	
Civic center			627	770	627	
Transfer station			1,271	1,242	1,271	
Total expenses	64,671	N/A	22,453	21,435	87,124	N/A
Increase(decrease) in net assets before transfers	6,938		7,037	5,846	13,975	
Transfers	4,223		(4,223)	(4,692)		
Increase in net assets	11,161		2,814	1,154	13,975	
Net assets, July 1, 2002	129,254	N/A	78,186	77,032	207,440	N/A
Net assets, June 30, 2003	$ 140,415	$ 129,254	$ 81,000	$ 78,186	$ 221,415	$207,440

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. Comparative amounts are unavailable as fiscal 2003 is the first year of GASB 34 implementation.

Table 3
Governmental Activities
For the Year Ended June 30, 2003
(in thousands)

	Revenues	Expenses	Net Revenue (Expense)
Governmental Activities			
General government	$ 556	$ 3,861	$ (3,305)
Public safety	4,301	29,896	(25,595)
Public works	2,624	5,820	(3,196)
Streets & infrastructure	1,179	1,909	(730)
Culture & recreation	6,321	11,472	(5,151)
Economic & community dev.	8,684	10,273	(1,589)
All other	3,576	1,440	2,136
Total governmental activities	$ 27,241	$ 64,671	$ (37,430)

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2003, the City's major governmental funds consisted of the General Fund, Gas Tax, Redevelopment Agency, and Capital Projects funds. 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 unreserved fund balance increased slightly, from $11.4 million at June 30, 2002 to $11.7 million at June 30, 2003, or 2.7 percent. This increase is primarily due to the normal fluctuations in balance sheet receivable and payable accounts, as well as a minor adjustment as a result of GASB 34 implementation. Unreserved fund balance represents 21 percent of General Fund total expenditures for fiscal 2003. Revenues and expenditures in the General Fund have not seen significant change from the prior year, reflecting only very modest growth in total revenues and total expenditures.

The Gas Tax Special Revenue Fund had $1.8 million of unreserved fund balance as of June 30, 2003, an increase of $5 million. This wide swing resulted primarily from a $4.7 million receivable present at June30, 2002 that was collected during the year. The $1.8 million of unreserved fund balance represents uncommitted funds that are legally required to be spent on local roadway projects.

Redevelopment Agency unreserved fund deficit of $29 million is due to the long-term advances payable to the City's General Fund. These advances are expected to be repaid from future property tax increment revenues.

The City's Capital Projects Fund had $17.5 million in unreserved fund balance; all designated for specific capital projects that will benefit the community as a whole. Most significant of these projects are the new Bayshore Community Center and the replacement of the War Memorial Community Center.

Proprietary Funds

The City of Daly City's proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail.

Water Utility revenues grew at approximately one percent over the previous year. This growth includes a 3.3 percent rate increase, showing a decrease in water usage even in a nondrought period. At the same time, expenses increased 8.3 percent, mostly from purchased water. A nine percent rate increase has been adopted for fiscal 2004.

Sanitation District revenues grew 3.3 percent over the prior year, and expenses grew 3.6 percent. Because sewer service charges are billed based on the previous year's winter water usage, a 5.75 percent rate increase was adopted for fiscal 2004.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process, and fiscal 2003 represents the first year of a two-year budget. Two individual budget years are proposed to the City Council at the same time, with midbudget adjustments at the end of the first of the two years. This process provides more opportunity for long-term planning, but does require adjustment based on changing economic conditions, including on occasion adjustments to the first year. After midbudget adjustments, both revenues and expenditures were in line with expectations, with some savings in expenditures realized from holding the line on services and supplies and other charges. These savings were realized consistently over all operating departments.

CAPITAL ASSETS

At the end of fiscal 2003 the City had $148.5 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 at June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	$21,044	$20,715	$ 2,863	$ 2,848	$ 23,907	$ 23,563
Buildings & improvements	13,996	15,032	4,981	5,173	18,977	20,205
Streets & infrastructure	24,087	19,886			24,087	19,886
Wells & pump stations			3,229	3,278	3,229	3,278
Water reservoirs			4,816	5,010	4,816	5,010
Water mains			9,114	8,498	9,114	8,498
Sanitation subsurface lines			12,637	10,214	12,637	10,214
Sewage facilities			22,742	23,830	22,742	23,830
Equipment	6,067	6,096	3,078	3,383	9,145	9,479
Furniture & fixtures	73	222	19	24	92	246
Construction in progress	10,716	7,867	9,045	6,224	19,761	14,091
Total net capital assets	$75,983	$69,818	$72,524	$68,482	$148,507	$138,300

As of June 30, 2003, the Bayshore Community Center was under construction, with a total budget of $8.9 million. This project will provide a much needed community facility for recreation programs, as well as a new library facility, and is located in the Bayshore neighborhood. With a total budget of $12 million, the War Memorial replacement project is the single most significant project in the entire major capital plan. This facility will also include a new library facility along with recreation space and community rooms.

Local roadway projects of various types were in the design phase or under construction, with a total available budget for the coming 2004 fiscal year of $6.5 million.

Various water master plan projects were completed as part of the Water Utility enterprise fund's $2.5 million investment in additional infrastructure, repair, and replacement in 2003. The Sanitation District contributed an additional $6.1 million to add to the City's enterprise fund infrastructure repairs, replacements, and additions. Most significant for the District will be the tertiary water treatment system project, begun in fiscal 2003, with a total budget of $6.9 million.

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 5 to the financial statements. In 2003 the City refinanced the outstanding Sanitation District certificates of participation (COP's), reducing interest rates from 5.0 to 5.375 percent to 2.0 to 2.5 percent. At June 30, the City's debt comprised:

Table 5
Outstanding Debt
(in thousands)

	2003	2002
Governmental activities		
2002 Capital Lease – Energy Efficiency Project 4.69%, due 2011	$945	$1,041
Line of Credit – Business Center 5.7%, due 2006	120	120
Total	$1,065	$1,161
Business-type Activities		
2002 Wastewater COP's 2%-2.5%, due serially to 2009	$9,375	$0
1992 Wastewater COP's 5%-5.375%, refunded	0	10,870
Total	$9,375	$10,870

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Consumer Price Index-All Urban Consumers was 1.6 percent for the San Francisco-Oakland region, compared to 2.1 percent for the U.S. City Average, as of June 2003. This is up slightly from the prior period, when the index was 1.2 percent locally and 1.1 percent nationally.

The Daly City annual average unemployment rate was 6.5 percent in December 2002, up from 3.6 percent in 2001 and 2.1 percent in 2000. This compares with 5.0, 2.8, and 1.6 percent, respectively, for San Mateo County as a whole. California, and especially Northern California, remained in an economic downturn during fiscal 2003.

Fiscal 2004 continues with the selective hiring freeze to aid in balancing the General Fund budget this year, and in anticipation of the second year of significant increases in retirement costs. Cash contributions, previously zero for four years, will be 9.17 percent and 5.108 percent of covered payroll for the Miscellaneous and Public Safety employee groups, respectively, in fiscal 2004. Beginning in fiscal 2005 rates will increase to 17.828 percent and 23.201 percent of covered payroll, as estimated by CalPERS. Assuming the resumption of previous average revenue growth, no other steps should be needed to maintain a balanced budget.

The continuing State of California budget shortfall, now estimated at $14 billion annually, has the potential to upset this delicate balance. Should the State choose, as it has done in the past, to take local government revenues to balance the State budget, more significant changes to City operations would be necessary.

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.

CITY OF DALY CITY
STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 1F)	$62,834,081	$16,756,328	$79,590,409
Cash with fiscal agent (Note 1F)		1,047,654	1,047,654
Accounts receivable, net	4,279,792	2,459,150	6,738,942
Inventories	274,612	1,611,678	1,886,290
Prepaids	358,519	74,617	433,136
Notes receivable (Note 13)	1,109,774		1,109,774
Property held for development (Note 1C)	12,592,159		12,592,159
Capital assets, net (Note 4)	75,982,589	72,523,846	148,506,435
Total Assets	157,431,526	94,473,273	251,904,799
LIABILITIES			
Accounts payable	2,794,887	3,265,410	6,060,297
Accrued payroll	1,033,535	123,577	1,157,112
Accrued liabilities	753,759		753,759
Deposits payable	936,519	52,230	988,749
Deferred revenue	946,646		946,646
Compensated absences (Note 1J)	6,981,704	657,446	7,639,150
Accrued claims payable (Note 10)	2,505,100		2,505,100
Long-term debt (Note 5):			
Due within one year	100,023	1,635,000	1,735,023
Due in more than one year	964,483	7,740,000	8,704,483
Total Liabilities	17,016,656	13,473,663	30,490,319
NET ASSETS (Note 11)			
Invested in capital assets, net of related debt	74,918,083	71,690,579	146,608,662
Restricted for:			
Debt service		1,047,654	1,047,654
Redevelopment projects	728,663		728,663
Special revenue projects	6,496,742		6,496,742
Total Restricted Net Assets	7,225,405	1,047,654	8,273,059
Unrestricted	58,271,382	8,261,377	66,532,759
Total Net Assets	$140,414,870	$80,999,610	$221,414,480

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Governmental Activities:							
General government	$3,861,142	$376,564	$176,604	$3,000	($3,304,974)		($3,304,974)
Public safety	29,896,315	3,658,856	642,393		(25,595,066)		(25,595,066)
Public works	5,819,840	2,044,763	333,748	245,389	(3,195,940)		(3,195,940)
Streets and Infrastructure	1,909,043	1,179,774			(729,269)		(729,269)
Culture and recreation	11,471,728	2,466,170	1,358,547	2,495,883	(5,151,128)		(5,151,128)
Economic and community development	10,272,554	2,215,902	6,468,033		(1,588,619)		(1,588,619)
Nondepartmental	407,667	288,268	3,034,498	252,922	3,168,021		3,168,021
Interest on long term debt	1,032,337				(1,032,337)		(1,032,337)
Total Governmental Activities	64,670,626	12,230,297	12,013,823	2,997,194	(37,429,312)		(37,429,312)
Business-type Activities:							
Water Utility	8,440,424	10,202,528	385,293			$2,147,397	2,147,397
Civic Center	626,682	869,306				242,624	242,624
Transfer Station	1,270,705	1,591,840				321,135	321,135
Sanitation District	12,115,172	13,114,197		1,430,442		2,429,467	2,429,467
Total Business-type Activities	22,452,983	25,777,871	385,293	1,430,442		5,140,623	5,140,623
Total	$87,123,609	$38,008,168	$12,399,116	$4,427,636	(37,429,312)	5,140,623	(32,288,689)
General revenues:							
Taxes:							
Property tax					15,426,462	939,013	16,365,475
Sales tax					8,949,909		8,949,909
Utility users tax					5,246,566		5,246,566
Franchise fees					2,281,204		2,281,204
Other taxes					1,927,177		1,927,177
Motor vehicle in lieu					6,091,761		6,091,761
Investment earnings					3,503,897	706,251	4,210,148
Gain (loss) from disposal of capital assets					409,575	(117,770)	291,805
Miscellaneous					531,535	368,542	900,077
Transfers (Note 7)					4,222,495	(4,222,495)	
Total general revenues and transfers					48,590,581	(2,326,459)	46,264,122
Change in Net Assets					11,161,269	2,814,164	13,975,433
Net Assets-Beginning					129,253,601	78,185,446	207,439,047
Net Assets-Ending					$140,414,870	$80,999,610	$221,414,480

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 1F)	$12,906,306	$5,324,073	$4,921,258	$25,800,710	$2,225,732	$51,178,079
Accounts receivable, net	2,399,708	524,799	3,373	417,117	875,093	4,220,090
Inventories	131,483					131,483
Prepaids	280,927				225	281,152
Notes receivable (Note 13)	203,831				905,943	1,109,774
Long-term interfund receivables (Note 7)	32,933,176					32,933,176
Property held for development (Note 1C)			12,592,159			12,592,159
Total Assets	$48,855,431	$5,848,872	$17,516,790	$26,217,827	$4,006,993	$102,445,913
LIABILITIES						
Accounts payable	$599,603	$142,260	$44,176	$1,216,206	$583,484	$2,585,729
Accrued payroll	899,596		5,822		50,312	955,730
Accrued liabilities	732,120				15,741	747,861
Deposits payable	759,912		175,850			935,762
Deferred revenue	13,026,735	250,200			1,852,589	15,129,524
Compensated absences (Note 1J)	590,073					590,073
Long-term interfund payables (Note 7)			32,933,176			32,933,176
Total Liabilities	16,608,039	392,460	33,159,024	1,216,206	2,502,126	53,877,855
FUND BALANCES						
Fund Balance (Note 1M)						
Reserved for:						
Encumbrances	39,491	132,772	52,899	7,499,558	985,294	8,710,014
Inventories	131,483					131,483
Prepaids	280,927				225	281,152
Notes receivable	203,831					203,831
Long-term interfund receivables	19,906,441					19,906,441
Property held for development			12,592,159			12,592,159
Capital projects		3,521,349			873,317	4,394,666
Restricted purposes			728,663		660,839	1,389,502
Imprest cash funds	5,680				950	6,630
Unreserved:						
Designated for:						
Capital projects	1,500,000			17,502,063		19,002,063
Operating capital	5,000,000					5,000,000
Undesignated, reported in:						
General Fund	5,179,539					5,179,539
Special Revenue Funds		1,802,291	(29,015,955)		(1,015,758)	(28,229,422)
Total Fund Balances (Deficits)	32,247,392	5,456,412	(15,642,234)	25,001,621	1,504,867	48,568,058
Total Liabilities and Fund Balances	$48,855,431	$5,848,872	$17,516,790	$26,217,827	$4,006,993	$102,445,913

See accompanying notes to financial statements

CITY OF DALY CITY
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2003

Total fund balances reported on the Governmental Funds Balance Sheet	$48,568,058
Amounts reported for Governmental Activities in the Statement of Net Assets 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.	69,911,434
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the internal service funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.	
Cash and investments	11,656,002
Accounts receivable	59,702
Prepaids	77,367
Inventories	143,129
Capital assets	6,071,155
Accounts payable	(209,158)
Accrued payroll	(77,805)
Accrued liabilities	(5,898)
Deposits payable	(757)
Accrued claims payable	(2,505,100)
Compensated absences	(583,298)
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.	14,182,878
LONG TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the funds:	
Long-term debt	(1,064,506)
Non-current portion of compensated absences	(5,808,333)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$140,414,870

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	$10,577,813		$4,848,649			$15,426,462
Gas tax		$2,226,372				2,226,372
Sales tax	8,275,996	1,144,050				9,420,046
Utility users tax	5,246,566					5,246,566
Franchise fees	2,281,204					2,281,204
Other taxes	8,018,938					8,018,938
Licenses and permits	1,710,137					1,710,137
Fines and forfeitures	2,468,498					2,468,498
Rents and interest	3,263,672	132,435	149,018	$949,432	$161,270	4,655,827
Federal programs and grants	18,367	4,481,374		103,500	2,248,014	6,851,255
Receipts from other agencies	787,985	423,344		2,043,779	5,317,300	8,572,408
Charges and fees	5,572,983	18,000		452,922	1,279,612	7,323,517
Miscellaneous	434,198	21,649	6,285	806,289	549,646	1,818,067
Total Revenues	48,656,357	8,447,224	5,003,952	4,355,922	9,555,842	76,019,297
EXPENDITURES						
Current:						
General government	3,668,450					3,668,450
Public safety	29,119,872				169,990	29,289,862
Public works	5,327,270				16,112	5,343,382
Culture and recreation	9,121,064				1,774,420	10,895,484
Economic and community development	2,518,738		818,961		6,868,270	10,205,969
Capital projects		2,814,593		7,446,370		10,260,963
Debt service						
Principal				95,542		95,542
Interest and fiscal charges	6,834		976,719	48,784		1,032,337
Total Expenditures	49,762,228	2,814,593	1,795,680	7,590,696	8,828,792	70,791,989
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,105,871)	5,632,631	3,208,272	(3,234,774)	727,050	5,227,308
OTHER FINANCING SOURCES (USES)						
Sale of property	774,194					774,194
Transfers in (Note 7)	5,600,362			7,238,176	760,225	13,598,763
Transfers out (Note 7)	(4,981,091)	(1,655,520)	(306,452)	(39,453)	(2,583,663)	(9,566,179)
Total Other Financing Sources (Uses)	1,393,465	(1,655,520)	(306,452)	7,198,723	(1,823,438)	4,806,778
NET CHANGE IN FUND BALANCES	287,594	3,977,111	2,901,820	3,963,949	(1,096,388)	10,034,086
BEGINNING FUND BALANCES						
As originally reported	32,171,432	1,479,301	15,791,849	21,037,672	2,601,255	73,081,509
GASB 34 implementation adjustment (Note 11)	(211,634)		(34,335,903)			(34,547,537)
As adjusted	31,959,798	1,479,301	(18,544,054)	21,037,672	2,601,255	38,533,972
ENDING FUND BALANCES (DEFICITS)	$32,247,392	$5,456,412	($15,642,234)	$25,001,621	$1,504,867	$48,568,058

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, 2003

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 Assets 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	$10,034,086
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.	8,981,161
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of $1,241,574 which has already been allocated to serviced funds).	(2,282,070)
Retirements of capital assets	(372,159)
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 Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	95,542
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:	
Deferred revenue	(5,220,657)
Compensated absences	(370,286)
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 assets of all internal service funds	295,652
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$11,161,269

See accompanying notes to financial statements

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Property tax	$10,599,545	$10,869,545	$10,577,813	($291,732)
Sales tax	7,969,950	8,319,950	8,275,996	(43,954)
Utility users tax	5,415,390	5,415,390	5,246,566	(168,824)
Franchise fees	2,331,098	2,331,098	2,281,204	(49,894)
Other taxes	8,071,645	8,071,645	8,018,938	(52,707)
Licenses and permits	1,583,892	1,587,892	1,710,137	122,245
Fines and forfeitures	2,386,059	2,386,059	2,468,498	82,439
Rents and interest	1,836,477	2,465,939	3,263,672	797,733
Federal programs and grants	11,180	18,157	18,367	210
Receipts from other agencies	542,634	823,546	787,985	(35,561)
Charges and fees	6,072,644	6,205,847	5,572,983	(632,864)
Miscellaneous	116,038	304,235	434,198	129,963
Total Revenues	46,936,552	48,799,303	48,656,357	(142,946)
EXPENDITURES:				
Current Operations:				
General Government				
Legislative:				
Personnel services	103,092	114,592	114,402	190
Other services	57,831	58,581	58,426	155
Other charges	12,400	8,900	8,299	601
Total Legislative	173,323	182,073	181,127	946
Legal:				
Personnel services	604,449	587,449	587,366	83
Other services	123,731	243,731	243,369	362
Other charges	4,365	3,865	3,730	135
Total Legal	732,545	835,045	834,465	580
Administrative				
Personnel services	715,512	1,224,057	1,223,156	901
Other services	1,139,675	1,101,714	1,030,236	71,478
Capital outlay	800	90,800	88,312	2,488
Other charges	528,829	323,240	311,154	12,086
Total Administrative	2,384,816	2,739,811	2,652,858	86,953
Total General Government	3,290,684	3,756,929	3,668,450	88,479
Public Safety				
Police:				
Personnel services	14,124,494	13,796,441	13,795,498	943
Other services	2,202,118	2,275,645	2,235,501	40,144
Capital outlay	14,815	125,282	78,916	46,366
Other charges	785,616	832,496	831,740	756
Total Police	17,127,043	17,029,864	16,941,655	88,209
Fire:				
Personnel services	8,072,971	9,675,821	9,674,986	835
Other services	854,984	897,984	897,385	599
Capital outlay	21,800	22,600	21,999	601
Other charges	60,773	67,989	67,580	409
Total Fire	9,010,528	10,664,394	10,661,950	2,444
Public Safety Communications				
Personnel services	1,093,384	1,161,384	1,160,648	736
Other services	333,074	350,656	350,033	623
Capital outlay	1,560	1,560	1,369	191
Other charges	3,741	4,741	4,217	524
Total Public Safety Communications	1,431,759	1,518,341	1,516,267	2,074
Total Public Safety	27,569,330	29,212,599	29,119,872	92,727

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Public Works				
Personnel services	4,077,254	4,083,254	4,081,979	1,275
Other services	1,284,699	1,248,699	1,224,454	24,245
Capital outlay	1,000	1,000		1,000
Other charges	21,066	21,066	20,837	229
Total Public Works	5,384,019	5,354,019	5,327,270	26,749
Culture and Recreation				
Library:				
Personnel services	1,677,610	1,699,610	1,699,305	305
Other services	754,604	751,687	751,484	203
Other charges	6,719	6,201	5,189	1,012
Total Library	2,438,933	2,457,498	2,455,978	1,520
Parks and Recreation:				
Personnel services	4,100,737	4,082,333	4,081,638	695
Other services	2,794,941	2,799,160	2,556,625	242,535
Capital outlay	7,947	7,947	7,428	519
Other charges	26,958	26,958	19,395	7,563
Total Parks and Recreation	6,930,583	6,916,398	6,665,086	251,312
Total Culture and Recreation	9,369,516	9,373,896	9,121,064	252,832
Economic and Community Development				
Personnel services	1,840,099	1,793,660	1,793,056	604
Other services	554,195	746,037	696,794	49,243
Capital outlay	828	1,828	657	1,171
Other charges	35,033	37,433	28,231	9,202
Total Economic and Community Development	2,430,155	2,578,958	2,518,738	60,220
Debt Service:				
Interest and fiscal charges	2,250	7,130	6,834	296
Total Expenditures	48,045,954	50,283,531	49,762,228	521,303
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,109,402)	(1,484,228)	(1,105,871)	378,357
OTHER FINANCING SOURCES (USES)				
Sale of property	6,500	774,193	774,194	1
Transfers in	5,571,433	5,647,680	5,600,362	(47,318)
Transfers out	(5,046,225)	(5,556,287)	(4,981,091)	575,196
Total Other Financing Sources (Uses)	531,708	865,586	1,393,465	527,879
NET CHANGE IN FUND BALANCES	($577,694)	($618,642)	287,594	$906,236
BEGINNING FUND BALANCES				
As originally reported			32,171,432	
GASB 34 implementation adjustment (Note 11)			(211,634)	
As adjusted			31,959,798	
ENDING FUND BALANCES			$32,247,392	

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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Gas tax	$2,020,266	$2,020,266	$2,226,372	$206,106
Sales tax	1,238,779	1,238,779	1,144,050	(94,729)
Interest	120,000	120,000	132,435	12,435
Federal programs and grants	2,099,840	2,099,840	4,481,374	2,381,534
Receipts from other agencies	511,591	511,591	423,344	(88,247)
Charges and fees	500,000	518,000	18,000	(500,000)
Miscellaneous		14,500	21,649	7,149
Total Revenues	6,490,476	6,522,976	8,447,224	1,924,248
EXPENDITURES:				
Capital projects	7,313,027	7,345,527	2,814,593	4,530,934
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(822,551)	(822,551)	5,632,631	6,455,182
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,702,838)	(1,702,838)	(1,655,520)	47,318
NET CHANGE IN FUND BALANCES	($2,525,389)	($2,525,389)	3,977,111	$6,502,500
BEGINNING FUND BALANCES			1,479,301	
ENDING FUND BALANCES			$5,456,412	

See accompanying notes to financial statements

CITY OF DALY CITY
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Property tax	$2,433,503	$4,813,878	$4,848,649	$34,771
Rents and interest	83,500	118,500	149,018	30,518
Miscellaneous	900	900	6,285	5,385
Total Revenues	2,517,903	4,933,278	5,003,952	70,674
EXPENDITURES:				
Economic and Community Development:				
Salaries and benefits	256,748	259,248	255,730	3,518
Services and supplies	283,862	281,142	96,417	184,725
ERAF shift		54,375	54,375	
Other charges	324,988	467,708	375,489	92,219
Capital outlay	1,120,115	1,120,115	36,950	1,083,165
Total Economic and Community Development	1,985,713	2,182,588	818,961	1,363,627
Debt Service:				
Interest and fiscal charges	1,671,512	1,671,512	976,719	694,793
Total Expenditures	3,657,225	3,854,100	1,795,680	2,058,420
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,139,322)	1,079,178	3,208,272	2,129,094
OTHER FINANCING SOURCES (USES)				
Sale of property	1,000,000	1,000,000		(1,000,000)
Transfers out		(306,452)	(306,452)	
Proceeds from long-term debt	567,383	567,383		(567,383)
Total other financing sources (uses)	1,567,383	1,260,931	(306,452)	(1,567,383)
NET CHANGE IN FUND BALANCES	$428,061	$2,340,109	2,901,820	$561,711
BEGINNING FUND BALANCES				
As originally reported			15,791,849	
GASB 34 implementation adjustment (Note 11)			(34,335,903)	
As adjusted			(18,544,054)	
ENDING FUND BALANCES (DEFICIT)			($15,642,234)	

See accompanying notes to financial statements

CITY OF DALY CITY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities-Enterprise Funds				Governmental Activities-
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	$4,077,894	$11,398,406	$1,280,028	$16,756,328	$11,656,002
Cash with fiscal agent		1,047,654		1,047,654	
Accounts receivable, net	1,488,583	740,845	185,125	2,414,553	59,702
Inventories	456,325	1,155,353		1,611,678	143,129
Prepaids		74,617		74,617	77,367
Total Current Assets	6,022,802	14,416,875	1,465,153	21,904,830	11,936,200
Long-Term Assets:					
Advances to others			44,597	44,597	
Long-term interfund receivable		833,267		833,267	
Total Long-Term Assets		833,267	44,597	877,864	
Capital Assets:					
Land	839,856	233,547	1,789,146	2,862,549	333,343
Buildings	502,661	209,419	6,753,006	7,465,086	194,494
Sewage facilities		45,125,607		45,125,607	
Wells and pump stations	5,019,529			5,019,529	
Water reservoirs	7,308,827			7,308,827	
Mains & subsurface lines	10,381,684	15,773,723		26,155,407	
Equipment	2,452,083	1,703,627	676,168	4,831,878	14,046,431
Furniture and fixtures	15,070	53,240		68,310	16,633
Construction in progress	965,849	8,079,218		9,045,067	
Total Capital Assets	27,485,559	71,178,381	9,218,320	107,882,260	14,590,901
Less accumulated depreciation	6,596,273	26,175,611	2,586,530	35,358,414	8,519,746
Net Capital Assets	20,889,286	45,002,770	6,631,790	72,523,846	6,071,155
Total Assets	26,912,088	60,252,912	8,141,540	95,306,540	18,007,355
Current Liabilities:					
Accounts payable	885,087	1,741,144	412,140	3,038,371	209,158
Retentions payable	24,099	202,940		227,039	
Accrued liabilities					5,898
Accrued payroll	42,055	81,522		123,577	77,805
Compensated absences	6,410	32,206		38,616	
Deposits payable	52,230			52,230	757
Total Current Liabilities	1,009,881	2,057,812	412,140	3,479,833	293,618
Long-Term Liabilities:					
Compensated absences (Note 1J)	174,372	444,458		618,830	583,298
Accrued claims payable (Note 10)					2,505,100
Long-term interfund payable			833,267	833,267	
Long term debt (Note 5)					
Due within one year		1,635,000		1,635,000	
Due in more than one year		7,740,000		7,740,000	
Total Long-Term Liabilities	174,372	9,819,458	833,267	10,827,097	3,088,398
Total Liabilities	1,184,253	11,877,270	1,245,407	14,306,930	3,382,016
NET ASSETS					
Invested in capital assets, net of related debt	20,889,286	45,002,770	5,798,523	71,690,579	6,071,155
Restricted for debt service		1,047,654		1,047,654	
Unrestricted (Note 1M)	4,838,549	2,325,218	1,097,610	8,261,377	8,554,184
Total Net Assets	$25,727,835	$48,375,642	$6,896,133	$80,999,610	$14,625,339

See accompanying notes to financial statements

CITY OF DALY CITY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
OPERATING REVENUES					
Water sales	$10,202,528			$10,202,528	
Sewer service charges		$12,541,647		12,541,647	
Connection charges		572,550		572,550	
Rental income			$869,306	869,306	
Lease revenue			375,000	375,000	
Recycling revenue			1,216,840	1,216,840	
Charges to City departments					$8,901,339
Other revenues	547,780	1,474,471	162,026	2,184,277	571,175
Total Operating Revenues	10,750,308	14,588,668	2,623,172	27,962,148	9,472,514
OPERATING EXPENSES					
Salaries and benefits	1,773,434	3,827,366		5,600,800	3,558,662
Services and supplies	1,061,566	3,914,765	167,730	5,144,061	2,027,980
Water purchases	2,427,792			2,427,792	
Transfer station charges			1,216,840	1,216,840	
Utilities	1,150,252	778,985	120,563	2,049,800	389,627
Insurance	95,978	231,532	13,812	341,322	1,136,312
Claims / settlements					2,300,936
Depreciation	850,591	1,618,627	312,054	2,781,272	1,241,574
Other charges	1,080,811	972,321	20,500	2,073,632	191,309
Total Operating Expenses	8,440,424	11,343,596	1,851,499	21,635,519	10,846,400
Operating Income (Loss)	2,309,884	3,245,072	771,673	6,326,629	(1,373,886)
NONOPERATING REVENUES (EXPENSES)					
Property taxes		939,013		939,013	
Gain (loss) on sale of capital assets	(26,391)	(91,379)		(117,770)	(5,614)
Loss on refunding (Note 5)		(616,046)		(616,046)	
Grant reimbursement					1,153,091
Storm damage repair expenses					(99,204)
Interest income	176,404	511,718	18,129	706,251	431,354
Interest expense		(155,530)	(45,888)	(201,418)	
Total Nonoperating Revenues (Expenses)	150,013	587,776	(27,759)	710,030	1,479,627
Income Before Transfers	2,459,897	3,832,848	743,914	7,036,659	105,741
Transfers in (Note 7)		941,738		941,738	334,237
Transfers out (Note 7)	(2,563,999)	(1,892,758)	(707,476)	(5,164,233)	(144,326)
Net transfers	(2,563,999)	(951,020)	(707,476)	(4,222,495)	189,911
Change in net assets	(104,102)	2,881,828	36,438	2,814,164	295,652
BEGINNING NET ASSETS	25,831,937	45,493,814	6,859,695	78,185,446	14,329,687
ENDING NET ASSETS	$25,727,835	$48,375,642	$6,896,133	$80,999,610	$14,625,339

See accompanying notes to financial statements

CITY OF DALY CITY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	Business-type Activities-Enterprise Funds				
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$10,729,484	$14,674,906	$2,649,374	$28,053,764	$9,454,335
Payments to suppliers	(5,292,017)	(5,534,720)	(1,577,226)	(12,403,963)	(4,082,655)
Payments to employees	(1,761,454)	(3,764,530)		(5,525,984)	(3,479,448)
Claims paid					(1,489,722)
Cash Flows from Operating Activities	3,676,013	5,375,656	1,072,148	10,123,817	402,510
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts		115,701		115,701	
Interfund payments			(115,702)	(115,702)	
Interest paid			(45,888)	(45,888)	
Property tax		939,013		939,013	
Grant reimbursement					1,153,091
Storm damage repair expenses					(99,204)
Transfers in		941,738		941,738	334,237
Transfers out	(2,563,999)	(1,892,758)	(707,476)	(5,164,233)	(144,326)
Cash Flows from Noncapital Financing Activities	(2,563,999)	103,694	(869,066)	(3,329,371)	1,243,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,689,035)	(5,251,722)		(6,940,757)	(1,116,452)
Proceeds from sale of capital assets					31,198
Issuance cost paid		(238,084)		(238,084)	
Proceeds from long term debt		10,475,000		10,475,000	
Payment to refunded debt escrow agent		(11,247,962)		(11,247,962)	
Principal payments on capital debt		(1,100,000)		(1,100,000)	
Interest paid		(155,530)		(155,530)	
Cash Flows from Capital and Related Financing Activities	(1,689,035)	(7,518,298)		(9,207,333)	(1,085,254)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest	176,404	511,718	18,129	706,251	431,354
Net Cash Flows	(400,617)	(1,527,230)	221,211	(1,706,636)	992,408
Cash and investments at beginning of period	4,478,511	13,973,290	1,058,817	19,510,618	10,663,594
Cash and investments at end of period	$4,077,894	$12,446,060	$1,280,028	$17,803,982	$11,656,002
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	$2,309,884	$3,245,072	$771,673	$6,326,629	($1,373,886)
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	850,591	1,618,627	312,054	2,781,272	1,241,574
Change in assets and liabilities:					
Receivables, net	(20,824)	86,238	26,202	91,616	(18,179)
Inventory	(18,438)	(41,848)		(60,286)	
Other assets		171,077		171,077	(27,738)
Accounts and other payables	542,820	233,654	(37,781)	738,693	(309,689)
Accrued claims payable					811,214
Accrued payroll and compensated absences	11,980	62,836		74,816	79,214
Cash Flows from Operating Activities	$3,676,013	$5,375,656	$1,072,148	$10,123,817	$402,510

See accompanying notes to financial statements

CITY OF DALY CITY

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2003

	Agency Funds
ASSETS	
Cash and investments (Note 1F)	$2,903,235
Receivables	668,524
Total Assets	$3,571,759
LIABILITIES	
Accounts payable	$939,842
Due to bondholders	1,209,555
Deposits payable	1,422,362
Total Liabilities	$3,571,759

See accompanying notes to financial statements

DALY CITY · CALIFORNIA ·

GATEWAY TO THE PENINSULA

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2003

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 Daly City Redevelopment Agency, 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.

The accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34), No. 36, *Recipient Reporting for Certain Nonexchange Revenues, an Amendment of GASB Statement* No. 33, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each 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

GASB 34 defines major funds and requires that the City's major governmental and business-type funds be 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.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

GENERAL FUND 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.

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND is used to account for monies restricted for the purpose of eliminating blight in designated redevelopment project areas. The Redevelopment Agency was established in 1971 for the purpose of redeveloping certain portions of the City's older business areas. While the Redevelopment Agency is technically an administrative arm of the State, exercising State powers, it is governed and effectively controlled by the City Council.

CAPITAL PROJECTS FUND is used to account for financial resources to be used for the acquisition or construction of major capital facilities 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 residents with water service and billing for garbage collection service provided by Browning-Ferris Industries of California.

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. The funds account for motor vehicles, central services, telephone, building maintenance, information services and self-insurance; all of which 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 individuals, private organizations, and other governments. The financial activities of these funds are excluded from the entity-wide financial statements, but are presented in separate fiduciary fund financial statements.

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.

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.

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 assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City follows Financial Accounting Standard Board statements issued on or before November 30, 1989 which do not conflict with Governmental Accounting Standards Board statements.

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 adopts an annual budget before June 30, 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 fund by fund 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 he deems 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 five year capital plan, and each project year budget (GAAP Basis) is appropriated separately on an on-going basis.

F. CASH AND INVESTMENTS

At June 30, 2003, the carrying amount of the City's deposits and certificates of deposit was $3,043,899 and the bank balance was $5,492,412. Of the bank balance $1,644,128 was insured by federal depository insurance or covered by collateral held by the City's agent in the City's name, and $3,848,284 was covered by collateral held in the pledging financial institutions' trust department or agent in the City's name, in accordance with Section 53652 of the California Government Code.

The City's investments of $77,851,438 at June 30, 2003 (excluding certificates of deposit and mortgage-backed securities) consist of funds on deposit with the Local Agency Investment Fund (State Treasurer's Pool) and the San Mateo County Investment Pool. The investment pools are not subject to risk categorization because they are not evidenced by securities that exist in physical or book entry form. Neither pool reflects the participant's deposits in the form of shares, therefore the fair value of the City's position in the pools is the same as the City's deposit balance.

The City has invested in mortgage-backed securities issued by the Government National Mortgage Association which are evidenced by specific identifiable securities instruments. The City categorizes securities instruments in ascending order to reflect the relative risk of loss on these instruments. This risk is called Credit Risk. The lower the number, the lower the risk. Of the three levels of risk prescribed by generally accepted accounting principles, the City's securities instruments are considered Category 1, because the City has possession of these securities instruments and they are in the City's name. The fair value of these securities instruments at June 30, 2003 was $1,598,307. Five of these securities instruments have original maturity terms greater than five years. During fiscal 2002, the City Council adopted a resolution which included authorization for the City Treasurer to invest up to $4 million in investments which, at the time of investment, have terms remaining to maturity in excess of 5 years.

The City's cash with fiscal agent of $1,047,654 at June 30, 2003 consists of $154 in mutual funds invested in United States Treasury securities and $1,047,500 in an investment agreement.

The City's cash with fiscal agent, as well as cash and investments recorded in the City's agency funds, are required to be expended for the payment of certificates of participation or assessment bonds. The expenditure of such cash and investments is governed by indenture agreements and other agency agreements. The California Government Code requires these monies to be invested in accordance with any applicable City ordinance, resolution or bond indenture, unless there are specific State statutes governing their investment. All these funds have been invested only as permitted by either the above Code or applicable City ordinance.

The proprietary funds' portion of the City's pooled investments is reported on the accompanying financial statements as Cash and Investments, similar to a demand deposit account, and is considered a cash equivalent used in the preparation of the statement of cash flows.

Investments are carried at fair value and were categorized as follows at June 30:

Category 1:	
U.S. Government Agency Securities (Government National Mortgage Association)	$1,598,307
Non-categorized investments:	
Local Agency Investment Fund	25,674,162
County of San Mateo Investment Pool	52,177,276
U.S. Treasury securities mutual fund	154
Investment agreement	1,047,500
Total Investments	80,497,399
Cash Deposits with Banks	1,548,869
Certificates of Deposit	1,488,000
Cash on hand	7,030
Total Cash and Investments	$83,541,298
Financial Statement Presentation:	
City Cash and Investments:	
Cash and investments	$79,590,409
Investments with fiscal agent	1,047,654
Total City Cash and Investments	80,638,063
Fiduciary Funds:	
Cash and investments	2,903,235
Total Cash and Investments	$83,541,298

The City of Daly City operates its investment activities under the prudent investor rule (Civil Code Sec. 2261, et seq.). This affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current statutes of the State of California (Government Code Sec. 53600, et seq.).

Investments are allowed in the following media:

- Collateralized Certificates of Deposit
- United States Treasury notes, bonds, bills or certificates of indebtedness
- Registered state warrants or treasury notes or bonds of the State of California
- Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California, including those of the City or of any agency or authority of the City
- Obligations issued by banks and guaranteed by a federal agency or United States government-sponsored enterprise
- Banker's acceptances
- Commercial paper
- Negotiable certificates of deposit or time deposits placed with commercial banks and/or savings and loan companies
- Mutual Funds
- Local Agency Investment Fund (State Treasurer's Pool)
- Repurchase or reverse repurchase agreements
- San Mateo County Treasurer's Pool
- Passbook Savings Accounts

The City's investment policy states that the "financial institution must have an office in California and that office must perform the transactions with the City". As of June 30, 2003, the City had $297,000 in a Certificate of Deposit with the First National Bank of Marin. The bank previously had an office in San Rafael, Marin County that closed and moved to Las Vegas, Nevada. The City intends to discontinue the deposit with the bank when the certificate of deposit matures in January 2004.

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 voluntarily invests 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. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

G. INVENTORY

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

H. WATER UTILITY ACCOUNTS RECEIVABLE

The City bills usage to water utility customers on a bimonthly basis. Each day's meter readings are usually billed on the next business day. 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 enterprise funds.

I. ADVANCES TO OTHER FUNDS AND AGENCIES

In governmental funds, noncurrent portions of long-term interfund loans receivable (reported in "advances to" asset accounts) are equally offset by a reservation of fund balance which indicates that they do not constitute available spendable resources since they are not a component of net current assets. These advances accumulate interest annually and because interest revenue is not expected to be collected within the next year, the accumulated interest has been reflected as deferred revenue in the General Fund. Current portions of long-term interfund loans receivable (reported in "due from" asset accounts) are considered available spendable resources.

J. 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 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, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long term portion is recorded in the Statement of Net Assets.

The changes in liability for compensated absences were as follows:

	Governmental Activities	Business Type Activities	Total
Balance July 1, 2002	$6,252,685	$613,088	$6,865,773
Additions	5,142,551	612,952	5,755,503
Payments	(4,413,532)	(568,594)	(4,982,126)
Balance June 30, 2003	$6,981,704	$657,446	$7,639,150
Current portion	$590,073	$38,616	$628,689

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

K. 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.

L. 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.

	SECURED	UNSECURED
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.

M. RESERVATIONS AND DESIGNATIONS OF FUND EQUITY

The term "reserve" is used to indicate that a portion of reported fund equity is legally restricted to a specific use or not available for appropriation or expenditure. The City Council or the City Manager will sometimes designate portions of unreserved fund equity based on tentative future spending plans. Such plans are subject to change, have not been legally authorized and may not result in expenditures. Unreserved undesignated portions of fund equity represent financial resources legally available for uses other than those tentatively planned.

The City has reserved and designated fund equity as follows:

Reserved for Encumbrances - to reflect outstanding contractual obligations for which goods and services have not been received.

Reserved for Prepaids, Inventories, Notes Receivable, Long-term Interfund Receivables and Property Held for Development - to reflect that prepaid expenditures, inventories, long-term notes receivable and land held for investment do not constitute available spendable resources in the governmental funds.

Reserved for Capital Projects - to account for developer in-lieu fees and other monies restricted by statute to the development and maintenance of City capital projects.

Reserved for Restricted Purposes - the City receives grants and other revenues legally restricted for certain functions.

Reserved for Imprest Cash Funds - these amounts represent revolving petty cash funds maintained in various City departments to facilitate small, nonroutine, purchases of goods.

Designated for Equipment Replacement - these monies are set aside according with the depreciation schedule for a specific piece of equipment. The reserve for equipment replacement increases generally in the same amount as depreciation charged in each of the internal service and enterprise funds and decreases when monies are used to buy replacement equipment.

Designated for Fire Apparatus - these monies are set aside for expenditures specifically for the replacement of fire equipment. Because fire equipment is a very expensive capital item, the City has chosen to designate the amount generally determined by the depreciation schedule for fire equipment for future needs.

Designated for Recycling - these monies are set aside for expenditures to reduce the amount of refuse by encouraging recycling of reusable materials

Designated for Possible Future Claims - the City has a self-insurance fund that is explained in Note 10. Monies have been set aside in this reserve in the event that the City will be found liable for future claims for personal injury or accident or other significant damage within the City.

Designated for Capital Projects - these funds represent amounts anticipated to be expended in the upcoming fiscal year for capital projects.

Designated for Operating Capital - these amounts represent estimates of the cash required for expenditures in various funds which are necessary to bridge the time period between year-end and the receipt of major revenues, such as property taxes and sewer service fees billed with property taxes.

At June 30, 2003, the following Enterprise Funds had fund equity designations:

	Water Utility	Sanitation District	Civic Center	Transfer Station
Unrestricted, designated for:				
Equipment replacement	$979,237	$2,325,218	$561,200	$513,504
Recycling				22,906
Capital projects	2,594,415			
Unrestricted, undesignated	1,264,897			
Total unrestricted net assets	$4,838,549	$2,325,218	$561,200	$536,410

At June 30, 2003, the following Internal Service Funds had fund equity designations:

	Motor Vehicles	Central Services	PBX	Information Services	Self-Insurance
Unrestricted, designated for:					
Equipment replacement	$2,167,282	$122,938	$354,118	$1,824,690	
Fire apparatus	130,604				
Possible future claims					$4,065,225
Unrestricted, undesignated	47,280	18,665			
Total unrestricted net assets	$2,345,166	$141,603	$354,118	$1,824,690	$4,065,225

Note 2.

REPORTING ENTITY

The City's Basic Financial Statements include the financial activities of the City, the Daly City Redevelopment Agency (Redevelopment Agency), the North San Mateo County Sanitation District, and the Daly City Public Facilities Financing Corporation. These entities are controlled by governing boards consisting of members of the City Council. Council members are financially accountable for these entities' operations and approve fees, debt issues and adopt budgets. Component unit reports for the Redevelopment Agency can be obtained from the City of Daly City, 333 - 90th Street, Daly City, California 94015-1895.

The Redevelopment Agency was established in 1971 for the purpose of developing certain portions of the City's older business areas, and is overseen by and dependent upon the City. While the Redevelopment Agency is a separate legal entity and technically an administrative arm of the State, exercising State powers, it is governed and effectively controlled by the City Council. The activities of the Redevelopment Agency are included with the Special Revenue Funds.

Effective July 1, 1985, the North San Mateo County Sanitation District became a subsidiary district of the City. The City set up an enterprise fund to account for the District's operations.

The activity of the Daly City Public Facilities Financing Corporation (the Corporation) is included in the Basic financial statements within the North San Mateo County Sanitation District Enterprise Fund because the City Council sits as the Board for this entity. The City established the Corporation to facilitate the issuance of Certificates of Participation to complete an expansion project for the North San Mateo County Sanitation District. The Corporation acts as a conduit for the leasing of the facilities of the Sanitation District (See Note 5).

Note 3.

COMMITMENTS AND CONTINGENCIES

At June 30, 2003, the City had made commitments of approximately $13.9 million for construction work, legal and consulting fees, and purchases of supplies and equipment.

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.

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, $1,000 for all other classes of capital assets, and with useful lives exceeding two years.

With the implementation of GASB 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

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 provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Buildings	20-50 years	Sanitation Subsurface Lines	50 years
Equipment, Furniture & Fixtures	3-20 years	Water Mains	50 years
Streets and Infrastructure	28-60 years	Sewage Collection Facilities	7-20 years
Wells and Pump Stations	40-50 years	Sewage Treatment Facilities	10-40 years
Water Reservoirs	40-99 years	Sewage Disposal Facilities	15-50 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, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Governmental activities					
Capital assets not being depreciated:					
Land	$20,715,325	$637,549	($364,619)	$55,846	$21,044,101
Construction in progress	7,867,136	6,546,041		(3,697,174)	10,716,003
Total capital assets not being depreciated	28,582,461	7,183,590	(364,619)	(3,641,328)	31,760,104
Capital assets being depreciated:					
Buildings & improvements	26,909,303		(110,440)	(107,474)	26,691,389
Streets & infrastructure	50,054,902	1,581,264		3,697,174	55,333,340
Vehicles, equipment, furniture and fixtures	16,679,762	1,305,259	(1,167,671)	51,628	16,868,978
Park structures and improvements	971,499	27,500			998,999
Total capital assets being depreciated	94,615,466	2,914,023	(1,278,111)	3,641,328	99,892,706
Less accumulated depreciation for:					
Buildings & improvements	12,604,613	919,216	(106,341)		13,417,488
Streets & infrastructure	30,168,923	1,077,445			31,246,368
Vehicles, equipment, furniture and fixtures	10,362,741	1,493,683	(1,127,419)		10,729,005
Park structures and improvements	244,060	33,300			277,360
Total accumulated depreciation	53,380,337	3,523,644	(1,233,760)		55,670,221
Net depreciable assets	41,235,129	(609,621)	(44,351)	3,641,328	44,222,485
Governmental activity capital assets, net	$69,817,590	$6,573,969	($408,970)		$75,982,589

	Balance June 30, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Business-type activities:					
Capital assets not being depreciated:					
Land	$2,848,208	$14,341			$2,862,549
Construction in progress	6,223,535	5,284,953		($2,463,421)	9,045,067
Total capital assets not being depreciated	9,071,743	5,299,294		(2,463,421)	11,907,616
Capital assets being depreciated:					
Buildings	7,384,060			81,026	7,465,086
Sewage facilities	45,800,136	121,951	($796,480)		45,125,607
Wells & pump stations	5,003,427	121,700	(105,598)		5,019,529
Water reservoirs	7,334,927		(26,100)		7,308,827
Mains & subsurface lines	22,484,354	1,246,382		2,424,671	26,155,407
Equipment	6,209,794	151,433	(1,487,073)	(42,276)	4,831,878
Furniture and Fixtures	107,421		(39,111)		68,310
Total capital assets being depreciated	94,324,119	1,641,466	(2,454,362)	2,463,421	95,974,644
Less accumulated depreciation for:					
Buildings	2,211,375	238,310		34,378	2,484,063
Sewage facilities	21,969,813	1,122,876	(709,323)		22,383,366
Wells & pump stations	1,725,698	163,412	(98,968)		1,790,142
Water reservoirs	2,325,018	181,928	(14,573)		2,492,373
Mains & subsurface lines	3,771,997	632,838			4,404,835
Equipment	2,826,744	436,507	(1,474,615)	(34,378)	1,754,258
Furniture and Fixtures	83,087	5,401	(39,111)		49,377
Total accumulated depreciation	34,913,732	2,781,272	(2,336,590)		35,358,414
Net depreciable assets	59,410,387	(1,139,806)	(117,772)	2,463,421	60,616,230
Business-type activity capital assets, net	$68,482,130	$4,159,488	($117,772)		$72,523,846

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	$15,879
Public safety	273,521
Public works	22,257
Culture and recreation	467,850
Economic and community development	15,703
Streets and infrastructure	1,083,265
Nondepartmental	403,595
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	1,241,574
Total Governmental Activities	$3,523,644
Business-Type Activities	
Water Utility	$850,591
Civic Center	268,349
Transfer Station	43,705
Sanitation District	1,618,627
Total Business-Type Activities	$2,781,272

Note 5
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2003, are as follows:

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003	Current Portion
Governmental Activity Debt					
2002 Capital Lease					
4.69%, due 2011	$1,040,151		$95,542	$944,609	$100,023
Line of Credit					
5.7%, due 2006	119,897			119,897	
Total Governmental Activity	1,160,048		95,542	1,064,506	100,023
Business-Type Activity Debt					
1992 Refunding Certificates of Participation					
5%-5.375%, refunded 2002	10,870,000		10,870,000		
2002 Certificates of Participation					
2%-2.5%, due serially to 2009		$10,475,000	1,100,000	9,375,000	1,635,000
Total Business-Type Activity	10,870,000	10,475,000	11,970,000	9,375,000	1,635,000
Total City Long-Term Obligations	$12,030,048	$10,475,000	$12,065,542	$10,439,506	$1,735,023

On August 13, 2001, the City entered into a capital lease agreement totaling $1,184,477 to fund the Civic Center Energy Management Project to improve the lighting, heating and ventilation of the building. Principal and interest payments are due annually on August 13 until 2011. Debt service is repayable from Capital Project Fund resources.

As of June 30, 2003 the City had a bank line of credit bearing interest at 5.70 percent. Monthly interest payments vary and a final payment will be due on October 3, 2005. The initial $164,000 draw-down on the line was used to finance improvements to office space used in the City's Small Business Incubator Program. Under this Program, the City assists start-up companies by providing office space and secretarial and administrative services for a fee. Debt service is payable from rents collected from small businesses participating in the Program.

On September 24, 2002, the City issued, through a financing intermediary called the Daly City Public Facilities Financing Corporation, $10,475,000 of 2002 Certificates of Participation bearing interest at 2 percent to 2.5 percent to retire $10,870,000 of outstanding 1992 Refunding Certificates of Participation bearing interest at 5 percent to 5.375 percent. Principal is due annually on June 1. Interest is due semiannually on each June 1 and December 1, until June 1, 2009. Debt service is repayable from Sanitation District Enterprise Fund operating revenues. As a result, the 1992 Refunding Certificates of Participation are considered legally defeased and, as of September 24, 2002, were no longer an obligation of the City. The refunding resulted in an economic gain of $699,093, representing the present value of the $2,025,041 reduction in future debt service payments.

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

	Governmental Activities		Business-Type Activities	
Year ending June 30	Principal	Interest	Principal	Interest
2004	$100,023	$44,303	$1,635,000	$200,625
2005	104,714	39,612	1,670,000	167,925
2006	229,522	34,701	1,705,000	134,525
2007	114,767	29,559	1,740,000	100,425
2008	120,150	24,176	1,770,000	65,625
2009-2011	395,330	37,649	855,000	21,375
	$1,064,506	$210,000	$9,375,000	$690,500

During fiscal 2003 the City authorized a $4,500,000 note payable, guaranteed under the Department of Housing and Development's (HUD) Section 108 Loan Guarantee Program. Proceeds from the note will be used to finance the design and construction of the Bayshore Community Center. As of June 30, 2003, the City had not drawn down any of the funds available under the loan agreement.

Note 6.

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's nonmajor enterprise funds include the following segments:

CIVIC CENTER is used to account for rental activity of real property owned by the City in the Civic Center area.

Fiscal 2003 segment information is as follows:

Condensed Statement of Net Assets

	Civic Center
Assets:	
Current assets	$585,646
Advances to others	
Capital assets	5,899,173
Total assets	6,484,819
Liabilities:	
Current liabilities	24,446
Long-term interfund payable	833,267
Total liabilities	857,713
Net assets:	
Invested in capital assets, net of related debt	5,899,173
Unrestricted	(272,067)
Total net assets	$5,627,106

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Civic Center
Charges for services	$869,306
Other revenue	106,176
Depreciation expense	(268,349)
Other operating expenses	(312,445)
Operating income	394,688
Nonoperating revenues (expenses):	
Interest income	18,129
Interest expense	(45,888)
Transfers out	(301,595)
Change in net assets	65,334
Beginning net assets	5,561,772
Ending net assets	$5,627,106

Condensed Statement of Cash Flows

	Civic Center
Noncapital financing activities	(301,595)
Net cash provided (used) by:	
Operating activities	$593,065
Capital financing activities	(161,590)
Investing activities	18,129
Net increase (decrease)	148,009
Beginning cash and cash equivalents	361,575
Ending cash and cash equivalents	$509,584

Note 7.

INTERFUND BALANCES

The Sanitation Enterprise Fund loaned $1.2 million, ($833,267 at June 30, 2003), to the Civic Center Enterprise Fund to finance construction of Civic Center North remodeling costs. This long-term interfund advance bears interest at 5.119 percent and is due in monthly installments including interest, with a final payment due on June 30, 2009. The payments are being made from Civic Center operating revenues.

Loans payable from the Redevelopment Agency to the General Fund have no scheduled repayment date. Management has prepared a cash flow projection of redevelopment activities through fiscal 2024. This projection indicates that funds should be available to repay the above loans, including interest, prior to the expiration of the project areas. Loans currently bear interest at 2.891 percent and this rate is adjusted annually based on the LAIF rate as defined in the agreement between the Agency and the City. The fiscal 2003 additions to loans payable amounting to $976,719 represent interest, as the terms of the agreement stipulate that any unpaid interest shall be added to the principal. During fiscal 2003, the Agency repaid the City $1,671,512. At June 30, 2003, the total amount of loans payable from the Agency to the General Fund was $32,933,176.

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2003 were as follows:

Fund Making Transfer	Fund Receiving Transfer	Amount Transferred
General Fund:	Doelger Senior Center Special Revenue Fund	$324,729
	Peninsula Partnership Special Revenue Fund	69,614
	Federal Grants Special Revenue Fund	59,430
	Capital Projects Fund	4,417,971
	Motor Vehicles Internal Service Fund	45,125
	Central Services Internal Service Fund	54,084
	Information Services Internal Service Fund	10,138
Special Revenue:		
Gas Tax	General Fund	1,655,520
AB 1600 Public Facility Fees	Capital Projects Fund	2,425,879
Peninsula Partnership Fund	Information Services Internal Service Fund	16,576
Federal Grants Fund	General Fund	66,862
	Motor Vehicles Internal Service Fund	15,207
	Information Services Internal Service Fund	59,139
Redevelopment Agency	Federal Grants Special Revenue Fund	306,452
Capital Projects:		
Capital Projects Fund	General Fund	9,385
	Information Services Internal Service Fund	30,068
Enterprise Fund:		
Water Utility	General Fund	1,575,032
	Sanitation District Enterprise Fund	941,738
	Motor Vehicles Internal Service Fund	45,762
	Central Services Internal Service Fund	1,467
Civic Center	Capital Projects Fund	250,000
	Building Maintenance Internal Service Fund	51,595
Transfer Station	General Fund	405,881
Sanitation District	General Fund	1,887,682
	Information Services Internal Service Fund	3,609
	Central Services Internal Service Fund	1,467
Internal Service Fund:		
Building Maintenance	Capital Projects Fund	144,326
		$14,874,738

The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund. General Fund transfers out typically represent an operating subsidy or in the case of grants, a match of another funds' expenditures.

INTERNAL BALANCES

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

Note 8.

RETIREMENT PLAN

CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by the California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan that acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees, and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) employee plans. Benefit provisions under all plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full-time employment and final compensation as defined in each plan. Benefits for Safety Plan members may not exceed 90% of final compensation. Funding contributions for these plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts.

The Plans' provisions and benefits in effect at June 30, 2003, are summarized below:

	Safety	Miscellaneous	Redevelopment Agency Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	50
Benefits, as a % of annual salary for each credited service year	2.4%-3.0%	1.426% - 2.418%	1.092% - 2.418%
Required employee contribution rates	9%	7%	7%
Required employer contribution rates	5.108%	0%	0%

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

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.25% is assumed, including inflation at 3.50%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The net assets of the City's Plans are commingled with the net assets of all CALPERS plans for investment purposes. The fair value of the net assets in the Plans changed as follows during the year ended June 30, 2002:

	Safety	Miscellaneous	Redevelopment Agency Miscellaneous
Beginning Balance June 30, 2001	$134,302,277	$100,749,759	$447,839
Contributions received	1,388,545	1,589,338	
Benefits, Refunds and Miscellaneous Adjustments	(4,631,396)	(2,628,445)	(603)
Expected Investment Earnings Credited	10,948,821	8,269,841	36,922
Expected Actuarial Value of Assets as of June 30, 2002	$142,008,247	$107,980,493	$484,158
Fair Value of Assets as of June 30, 2002	$111,456,255	$84,739,487	$394,122
Actuarial Value of Assets as of June 30, 2002	$122,601,881	$93,213,436	$433,534

Annual pension costs, representing the payment of contributions required by CALPERS, for the three fiscal years ended June 30, 2003, 2002 and 2001 amount to $3,268,107, $2,886,827 and $2,566,241 respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of other additional employee compensation.

The Plans' actuarial value (which differs from fair value) and funding progress over the most recent three years available is set forth below at their actuarial valuation date of June 30:

Safety Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	$105,607,735	$125,211,395	($19,603,660)	118.6%	$12,539,105	(156.3%)
2001	116,439,374	134,302,277	(17,862,903)	115.3%	13,460,996	(132.7%)
2002	129,247,025	122,601,881	6,645,144	94.9%	14,734,682	45.1%

Miscellaneous Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	$64,649,749	$93,130,122	($28,480,373)	144.1%	$18,329,765	(155.4%)
2001	76,853,616	100,749,759	(23,896,143)	131.1%	19,873,926	(120.2%)
2002	100,554,045	93,213,436	7,340,609	92.7%	23,149,084	31.7%

Miscellaneous Redevelopment Agency Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	$103,186	$426,022	($322,836)	412.9%	-	N/A
2001	105,780	447,839	(342,059)	423.4%	-	N/A
2002	140,312	433,534	(293,222)	309.0%	-	N/A

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

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 as of January 1, 1979, to provide for payment of workers' compensation claims. At July 1, 1979, the Fund was expanded to consolidate essentially all of 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 for general and automobile liability claims and maintains a $10,000 deductible for property losses. Losses in excess of the retention up to $19,750,000 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 charges to expense 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 assets (which provision is not charged to expense) for possible future claims.

In February 2003, the City joined the California Public Entity Insurance Authority (CPEIA), a joint power authority 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 $50,000,000 limit. CPEIA was established for the purpose of creating a risk management pool for all California public entities. CPEIA is governed by a Board of Directors consisting of representatives of its member public entities. During the fiscal year ended June 30, 2003, the City contributed $57,478 to CPEIA for current year coverage. Audited financial statements for CPEIA are available from CSAC-Excess Insurance Authority at 3017 Gold Canal Drive, Suite 300, Rancho Cordova, CA 95670.

The City's liability for uninsured claims including a provision for claims incurred but not reported was computed as follows based on claims experience for the years ended June 30, 2003 and 2002:

	2003	2002
Beginning balance of claims payable	$1,693,886	$1,300,931
Increase in estimated claims liability	2,300,936	2,117,922
Claims paid	(1,489,722)	(1,724,967)
Ending balance of claims payable	$2,505,100	$1,693,886

Note 11.

NET ASSETS

GASB 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

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

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

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

GASB 34 IMPLEMENTATION

Pursuant to the requirements of GASB 34, as of July 1, 2002, the City removed an advance of $33,627,969 recorded in the General Long-Term Obligations Account Group and recorded it in the Redevelopment Agency Special Revenue Fund. The effect of this change was to eliminate liabilities of $33,627,969 in the General Long-Term Obligations Account Group, and record the liability and a reduction of fund balance in the Redevelopment Agency Special Revenue Fund. In addition the City also reduced investment in property held for redevelopment and beginning fund balance by $707,933.

As of July 1, 2002, the City recategorized $82,096 of deposits in the Special Deposit Agency Fund to the General Fund.

As of July 1, 2002, the City changed its method of measuring the current portion of compensated absences to conform to GASB 34 requirements. This change resulted in an increase of the General Fund compensated absences liability and a reduction of fund balances by $211,634.

Also, as required by GASB 34, as of July 1, 2002, the City closed contributed capital in the amount of $76,962 and $10,647,401 to beginning net assets recorded in Internal Service and Enterprise Funds, respectively.

Note 12.

CARTER/MARTIN SPECIAL ASSESSMENT DISTRICT

In fiscal 1985 the City authorized assessments for improvements of streets and water facilities, forming the Carter/Martin Special Assessments District (Carter/Martin). Carter/Martin issued $4,365,000 principal amount special assessment bonds in July 1985, and subsequently performed refinancing and reassessments of Carter/Martin in July 1987 and again in December 1993. Principal amount of the December 1993 refunding improvement bonds, issued under the 1915 Improvement Act, was $1,245,000 at June 30, 2003.

The City is not obligated in any manner for the special assessment debt, in that the bonds are not the general obligations of the City, nor is the credit or taxing power of the City pledged for payment of the bonds, and the City is under no obligation to advance funds in the event of default by a property owner. Therefore, the bonds are not included in the financial statements of the City. The City acts only as an agent for Carter/Martin, receiving special assessments collected by the County and forwarding the funds to the Carter/Martin bond paying agent, and this fiduciary responsibility is recorded in the City's Agency Fund.

Note 13.

LOANS AND NOTES RECEIVABLE

The City administers a housing rehabilitation program using Housing and Community Development Block Grant funds that is accounted for in the Community Block Grant 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, for construction work on their homes. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue as they are not expected to be repaid during the next fiscal year.

During the year ended June 30, 2003, the City made loans to six participants under this program and shows the following activity:

Beginning Balance	$1,216,581
New loans	30,169
Loan repayments	(340,807)
Ending Balance	$905,943

The City has a note receivable of $203,831 at June 30, 2003, due from the San Mateo Pre-Hospital Emergency Services Providers Group, a jointly governed organization established to provide paramedic services to constituents of member jurisdictions. The Group used proceeds of the loan to finance the acquisition and installation of communications equipment and has agreed to repay the note in monthly installments over a six-year term with the last installment due January 1, 2005. The balance outstanding on the note bears interest at the rate earned on the City's investments in the Local Agency Investment Fund for the prior year, plus one-half of one percent (4.052 percent at June 30, 2003). The interest rate is adjusted each July 1 based on the prior year LAIF rate. The Group has pledged all assets purchased with proceeds of the note as security.

Note 14.

DEVELOPMENT AGREEMENT

The Agency has a Disposition and Development Agreement with a developer under which the developer has constructed the first two phases of a four phase, $200 million project. Phases I and II consist of an eight-story office building with ground floor retail space, restaurants and shops surrounding a central event plaza, a three-story theater complex, and two parking structures. The Developer has obtained a $350,000 irrevocable letter of credit in favor of the Agency to act as the performance deposit required under the Agreement.

As of June 30, 2003, the remaining Hotel Phase parcels and Phase III parcels were still owned by the Agency. These parcels are to be sold to the Developer and used for future improvements required under the agreement including a hotel, a second office building with ground floor retail, additional parking, landscaping, and an elevated pedestrian bridge.

Note 15.

FUND DEFICIT

The Redevelopment Fund had a deficit amounting to $15,642,234 and the Building Maintenance Internal Service Fund had a deficit amounting to $164,828 at June 30, 2003. The deficits will be eliminated with future revenues.

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:

- 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.
- AB 1600 Public Facility Fees - to account for the revenues derived from developer fees required, under AB 1600, to be expended for infrastructure expansion caused by new development.
- Traffic Safety – to account for grant funds and vehicle impound fees authorized by State law specifically to provide traffic safety programs.
- Federal Grants - to account for miscellaneous federal grant monies, such as aircraft noise mitigation and law enforcement special grants.
- Peninsula Partnership – to account for the combined efforts of the City, the County of San Mateo, and local school districts to provide a multifaceted after school program for pre-kindergartners through third grade.

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2003

	SPECIAL REVENUE FUNDS				
	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
ASSETS					
Cash and investments	$20,531	$81,854	$143,054	$414,533	$109,923
Accounts receivable, net	41,202	27,877		437	
Prepaids		225			
Notes receivable		905,943			
Total Assets	$61,733	$1,015,899	$143,054	$414,970	$109,923
LIABILITIES					
Accounts payable	$25,936	$97,260	$2,656	$539	$1,135
Accrued payroll	11,136	12,696			
Accrued liabilities	15,741				
Deferred revenue		905,943			
Total Liabilities	52,813	1,015,899	2,656	539	1,135
FUND BALANCES					
Reserved for:					
Encumbrances		33,186			1,588
Prepaids		225			
Capital projects		873,317			
Restricted purposes			139,208	414,431	107,200
Imprest cash funds	950				
Unreserved, undesignated	7,970	(906,728)	1,190		
Total Fund Balances	8,920		140,398	414,431	108,788
Total Liabilities and Fund Balances	$61,733	$1,015,899	$143,054	$414,970	$109,923

Federal Grants	Peninsula Partnership	Total Nonmajor Governmental Funds
$966,881	$488,956	$2,225,732
776,301	29,276	875,093
		225
		905,943
$1,743,182	$518,232	$4,006,993
$419,309	$36,649	$583,484
514	25,966	50,312
		15,741
946,646		1,852,589
1,366,469	62,615	2,502,126
950,520		985,294
		225
		873,317
		660,839
		950
(573,807)	455,617	(1,015,758)
376,713	455,617	1,504,867
$1,743,182	$518,232	$4,006,993

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	SPECIAL REVENUE FUNDS				
	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
REVENUES					
Rents and interest			$4,179	$44,307	
Federal programs and grants	$203,953	$877,778			
Receipts from other agencies					
Charges and fees	311,308		25,989	888,580	$36,550
Miscellaneous	152,564	382,262			13,020
Revenues	667,825	1,260,040	30,168	932,887	49,570
EXPENDITURES					
Public safety					29,962
Public works			16,112		
Culture and recreation	992,554				
Economic and community development		1,260,040			
Total Expenditures	992,554	1,260,040	16,112		29,962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(324,729)		14,056	932,887	19,608
OTHER FINANCING SOURCES (USES)					
Transfers in	324,729				
Transfers out				(2,425,879)	
Total Other Financing Sources (Uses)	324,729			(2,425,879)	
NET CHANGE IN FUND BALANCES			14,056	(1,492,992)	19,608
BEGINNING FUND BALANCES	8,920		126,342	1,907,423	89,180
ENDING FUND BALANCES	$8,920		$140,398	$414,431	$108,788

Federal Grants	Peninsula Partnership	Total Nonmajor Governmental Funds
$112,784		$161,270
1,054,375	$111,908	2,248,014
4,571,283	746,017	5,317,300
17,185		1,279,612
1,800		549,646
5,757,427	857,925	9,555,842
140,028		169,990
		16,112
	781,866	1,774,420
5,608,230		6,868,270
5,748,258	781,866	8,828,792
9,169	76,059	727,050
365,882	69,614	760,225
(141,208)	(16,576)	(2,583,663)
224,674	53,038	(1,823,438)
233,843	129,097	(1,096,388)
142,870	326,520	2,601,255
$376,713	$455,617	$1,504,867

CITY OF DALY CITY
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	DOELGER SENIOR CENTER			COMMUNITY BLOCK GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest						
Federal programs and grants	$231,316	$203,953	($27,363)	$2,577,734	$877,778	($1,699,956)
Receipts from other agencies						
Charges and fees	275,806	311,308	35,502			
Miscellaneous	151,340	152,564	1,224	68,400	382,262	313,862
Total Revenues	658,462	667,825	9,363	2,646,134	1,260,040	(1,386,094)
EXPENDITURES						
Public Safety						
Salaries and benefits						
Other services						
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	538,561	520,882	17,679			
Other services	473,042	452,631	20,411			
Capital outlay						
Other charges	24,143	19,041	5,102			
Total Culture and Recreation	1,035,746	992,554	43,192			
Economic and community development						
Salaries and benefits				588,106	545,758	42,348
Services and supplies				627,166	569,810	57,356
Capital outlay				953,455	59,230	894,225
Other charges				477,407	85,242	392,165
Total Economic and Community Development				2,646,134	1,260,040	1,386,094
Total Expenditures	1,035,746	992,554	43,192	2,646,134	1,260,040	1,386,094
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(377,284)	(324,729)	52,555			
OTHER FINANCING SOURCES (USES)						
Transfers in	377,456	324,729	(52,727)			
Transfers out						
Total Other Financing Sources (Uses)	377,456	324,729	(52,727)			
NET CHANGE IN FUND BALANCES	$172		($172)			
BEGINNING FUND BALANCES		8,920				
ENDING FUND BALANCES		$8,920				

LINDA VISTA BENEFIT ASSESSMENT			AB 1600 PUBLIC FACILITY FEES			TRAFFIC SAFETY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
$4,662	$4,179	($483)		$44,307	$44,307			
25,990	25,989	(1)	$558,959	888,580	329,621	$35,000	$36,550	$1,550
						15,520	13,020	(2,500)
30,652	30,168	(484)	558,959	932,887	373,928	50,520	49,570	(950)
						15,676	383	15,293
						42,020	27,703	14,317
						2,100	1,229	871
						1,000	647	353
						60,796	29,962	30,834
17,500	15,110	2,390						
1,000	896	104						
250	106	144						
18,750	16,112	2,638						
18,750	16,112	2,638				60,796	29,962	30,834
11,902	14,056	2,154	558,959	932,887	373,928	(10,276)	19,608	29,884
			(2,425,879)	(2,425,879)				
			(2,425,879)	(2,425,879)				
$11,902	14,056	$2,154	($1,866,920)	(1,492,992)	$373,928	($10,276)	19,608	$29,884
	126,342			1,907,423			89,180	
	$140,398			$414,431			$108,788	

(Continued)

CITY OF DALY CITY
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	FEDERAL GRANTS			PENINSULA PARTNERSHIP		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest	$80,000	$112,784	$32,784			
Federal programs and grants	4,915,944	1,054,375	(3,861,569)		$111,908	$111,908
Receipts from other agencies	5,853,872	4,571,283	(1,282,589)	$764,231	746,017	(18,214)
Charges and fees	16,305	17,185	880			
Miscellaneous	3,600	1,800	(1,800)			
Total Revenues	10,869,721	5,757,427	(5,112,294)	764,231	857,925	93,694
EXPENDITURES						
Public Safety						
Salaries and benefits	102,803	46,352	56,451			
Other services	33,072	30,109	2,963			
Capital outlay	214,658	61,091	153,567			
Other charges	7,035	2,476	4,559			
Total Public Safety	357,568	140,028	217,540			
Public Works						
Services and supplies						
Capital outlay						
Other charges						
Total Public Works						
Culture and Recreation						
Salaries and benefits				622,812	621,792	1,020
Other services				213,712	149,710	64,002
Capital outlay				8,308	3,684	4,624
Other charges				17,080	6,680	10,400
Total Culture and Recreation				861,912	781,866	80,046
Economic and community development						
Salaries and benefits	22,500	22,500				
Services and supplies	1,700,178	870,529	829,649			
Capital outlay	1,201,867	624,107	577,760			
Other charges	7,648,297	4,091,094	3,557,203			
Total Economic and Community Development	10,572,842	5,608,230	4,964,612			
Total Expenditures	10,930,410	5,748,258	5,182,152	861,912	781,866	80,046
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(60,689)	9,169	69,858	(97,681)	76,059	173,740
OTHER FINANCING SOURCES (USES)						
Transfers in	384,177	365,882	(18,295)	69,614	69,614	
Transfers out	(141,208)	(141,208)		(16,576)	(16,576)	
Total Other Financing Sources (Uses)	242,969	224,674	(18,295)	53,038	53,038	
NET CHANGE IN FUND BALANCES	182,280	233,843	$51,563	($44,643)	129,097	$173,740
BEGINNING FUND BALANCES		142,870			326,520	
ENDING FUND BALANCES		$376,713			$455,617	

TOTALS		
Budget	Actual	Variance Positive (Negative)
$84,662	$161,270	$76,608
7,724,994	2,248,014	(5,476,980)
6,618,103	5,317,300	(1,300,803)
912,060	1,279,612	367,552
238,860	549,646	310,786
15,578,679	9,555,842	(6,022,837)
118,479	46,735	71,744
75,092	57,812	17,280
216,758	62,320	154,438
8,035	3,123	4,912
418,364	169,990	248,374
17,500	15,110	2,390
1,000	896	104
250	106	144
18,750	16,112	2,638
1,161,373	1,142,674	18,699
686,754	602,341	84,413
8,308	3,684	4,624
41,223	25,721	15,502
1,897,658	1,774,420	123,238
610,606	568,258	42,348
2,327,344	1,440,339	887,005
2,155,322	683,337	1,471,985
8,125,704	4,176,336	3,949,368
13,218,976	6,868,270	6,350,706
15,553,748	8,828,792	6,724,956
24,931	727,050	702,119
831,247	760,225	(71,022)
(2,583,663)	(2,583,663)	
(1,752,416)	(1,823,438)	(71,022)
($1,727,485)	(1,096,388)	$631,097
	2,601,255	
	$1,504,867	

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

Capital Projects Fund - 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 BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Rents and interest		$949,432	$949,432
Federal program grants	$5,228,500	103,500	(5,125,000)
Receipts from other agencies	2,076,422	2,043,779	(32,643)
Charges and fees	200,000	452,922	252,922
Miscellaneous	2,452,614	806,289	(1,646,325)
Total Revenues	9,957,536	4,355,922	(5,601,614)
EXPENDITURES			
Capital projects	34,424,413	7,446,370	26,978,043
Debt Service			
Principal	95,542	95,542	
Interest	48,784	48,784	
Total Expenditures	34,568,739	7,590,696	26,978,043
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,611,203)	(3,234,774)	21,376,429
OTHER FINANCING SOURCES (USES)			
Transfers in	7,738,475	7,238,176	(500,299)
Transfers out	(39,453)	(39,453)	
Total Other Financing Sources (Uses)	7,699,022	7,198,723	(500,299)
NET CHANGE IN FUND BALANCES	($16,912,181)	3,963,949	$20,876,130
BEGINNING FUND BALANCE		21,037,672	
ENDING FUND BALANCE		$25,001,621	

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 NET ASSETS

JUNE 30, 2003

	Civic Center	Transfer Station	Total
ASSETS			
Current Assets:			
Cash and investments	$509,584	$770,444	$1,280,028
Account receivable	76,062	109,063	185,125
Total Current Assets	585,646	879,507	1,465,153
Long-Term Assets:			
Advances to others		44,597	44,597
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	443,801	232,367	676,168
Total Capital Assets	7,708,291	1,510,029	9,218,320
Less accumulated depreciation	1,809,118	777,412	2,586,530
Net Capital Assets	5,899,173	732,617	6,631,790
Total Assets	6,484,819	1,656,721	8,141,540
LIABILITIES			
Current Liabilities:			
Accounts payable	24,446	387,694	412,140
Long-Term Liabilities:			
Long-term interfund payable	833,267		833,267
Total Liabilities	857,713	387,694	1,245,407
NET ASSETS			
Invested in capital assets, net of related debt	5,065,906	732,617	5,798,523
Unrestricted	561,200	536,410	1,097,610
Total Net Assets	$5,627,106	$1,269,027	$6,896,133

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	Civic Center	Transfer Station	Total
OPERATING REVENUES			
Rental income	$869,306		$869,306
Lease revenue		$375,000	375,000
Recycling revenue		1,216,840	1,216,840
Other revenue	106,176	55,850	162,026
Total Operating Revenues	975,482	1,647,690	2,623,172
OPERATING EXPENSES			
Services and supplies	167,730		167,730
Transfer station charges		1,216,840	1,216,840
Utilities	120,563		120,563
Insurance	10,535	3,277	13,812
Depreciation	268,349	43,705	312,054
Other charges	13,617	6,883	20,500
Total Operating Expenses	580,794	1,270,705	1,851,499
Operating Income	394,688	376,985	771,673
NONOPERATING REVENUES (EXPENSES)			
Interest income	18,129		18,129
Interest expense	(45,888)		(45,888)
Total Nonoperating Revenues (Expenses)	(27,759)		(27,759)
Income Before Transfers	366,929	376,985	743,914
Transfers out	(301,595)	(405,881)	(707,476)
Change in Net Assets	65,334	(28,896)	36,438
BEGINNING NET ASSETS	5,561,772	1,297,923	6,859,695
ENDING NET ASSETS	$5,627,106	$1,269,027	$6,896,133

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	Civic Center	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$981,063	$1,668,311	$2,649,374
Payments to suppliers	(387,998)	(1,189,228)	(1,577,226)
Cash Flows from Operating Activities	593,065	479,083	1,072,148
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(301,595)	(405,881)	(707,476)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Interfund payments	(115,702)		(115,702)
Interest expense	(45,888)		(45,888)
Cash Flows from Capital Financing Activities	(161,590)		(161,590)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	18,129		18,129
Net Cash Flows	148,009	73,202	221,211
Cash and investments at beginning of period	361,575	697,242	1,058,817
Cash and investments at end of period	$509,584	$770,444	$1,280,028
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	$394,688	$376,985	$771,673
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	268,349	43,705	312,054
Change in assets and liabilities:			
Accounts receivable	5,581	20,621	26,202
Accounts and other payables	(75,553)	37,772	(37,781)
Cash Flows from Operating Activities	$593,065	$479,083	$1,072,148

DALY CITY · CALIFORNIA ·

GATEWAY TO THE PENINSULA

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 introduced by GASB 34 does not extend to internal service funds because they do not do business with outside parties. GASB 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be 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 Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

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 purchasing and maintaining supplies inventory and providing printing services for City departments.
- PBX - to account for services provided for the operation and maintenance of the City's telecommunication system.
- Building Maintenance - to account for services provided for the maintenance of City facilities.
- Information Services - to account for the distribution of computer operating costs to various City departments.
- Self-Insurance - to account for the payment of workers compensation, automotive, and general liability claims against the City.

CITY OF DALY CITY

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2003

	Motor Vehicles	Central Services	PBX	Building Maintenance	Information Services
ASSETS					
Cash and investments	$2,460,435	$184,511	$366,759	$219,100	$1,954,483
Accounts receivable	14,763	57			
Prepaids					
Inventories	73,732	44,698		24,699	
Total Current Assets	2,548,930	229,266	366,759	243,799	1,954,483
Capital Assets:					
Land					
Equipment	9,538,798	333,762	370,477	49,243	3,754,151
Furniture and fixtures				6,093	10,540
Buildings	14,494				
Total Capital Assets	9,553,292	333,762	370,477	55,336	3,764,691
Less Accumulated Depreciation	5,895,803	245,171	123,000	43,546	2,184,476
Net Capital Assets	3,657,489	88,591	247,477	11,790	1,580,215
Total Assets	6,206,419	317,857	614,236	255,589	3,534,698
LIABILITIES					
Current Liabilities:					
Accounts payable	44,609	30,986	12,641	47,535	57,820
Accrued payroll	19,366	4,925		36,606	16,492
Accrued liabilities					
Deposits payable					
Total Current Liabilities	63,975	35,911	12,641	84,141	74,312
Long-Term Liabilities:					
Accrued claims payable					
Compensated absences	139,789	51,752		336,276	55,481
Total Long-Term Liabilities	139,789	51,752		336,276	55,481
Total Liabilities	203,764	87,663	12,641	420,417	129,793
NET ASSETS					
Invested in capital assets, net of related debt	3,657,489	88,591	247,477	11,790	1,580,215
Unrestricted	2,345,166	141,603	354,118	(176,618)	1,824,690
Total Net Assets (Deficit)	$6,002,655	$230,194	$601,595	($164,828)	$3,404,905

Self-Insurance	Total
$6,470,714	$11,656,002
44,882	59,702
77,367	77,367
	143,129
6,592,963	11,936,200
333,343	333,343
	14,046,431
	16,633
180,000	194,494
513,343	14,590,901
27,750	8,519,746
485,593	6,071,155
7,078,556	18,007,355
15,567	209,158
416	77,805
5,898	5,898
757	757
22,638	293,618
2,505,100	2,505,100
	583,298
2,505,100	3,088,398
2,527,738	3,382,016
485,593	6,071,155
4,065,225	8,554,184
$4,550,818	$14,625,339

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	Motor Vehicles	Central Services	PBX	Building Maintenance
OPERATING REVENUES				
Charges to City departments	$2,525,079	$447,206	$327,200	$2,106,292
Other revenues	166,502	$475	45	291,928
Total Operating Revenues	2,691,581	447,681	327,245	2,398,220
OPERATING EXPENSES				
Salaries and benefits	892,908	215,418		1,735,472
Services and supplies	772,685	272,037	23,868	464,059
Utilities	32,686	1,653	158,897	170,484
Insurance	309,779	680		2,876
Claims / settlements				
Depreciation	719,971	42,550	74,181	4,373
Other charges	23,571	3,401	612	17,870
Total Operating Expenses	2,751,600	535,739	257,558	2,395,134
Operating Income (Loss)	(60,019)	(88,058)	69,687	3,086
NONOPERATING REVENUES (EXPENSES)				
Interest income	96,241	8,544	12,597	6,160
Gain (loss) on sale of capital assets	(9,001)	3,544	2,511	
Grant reimbursement				
Storm damage repair expenses				
Total Nonoperating Revenues (Expenses)	87,240	12,088	15,108	6,160
Income (Loss) Before Transfers	27,221	(75,970)	84,795	9,246
Transfers in	106,094	57,018		51,595
Transfers out				(144,326)
Net Transfers	106,094	57,018		(92,731)
Change in Net Assets	133,315	(18,952)	84,795	(83,485)
BEGINNING NET ASSETS	5,869,340	249,146	516,800	(81,343)
ENDING NET ASSETS	$6,002,655	$230,194	$601,595	($164,828)

Information Services	Self-Insurance	Total
$1,436,050	$2,059,512	$8,901,339
6,870	105,355	$571,175
1,442,920	2,164,867	9,472,514
699,192	15,672	3,558,662
336,843	158,488	2,027,980
25,040	867	389,627
1,769	821,208	1,136,312
	2,300,936	2,300,936
391,499	9,000	1,241,574
139,419	6,436	191,309
1,593,762	3,312,607	10,846,400
(150,842)	(1,147,740)	(1,373,886)
77,024	230,788	431,354
(2,668)		(5,614)
	1,153,091	1,153,091
	(99,204)	(99,204)
74,356	1,284,675	1,479,627
(76,486)	136,935	105,741
119,530		334,237
		(144,326)
119,530		189,911
43,044	136,935	295,652
3,361,861	4,413,883	14,329,687
$3,404,905	$4,550,818	$14,625,339

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	Motor Vehicles	Central Services	PBX	Building Maintenance	Information Services
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$2,685,495	$449,118	$327,256	$2,413,661	$1,443,110
Payments to suppliers	(1,170,968)	(271,731)	(226,080)	(641,666)	(587,051)
Payments to employees	(868,759)	(212,078)		(1,692,110)	(691,245)
Claims paid					
Cash Flows from Operating Activities	645,768	(34,691)	101,176	79,885	164,814
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grant reimbursement					
Storm damage repair expenses					
Transfers in	106,094	57,018		51,595	119,530
Transfers out				(144,326)	
Cash Flows from Noncapital Financing Activities	106,094	57,018		(92,731)	119,530
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(683,722)	(48,188)			(384,542)
Proceeds from sale of capital assets	25,000	3,544	2,511		143
Cash Flows from Capital and Related Financing Activities	(658,722)	(44,644)	2,511		(384,399)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	96,241	8,544	12,597	6,160	77,024
Net Cash Flows	189,381	(13,773)	116,284	(6,686)	(23,031)
Cash and investments at beginning of period	2,271,054	198,284	250,475	225,786	1,977,514
Cash and investments at end of period	$2,460,435	$184,511	$366,759	$219,100	$1,954,483
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	($60,019)	($88,058)	$69,687	$3,086	($150,842)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	719,971	42,550	74,181	4,373	391,499
Change in assets and liabilities:					
Receivables, net	(6,086)	1,437	11	15,441	190
Other assets	(3,061)	2,927		1,937	
Accounts and other payables	(29,186)	3,113	(42,703)	11,686	(83,980)
Accrued claims payable					
Accrued payroll	24,149	3,340		43,362	7,947
Cash Flows from Operating Activities	$645,768	($34,691)	$101,176	$79,885	$164,814

Self-Insurance	Total
$2,135,695	$9,454,335
(1,185,159)	(4,082,655)
(15,256)	(3,479,448)
(1,489,722)	(1,489,722)
(554,442)	402,510
1,153,091	1,153,091
(99,204)	(99,204)
	334,237
	(144,326)
1,053,887	1,243,798
	(1,116,452)
	31,198
	(1,085,254)
230,788	431,354
730,233	992,408
5,740,481	10,663,594
$6,470,714	$11,656,002
($1,147,740)	($1,373,886)
9,000	1,241,574
(29,172)	(18,179)
(29,541)	(27,738)
(168,619)	(309,689)
811,214	811,214
416	79,214
($554,442)	$402,510

AGENCY FUNDS

GASB 34 requires that agency funds be presented separately from the Government-wide and Fund financial statements.

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

- BFI - 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 Browning-Ferris Industries (BFI).

- 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 fire agencies' response to medical calls.

- Carter Martin Debt Service - an agency fund to account for the retirement of debt on assessment bonds for the widening and extension of Carter and Martin Streets.

- 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, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
BFI				
Assets				
Cash and investments	$692,131	$730,231	$667,901	$754,461
Receivables	678,406	667,901	678,406	667,901
Total Assets	$1,370,537	$1,398,132	$1,346,307	$1,422,362
Liabilities				
Deposits payable	$1,370,537	$1,398,132	$1,346,307	$1,422,362
PTCRA				
Assets				
Cash and investments	$74,585	$1,216,605	$1,205,673	$85,517
Liabilities				
Accounts payable	$74,585	$1,216,605	$1,205,673	$85,517
SMPHESG				
Assets				
Cash and investments	$367,075	$4,316,460	$3,894,035	$789,500
Liabilities				
Accounts payable	$367,075	$4,316,460	$3,894,035	$789,500
Carter/Martin				
Assets				
Cash and investments	$1,125,308	$536,942	$453,318	$1,208,932
Receivables		623		623
Total Assets	$1,125,308	$537,565	$453,318	$1,209,555
Liabilities				
Due to bondholders	$1,125,308	$537,565	$453,318	$1,209,555
Supporters of Senior Center				
Assets				
Cash and investments	$51,844	$361,654	$348,673	$64,825
Liabilities				
Accounts payable	$51,844	$361,654	$348,673	$64,825
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and investments	$2,310,943	$7,161,892	$6,569,600	$2,903,235
Receivables	678,406	668,524	678,406	668,524
Total Assets	$2,989,349	$7,830,416	$7,248,006	$3,571,759
Liabilities				
Accounts payable	$493,504	$5,894,719	$5,448,381	$939,842
Deposits payable	1,370,537	1,398,132	1,346,307	1,422,362
Due to bondholders	1,125,308	537,565	453,318	1,209,555
Total Liabilities	$2,989,349	$7,830,416	$7,248,006	$3,571,759

CITY OF DALY CITY
SCHEDULE OF MEASURE A FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

BALANCE SHEET

Assets - Cash	$2,403,765
Fund Balance - Reserved for Restricted Purposes	$2,403,765

SCHEDULE OF CHANGES IN FUND BALANCE

Fund Balance - July 1, 2002	$2,437,167
Revenues	
Measure A	1,144,050
Expenditures:	
Cooperative Project Development	2,613
Street Resurfacing	54,463
Geneva Avenue Resurfacing	29,576
John Daly Boulevard Resurfacing	4,274
Junipero Serra Boulevard Resurfacing	11,726
Street Slurry Seal	253,742
Series Circuit Streetlights	232,159
Geneva/Rio Verde/Schwerin Intersection Improvement	30,136
John Daly/I280 Bridge Widening	29,689
Junipero Serra Boulevard Median Landscape	497,114
Westlake Avenue District Exit Landscape	30,469
Contingencies	1,491
Total Expenditures	1,177,452
Fund Balance - June 30, 2003	$2,403,765

CITY OF DALY CITY

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years

(Dollars in thousands)

Year Ended June 30	General Government	Public Safety	Community Development	Public Works	Culture/ Recreation	Total
1994	$3,755	$16,428	$3,435	$3,278	$6,228	$33,124
1995	4,077	17,370	4,949	3,333	6,209	35,938
1996	4,303	17,905	6,806	3,585	6,462	39,061
1997	4,212	19,049	12,805	3,625	7,049	46,740
1998	4,383	19,944	11,936	3,822	7,417	47,502
1999	4,693	21,291	8,222	3,636	7,906	45,748
2000	3,454	22,536	12,707	3,968	8,351	51,016
2001	3,221	24,478	5,712	4,345	9,199	46,955
2002	4,317	26,245	9,633	4,729	10,483	55,407
2003	3,668	29,290	10,206	5,343	10,896	59,403

Note: The figures above combine the General and Special Revenue Funds expenditures, excluding capital outlay, debt service, and interfund transfers.

Source: Department of Finance

CITY OF DALY CITY

GENERAL GOVERNMENTAL REVENUES BY SOURCE

For the Last Ten Fiscal Years

(Dollars in thousands)

Year Ended June 30	Property Tax	Sales Tax	Gas Tax	Utility Users Tax	Franchise Fees	Other Taxes	Licenses & Permits
1994	$8,094	$6,652	$1,827	$3,640	$1,260	$4,859	$1,033
1995	7,802	6,812	1,840	3,792	1,342	4,816	1,072
1996	8,050	7,393	1,857	4,079	1,581	5,017	1,166
1997	8,390	7,852	2,018	4,303	1,671	5,411	1,206
1998	8,535	8,302	1,955	4,288	1,723	5,828	1,022
1999	8,908	8,472	2,019	4,452	1,825	6,238	1,237
2000	9,684	8,767	2,006	4,385	1,953	6,809	1,261
2001	10,834	9,707	2,049	5,277	2,068	7,348	1,718
2002	13,002	8,964	2,057	5,110	2,231	7,826	1,550
2003	15,426	9,420	2,226	5,247	2,281	8,019	1,710

The figures above include all General and Special Revenue Funds revenues, excluding all interfund transfers.

Source: Department of Finance

Fines & Forfeitures	Rents & Interests	Inter-Governmental	Charges & Fees	Miscellaneous	Total
$610	$1,077	$1,997	$4,334	$2,544	$37,927
696	1,288	3,551	4,379	1,304	38,694
859	1,563	6,334	4,228	1,375	43,502
1,093	1,388	13,525	5,309	795	52,961
1,077	2,004	11,898	5,622	918	53,172
1,361	1,245	10,587	5,628	1,915	53,887
1,743	3,821	6,166	6,744	5,936	59,275
1,953	4,309	5,643	7,512	752	59,170
1,919	2,666	11,114	7,726	1,146	65,311
2,468	3,706	13,277	6,871	1,012	71,663

CITY OF DALY CITY

PROPERTY TAX ASSESSED VALUES,
LEVIES AND COLLECTIONS

For the Last Ten Fiscal Years

(Dollars in thousands)

Year Ended June 30	Assessed Value (1)	Tax Rate Per $100 (2)	Total Tax Levy (3)	Current Tax Collections		Percent of Levy Collected	Delinquent Tax Collections (4)	Total Tax Collection	
								Amount	Percent of Levy
1994	$3,384,463	0.255	$6,918	$7,070		102.2%	$428	$7,498	108.4%
1995	3,536,752	0.255	7,182	7,182	(4)	100.0%		7,182	100.0%
1996	3,577,880	0.255	7,406	7,406	(4)	100.0%		7,406	100.0%
1997	3,707,944	0.255	7,697	7,697	(4)	100.0%		7,697	100.0%
1998	3,819,223	0.255	7,861	7,861	(4)	100.0%		7,861	100.0%
1999	3,979,648	0.255	8,206	8,206	(4)	100.0%		8,206	100.0%
2000	4,203,781	0.255	8,756	8,756	(4)	100.0%		8,756	100.0%
2001	4,526,329	0.255	9,387	9,387	(4)	100.0%		9,387	100.0%
2002	4,918,573	0.255	10,524	10,524	(4)	100.0%		10,524	100.0%
2003	5,372,625	0.255	10,401	10,401	(4)	100.0%		10,401	100.0%

(1) Assessed valuation represents "full market value" in accordance with the adoption of State Proposition 13 for secured and unsecured property, but does not include Redevelopment Agency tax increment and Homeowners Property Tax Exemptions. Beginning in fiscal 1989 assessed valuations exclude "unitary property", now assessed by the State in total.

(2) As apportioned by the County in accordance with State law.

(3) For 1993 forward, tax levies are adjusted for ERAF shifts to the State.

(4) Beginning in 1995, San Mateo County changed to the "Teeter Plan", whereby the County remits the full amount of assessments to local agencies and is responsible for actual collections. The County, in turn, receives all penalties and interest.

Source: Office of the County Assessor

CITY OF DALY CITY

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

For the Last Ten Fiscal Years

Fiscal Year	Basic Levy (1)	All School Districts (2)	Total
1994	$1.00	$0.0658	$1.0658
1995	1.00	0.0631	1.0631
1996	1.00	0.0698	1.0698
1997	1.00	0.0701	1.0701
1998	1.00	0.0854	1.0854
1999	1.00	0.0825	1.0825
2000	1.00	0.0851	1.0851
2001	1.00	0.0977	1.0977
2002	1.00	0.0770	1.0770
2003	1.00	0.0630	1.0630

(1) 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.

(2) The City of Daly City has 41 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, Annual Publication: "Tax Rates and Valuation of Taxable Property".

CITY OF DALY CITY

DEMOGRAPHIC STATISTICS

For the Last Ten Fiscal Years

Year	City Size Square Miles (1)	City Population (2)	Change in Population	Population Change in Percent	Population per Household (2)	Unemployment Rate (3)
1994	7.50	99,179	863	0.87%	3.309	6.7
1995	7.50	99,633	454	0.46%	3.307	5.5
1996	7.50	99,530	(103)	-0.10%	3.268	4.8
1997	7.50	101,349	1,819	1.79%	3.298	3.7
1998	7.50	103,374	2,025	1.96%	3.348	3.4
1999	7.60	104,186	812	0.78%	3.221	2.4
2000	7.60	104,571	385	0.37%	3.438	2.0
2001	7.60	105,427	856	0.81%	3.420	2.1
2002	7.60	104,407	(1,020)	-0.98%	3.355	3.6
2003	7.60	104,305	(102)	-0.10%	3.338	6.5

Sources:

(1) Daly City Department of Public Works
(2) Bureau of the Census and State Department of Finance
(3) State Employment Development Office

CITY OF DALY CITY

CONSTRUCTION ACTIVITY & BANK DEPOSITS

Last Ten Fiscal Years

	CONSTRUCTION ACTIVITY (1)								
	New Industrial		New Commercial and Office		New Residential		All Other**		Bank Deposits
Year	Permits	Value	Permits	Value	Permits	Value	Permits	Value	06/30 (2) (000)
1994	-	-	3	$120,531	72	$15,337,419	4,448	$16,300,035	$1,057,395
1995	-	-	2	2,161,975	144	24,740,123	5,921	16,777,568	1,078,263
1996	-	-	4	1,009,153	104	19,864,419	5,903	21,739,443	1,040,158
1997	-	-	6	8,677,398	89	24,679,521	5,890	29,665,400	1,115,489
1998	-	-	7	6,559,147	71	14,325,522	5,543	26,899,626	1,161,914
1999	-	-	6	4,826,098	10	2,796,112	5,180	40,287,574	1,214,178
2000	-	-	3	33,408	36	8,354,742	4,753	34,957,270	1,266,192
2001	1	$610,240	6	62,136,658	93	22,208,488	5,437	50,043,327	1,406,591
2002	-	-	3	8,151,619	106	25,812,367	6,205	34,262,826	1,583,470
2003	-	-	1	449,503	58	17,591,429	6,384	37,271,864	1,665,848

Note: See schedule of Property Tax Assessed Values, Levies and Collection for property value information.

** Includes electrical, mechanical, plumbing, demolition, alterations of residential and commercial, roofing, sanitation and mobile homes.

Source: (1) Daly City Department of Economic and Community Development
(2) FDIC

CITY OF DALY CITY

COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 2003
(Dollars in thousands)

TOTAL ASSESSED VALUATION	$5,372,625
Debt Limit - 15 percent of Total Assessed Value	$805,894
Amount of Debt Applicable to Limit	0
Legal Debt Margin	$805,894

Sources: San Mateo County Controller Report of Assessed Valuation,
Daly City Department of Finance

CITY OF DALY CITY

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2003

2002-03 Assessed Valuation:	$5,631,090,920
Redevelopment Incremental Valuation:	355,720,150
Adjusted Assessed Valuation:	$5,275,370,770

OVERLAPPING TAX & ASSESSMENT DEBT:	% Applicable	Debt 6/30/03
San Mateo Community College District	6.076	$5,886,162
South San Francisco Unified School District	11.679	4,215,425
Jefferson Union High School District	50.212	13,115,374
Jefferson School District	85.276	12,791,400
City of Daly City 1915 Act Bonds	100.000	1,245,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$37,253,361

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
San Mateo County General Fund Obligations	6.076	$16,641,771
San Mateo County Board of Education Certificates of Participation	6.076	301,370
San Mateo County Flood Control District Certificates of Participation	32.210	4,817,006
South San Francisco Unified School District Certificates of Participation	11.679	304,822
City of Daly City Certificates of Participation	100.000	9,375,000
TOTAL DIRECT & OVERLAPPING GENERAL FUND OBLIGATION DEBT		$31,439,969
COMBINED TOTAL DEBT		$68,693,330 (1)

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

Ratios to 2002-03 Assessed Valuation:		
Total Overlapping Tax and Assessment Debt		0.66%

Ratios to Adjusted Assessed Valuation:		
Combined Direct Debt	9,375,000	0.18%
Combined Total Debt		1.30%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: $0

Source: California Municipal Statistics, Inc.

CITY OF DALY CITY

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2003

TAXPAYER	TYPE OF PROPERTY	ASSESSED VALUATION (LAND + IMPROV)	PERCENT OF TOTAL ASSESSED VALUATION
Seton Medical Center	Medical Facility	$166,728,574	3.1%
HPMC Pacific Plaza LLC	Commercial	121,092,898	2.3%
Daly City Serramonte Center LLC	Commercial	105,690,257	2.0%
John Daly Blvd Associates LP	Apartments	55,684,057	1.0%
Skyline Heights Apartments	Apartments	34,033,282	0.6%
Lavaca Portfolio Investors	Apartments	29,107,753	0.5%
Westlake Kimco	Commercial	18,938,019	0.4%
Seagate Buchanan Associates LLC	Commercial	18,300,058	0.3%
Serramonte Medical Lessee	Commercial	14,856,911	0.3%
JS Group LLC (2171 Junipero Serra)	Commercial	13,617,000	0.3%
American Stores Properties, Inc.	Commercial	12,734,495	0.2%
Mercy Housing California	Apartments	12,704,599	0.2%
Franciscan LP Linc	Apartments	11,365,816	0.2%
Daly City Land (Serramonte Plaza)	Commercial	10,825,359	0.2%
MAAS Commons	Apartments	9,619,757	0.2%
Serramonte Corporate Center	Commercial	9,100,000	0.2%
SUBTOTAL		$644,398,835	12.0%
TOTAL DALY CITY ASSESSED VALUATION		$5,372,624,556	

Source: Metroscan; San Mateo County Controller; Department of Economic and Community Development

CITY OF DALY CITY

PRINCIPAL EMPLOYERS

JUNE 30, 2003

	FULL TIME EMPLOYEES	PART TIME EMPLOYEES	TOTAL EMPLOYEES
Seton Medial Center	650	1,072 [1]	1,722
City of Daly City	542	488	1,030
Jefferson High School District	442	247	689
Jefferson Elementary School District	487	200	687
U.S. Postal Service – International Mail Facility	594 *	0 *	594
Genesys Telecommunications Laboratories	380 *	0 *	380
St. Francis Convalescent Pavilion/Heights	139	201	340
Cow Palace	301	27	328
Pacific Gas & Electric	272	0	272
Macy's	120	140	260
McDonald's (4 stores)	190	50	240
Mervyn's	16	207	223
Albertson's/Save-On Drugs (2 stores)	92	110	202
Walgreen's (3 stores)	17	141	158
Safeway	50	107	157
Digidesign	150 *	0 *	150
Century Theaters	25 *	125 *	150
California State Automobile Association	133	2	135
Daly City Post Office (not including IMF)	23	111	134
Joe's of Westlake	46	69	115
Starbucks Coffee (5 stores)	92	5	97
Westlake Village Apartments	6	90	96

Source: Department of Economic and Community Development

1 Includes 422 employees that are classified as Per-diem or ON-Call.

* Insufficient data for full-time/part-time numbers; allocation for both categories estimated by ECD.

CITY OF DALY CITY

INSURANCE IN FORCE

JUNE 30, 2003

	Types and Details of Coverage	Coverage Limits
1.	MUNICIPAL (GENERAL) AND AUTOMOBILE LIABILITY	
a.	Self-insured bodily injury, property damage, errors & omissions	$250,000
b.	Liability excess bodily injury, property damage, errors and omissions, excess of $100,000 self-insured retention	19,750,000
2.	AUTO PHYSICAL DAMAGE	
	Comprehensive coverage $10,000 deductible per occurrence.	Fleet Replacement
	Loss limit - total insured values	Value
3.	PROPERTY COVERAGE	
	Blanket coverage on all owned buildings and contents at replacement cost for all risks including fire, lightning, windstorm, theft, riot, vandalism, etc. Also includes boiler & machinery coverage.	
	Total insured values	118,649,179
	Loss of rental income	2,500,000
	Valuable papers	1,000,000
4.	PUBLIC OFFICIAL BONDS	
	Faithful performance bonds for:	
	City Clerk	50,000
	City Treasurer	200,000
	Finance Director	100,000
5.	WORKERS' COMPENSATION	
a.	Self-insured retention on-the-job injuries	350,000
b.	Workers' compensation excess on-the-job injuries	50,000,000
6.	OTHER	
a.	Employees dishonesty and faithful performance coverage per loss	1,000,000
b.	Travel accident bodily injuries of Class I employees traveling	100,000/500,000
c.	Special events general liability for tenants and permittees	1,000,000
d.	Volunteer worker coverage	
	Accidental death/Dismemberment/ Medical	25,000

Source: City of Daly City Risk Management

CITY OF DALY CITY

MISCELLANEOUS STATISTICAL INFORMATION

As of June 30, 2003

City Type	General Law, founded March 22, 1911
Form of Government	Council - Manager
Population	104,305 as of January 1, 2003 per State Department of Finance
Land Area	7.60 Square Miles
Municipal Water System	11 Reservoirs with 23,000,000 Gallons Storage Capacity 7,300,000 Gallons Daily Average Distribution 205 Miles of Mains 23,200 Services Connections
Sanitary Sewer System	1 Treatment Plant 187 Miles of Mains 24,900 Service Connections
Police Protection	1 Station 120 Officers 20 Crossing Guards 33 Patrol Vehicles
Fire Protection	5 Stations 78 Firefighters 12 Fire Apparatus 1,475 Fire Hydrants
Assessed Valuation	$5,372,625
Parks and Recreation	5 Community Centers 6 Clubhouses 2 Gymnasiums 14 Parks 2 Pools (with School District) 11 Tot Lots 25 Tennis Courts 80+ Acres of Parklands 1 Senior Center

Source: City of Daly City

DALY CITY · CALIFORNIA ·

GATEWAY TO THE PENINSULA