

**CITY OF DALY CITY, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2004**



**Prepared by**  
**DEPARTMENT OF FINANCE**  
**AND**  
**ADMINISTRATIVE SERVICES**

**Donald W. McVey**  
**Director**



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# CITY OF DALY CITY

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

October 15, 2004

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, 2004. 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 looked forward to fiscal 2005 during the budget preparation process for our 2004-05/05-06 biennial budget the City faced substantial challenges, most of which were generated by forces outside of the City. This is the second budget in a row that relies on reserves to fund on-going operations, both times courtesy of the State Legislature and their continuing grab of local tax money to fund the State deficit, resulting in the City facing a \$7.5 million budget gap. For fiscal 2005, significant staffing and service reductions were made and approximately \$390,000 in reserves was designated to close the budget gap between revenues and expenditures in the City's General Fund. While this use of reserves is equal to only about one-half of one percent of the \$60.3 million in budgeted expenditures, it is significant in that it illustrates how difficult the budget was to prepare.

Included in these amounts was the loss of revenues to the State of California of \$2 million each budget year. This is on top of Daly City's continuing loss from past State actions in transferring

local revenues to State coffers that now totals more than \$4 million annually, consisting mostly of local property taxes. With this impact on our finances, we are struggling to provide the critical and necessary services this community needs and deserves.

The local economy has continued to hold steady, with total General Fund revenues growing by only a small amount for the third 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 actually grew again in fiscal 2004. 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 nearly 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 three years, we have continued to focus our efforts on the major capital improvement program. Having accumulated one-time monies over the last 12 years, the City is pressing forward on a much needed program to improve and/or replace City facilities. Two of the most significant projects are both now under construction, the Bayshore Community Center and the War Memorial Community Center. 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.

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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 somewhat mitigates the need for rate increases.

### **DEBT ADMINISTRATION**

The City of Daly City has no outstanding general obligation bonds at June 30, 2004. The City generally does not incur debt, except in instances where there will be long-term benefits or where no other method of acquiring an asset is possible. All equipment purchases are prefunded, typically through user charges from internal service funds. This includes such items as fire apparatus, computers, photocopiers and motor vehicles. This policy saves countless dollars of interest expense, and reflects a rational and fiscally sound approach to asset acquisition in a municipal government.

Due to an unusual combination of need and opportunity, Daly City issued an unprecedented \$55 million of debt in fiscal 2004. Interest rates hit all-time lows in the last year, and the City was able to effectively leverage the availability of these financings to its long-term benefit. The

single largest issue was \$36,235,000 in pension obligation bonds. The proceeds of these bonds were used to pay off the unfunded accrued actuarial liability with the state-wide pension plan, CalPERS. As a result of the dot-com bubble bursting, CalPERS incurred losses in its investment portfolio over a three-year period that resulted in a substantial increase in the City's unfunded liability.

Because CalPERS used an implicit 8.25% interest rate for unfunded liabilities, the City was able to produce \$7 million in net present value savings by joining a state-wide financing pool to issue taxable debt at an all-in true interest cost of 5.973%. The refinancing of this liability will result in cash flow savings of approximately \$629,000 in fiscal 2005 and \$1,343,000 in fiscal 2006. Repayment will be made by both governmental and enterprise funds relative to each fund's personnel costs in lieu of payments to the CalPERS pension plan.

The City issued \$9.86 million in certificates of participation to fund water system improvements in the Bayshore area of the City, and used the State Water Resources Control Board Revolving Loan Program to finance \$5 million of a recycled water project in the Sanitation District Fund, both of which will be paid through future user charges.

The City also took advantage of the availability of low interest financing from the federal Housing and Urban Development Department in the amount of \$4.5 million that will be used to help pay for the Bayshore Community Center and Library. It will be repaid from future Community Development Block Grants.

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 San Mateo County Treasurer's 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 2003. 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 2003 reports received the Outstanding award. It is our belief that the accompanying fiscal year 2004 financial report meets the same high 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 2004 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 2004. Special acknowledgment is due the staff of the Accounting Division for their continued outstanding level of performance, allowing this report to continue to meet the highest standards of financial reporting.

Respectfully submitted,



Donald W. McVey  
Director of Finance  
and Administrative Services



John C. Martin  
City Manager

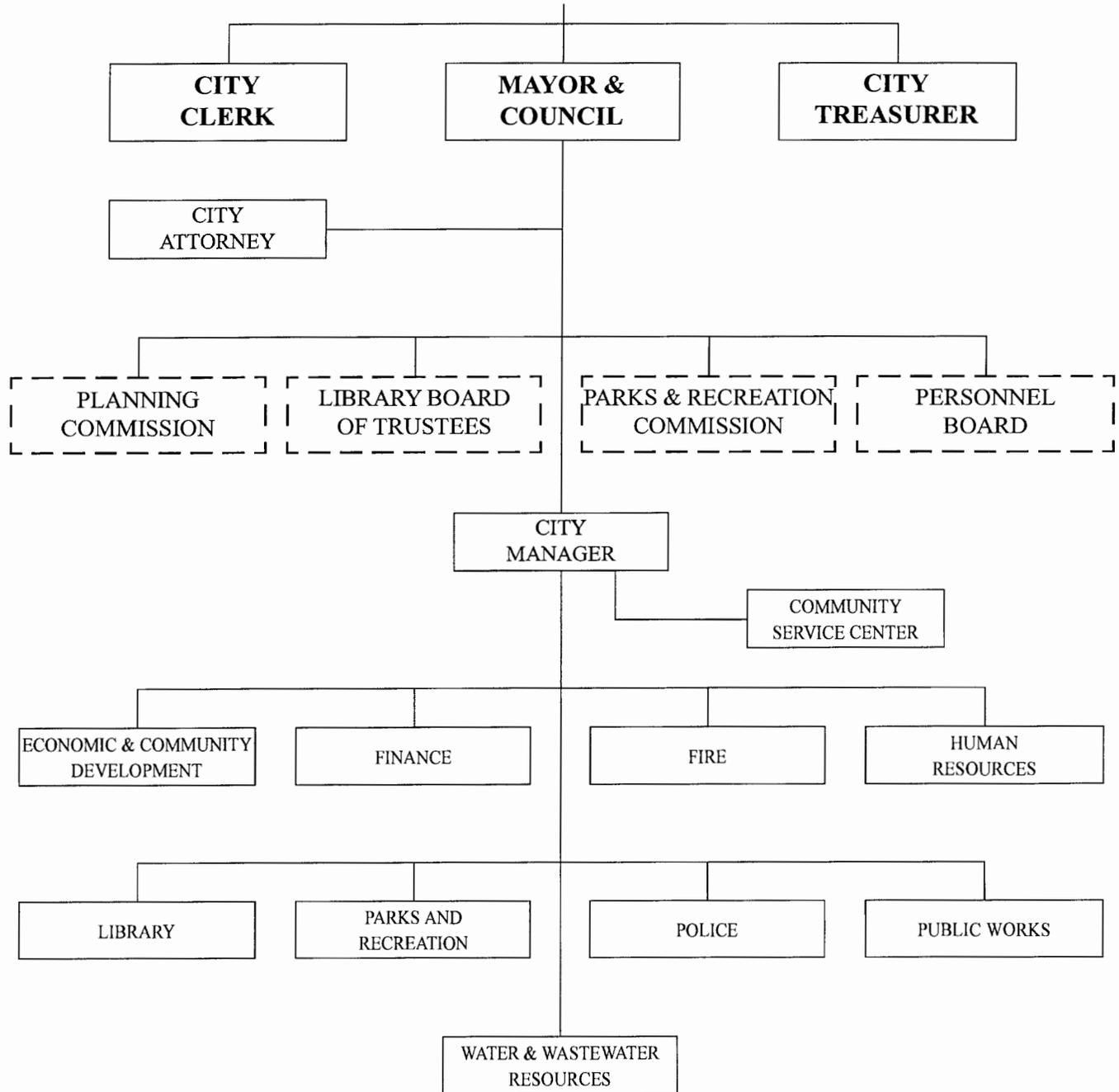


# City of Daly City

## ORGANIZATION STRUCTURE

Fiscal Year 2003-2004

### CITIZENS OF DALY CITY



----- ADVISORY BOARDS & COMMISSIONS

**CITY OF DALY CITY  
CITY COUNCIL**

Sal Torres, Mayor

Carol L. Klatt, Vice Mayor

Maggie Gomez

Michael P. Guingona

Adrienne J. Tissier

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager

City Attorney

City Clerk

City Treasurer

Fire Chief

Police Chief

Library Director

Director of Public Works

Director of Human Resources

Director of Parks & Recreation

Director of Finance and Administrative Services

Director of Water & Wastewater Resources

Director of Economic & Community Development

John C. Martin

Stan Gustavson

Maria Cortes

Anthony J. Zidich

Ron Myers

Gary S. McLane

Carol Simmons

Peter Gleichenhaus

Diane L. Cronin

Michael F. Stallings

Donald W. McVey

Patrick Sweetland

Terry Sedik

# *California Society of Municipal Finance Officers*

**Certificate of Award**

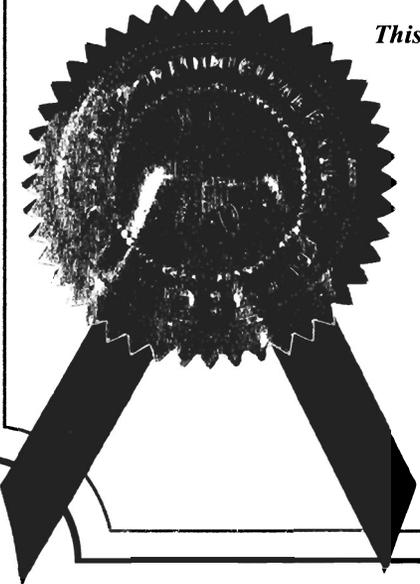
***Outstanding Financial Reporting 2002-2003***

**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.*

***March 1, 2004***



*Bret M. Plumblee*

**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, 2003

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





**ACCOUNTANCY CORPORATION**  
1931 San Miguel Drive - Suite 100  
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E-Mail: [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
Website: [www.mazeassociates.com](http://www.mazeassociates.com)

**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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Daly City, California as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing standards* (1994 Revision), issued by the Comptroller General of the United States. 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 above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Daly City, California at June 30, 2004 and the respective changes in the financial position and cash flows where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

October 15, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fiscal 2004 is the second year the City has issued its financial statements in the format prescribed by 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, 2004. 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 2004 (and 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 makes comparisons to previous reports challenging.

### **FISCAL 2004 FINANCIAL HIGHLIGHTS**

- The City's total net assets increased \$2.8 million during fiscal 2004. At June 30, 2004, net assets totaled \$224.2 million.
- Total City revenues, including program and general revenues, were \$92.1 million, while total expenses were \$89.3 million in fiscal 2004. Total capital assets increased \$8.6 million.
- Net assets in governmental funds were \$140.7 million, while net assets in business activities were \$83.5 million.
- Governmental program revenues were \$22.0 million compared with \$27.2 million in fiscal 2003.
- Governmental general revenues of \$40.7 million represent a decrease of \$3.7 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 cannot be major funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net 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	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Cash and investments	\$ 68,456	\$ 62,834	\$ 26,503	\$ 17,804	\$ 94,959	\$ 80,638
Other assets	54,064	18,615	4,216	4,146	58,280	22,761
Capital assets	<u>80,213</u>	<u>75,983</u>	<u>76,936</u>	<u>72,524</u>	<u>157,149</u>	<u>148,507</u>
Total assets	<u>202,733</u>	<u>157,432</u>	<u>107,655</u>	<u>94,474</u>	<u>310,388</u>	<u>251,906</u>
Long-term liabilities	49,938	9,961	19,431	9,994	69,369	19,955
Other liabilities	<u>12,076</u>	<u>7,056</u>	<u>4,738</u>	<u>3,480</u>	<u>16,814</u>	<u>10,536</u>
Total liabilities	<u>62,014</u>	<u>17,017</u>	<u>24,169</u>	<u>13,474</u>	<u>86,183</u>	<u>30,491</u>
Net assets:						
Invested in capital assets, net of related debt	79,115	74,918	64,625	72,524	143,740	147,442
Restricted	12,232	7,226	1,048	1,048	13,280	8,274
Unrestricted	<u>49,372</u>	<u>58,271</u>	<u>17,813</u>	<u>7,428</u>	<u>67,185</u>	<u>65,699</u>
Total net assets	<u>\$ 140,719</u>	<u>\$ 140,415</u>	<u>\$ 83,486</u>	<u>\$ 81,000</u>	<u>\$ 224,205</u>	<u>\$ 221,415</u>

### ***Governmental Activities***

The City's net assets from governmental activities increased \$0.3 million (0.2 percent) to \$140.7 million in 2004 from \$140.4 million in 2003. 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 \$5.6 million principally as a result of \$4.5 million Section 108 loan from HUD and \$3.3 million received from San Francisco International Airport for the Aircraft Noise Soundproofing Project. Other individual increases and decreases are not considered material.
- Other assets increased \$35.4 million due to a \$35.6 million prepaid retirement plan contribution that resulted from issuing pension obligation bonds.
- Capital assets increased \$4.2 million primarily due to the City's continued investment in infrastructure, including streets and roadways and major capital improvements.
- Long-term liabilities increased \$40.0 million due to \$36.2 million pension obligation bonds issued and the \$4.5 million loan from HUD.
- 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 \$49.4 million are available to finance day-to-day operations and other expenditures approved by City Council, before allowance for such things as cash flow requirements and other planned but not legally committed expenditures.

### ***Business-type Activities***

The net assets of business-type activities increased \$2.5 million in fiscal 2004 to a total of \$83.5 million.

- Cash and investments increased \$8.7 million and long-term liabilities increased \$9.4 million due to \$9.9 million Certificates of Participation issued to finance the Bayshore Water Utility Improvement projects.
- Capital assets increased \$4.4 million due to the City's continued investment in infrastructure and major capital improvements in its enterprise funds.

### **CHANGES IN NET ASSETS**

Table 2 shows that total revenues decreased \$9.0 million in fiscal 2004. The decrease is the result of a \$1.3 million decrease in Motor Vehicle License Fees, a \$3.4 million decrease in investment earnings, and the deferral of the \$3.3 million received from the San Francisco International Airport compared to the \$4.6 million revenue recognized in fiscal 2003 for Aircraft Noise Soundproofing Project phase 9 which was nearly complete in fiscal 2003. Revenue for the Aircraft Noise Soundproofing Project is expenditure driven. Other individual increases and decreases are not considered material. Expenses increased \$2.0 million or 3.1 percent for governmental activities while business-type activity expenses increased \$0.2 million or 0.9 percent.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$12,944	\$12,230	\$26,691	\$25,778	\$39,635	\$38,008
Operating grants & contributions	8,504	12,014	-	385	8,504	12,399
Capital grants & contributions	597	2,997	-	1,431	597	4,428
Total program revenues	<u>22,045</u>	<u>27,241</u>	<u>26,691</u>	<u>27,594</u>	<u>48,736</u>	<u>54,835</u>
General revenues:						
Property tax	15,823	15,426	1,026	939	16,849	16,365
Sales tax	8,973	8,950			8,973	8,950
Motor vehicle in-lieu	4,803	6,092			4,803	6,092
Other taxes	10,007	9,455			10,007	9,455
Investment earnings	713	3,504	123	706	836	4,210
Other	374	941	1,499	251	1,873	1,192
Total general revenues	<u>40,693</u>	<u>44,368</u>	<u>2,648</u>	<u>1,896</u>	<u>43,341</u>	<u>46,264</u>
Total revenues	<u>62,738</u>	<u>71,609</u>	<u>29,339</u>	<u>29,490</u>	<u>92,077</u>	<u>101,099</u>
<b>Expenses:</b>						
General government	7,049	3,861			7,049	3,861
Public safety	31,706	29,896			31,706	29,896
Public works	5,809	5,820			5,809	5,820
Streets & infrastructures	2,296	1,909			2,296	1,909
Culture & recreation	12,119	11,472			12,119	11,472
Economic & community development	6,718	10,273			6,718	10,273
Nondepartmental	278	408			278	408
Interest on long-term debt	668	1,032			668	1,032
Water utility			9,026	8,440	9,026	8,440
Sewer			11,672	12,115	11,672	12,115
Civic center			654	627	654	627
Transfer station	-	-	1,292	1,271	1,292	1,271
Total expenses	<u>66,643</u>	<u>64,671</u>	<u>22,644</u>	<u>22,453</u>	<u>89,287</u>	<u>87,124</u>
Increase(decrease) in net assets before transfers	(3,905)	6,938	6,695	7,037	2,790	13,975
Transfers	4,209	4,223	(4,209)	(4,223)	-	-
Increase in net assets	304	11,161	2,486	2,814	2,790	13,975
Net assets, July 1	<u>140,415</u>	<u>129,254</u>	<u>81,000</u>	<u>78,186</u>	<u>221,415</u>	<u>207,440</u>
Net assets, June 30	<u>\$ 140,719</u>	<u>\$ 140,415</u>	<u>\$ 83,486</u>	<u>\$ 81,000</u>	<u>\$ 224,205</u>	<u>\$ 221,415</u>

## GOVERNMENTAL ACTIVITIES

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

**Table 3**  
**Governmental Activities**  
**For the Year Ended June 30, 2004**  
**(in thousands)**

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue (Expense)</u>
<b>Governmental Activities</b>			
General government	\$ 297	\$ 7,049	\$ (6,752)
Public safety	5,024	31,706	(26,682)
Public works	2,324	5,809	(3,485)
Streets & infrastructure	998	2,296	(1,298)
Culture & recreation	4,065	12,119	(8,054)
Economic & community development	5,911	6,718	(807)
All others	<u>3,426</u>	<u>946</u>	<u>2,480</u>
 Total governmental activities	 <u>\$ 22,045</u>	 <u>\$ 66,643</u>	 <u>\$ (44,598)</u>

## THE CITY'S FUND FINANCIAL STATEMENTS

### *Governmental Funds*

At June 30, 2004, 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 \$11.7 million at June 30, 2003 to \$11.8 million at June 30, 2004, or 0.9 percent. This increase is primarily due to the normal fluctuations in balance sheet receivable and payable accounts. Unreserved fund balance represents 23 percent of General Fund total expenditures for fiscal 2004. 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 \$4.7 million of unreserved fund balance as of June 30, 2004 which represents uncommitted funds that are legally required to be spent on local roadway projects. All such amounts are budgeted for future expenditure as laid out in the five year capital plan.

Redevelopment Agency unreserved fund deficit of \$27.3 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 \$7.6 million in unreserved fund balance; all designated for specific capital projects that will benefit the community as a whole. The fund balance reserved for encumbrances increased from \$7.5 million in June 2003 to \$16.5 million in June 2004 mainly for 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 11.8 percent over the previous year. This growth includes a nine percent rate increase, showing a slight increase in water usage. At the same time, expenses increased 6.9 percent, mostly from purchased water. A nine percent rate increase has been adopted for fiscal 2005.

Sanitation District revenues decreased 7.7 percent over the prior year due to one-time revenues of \$1.3 million in fiscal 2003 not recurring (revenues from operations increased 4.5%), and expenses increased 1.0 percent. Sewer service charges are billed based on the previous year's winter water usage. A 5.75 percent rate increase was adopted for fiscal 2005.

### **General Fund Budgetary Highlights**

The City of Daly City uses a biennial budgeting process, and fiscal 2004 represents the second 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 adjustments 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 2004 the City had \$157.1 million, net of accumulated depreciation, invested in a broad range of capital assets, as shown in Table 4 below (further detail may be found in Note 4 to the financial statements):

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

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$21,016	\$21,044	\$ 2,863	\$ 2,863	\$ 23,879	\$ 23,907
Buildings & improvements	13,800	13,996	5,098	4,981	18,898	18,977
Streets & infrastructures	23,939	24,087			23,939	24,087
Wells & pump stations			2,447	3,229	2,447	3,229
Water reservoirs			4,636	4,816	4,636	4,816
Water mains			9,005	9,114	9,005	9,114
Sanitation subsurface lines			13,732	12,637	13,732	12,637
Sewage facilities			23,758	22,742	23,758	22,742
Equipment	5,409	6,067	3,847	3,078	9,256	9,145
Furniture & fixtures	47	73	13	19	60	92
Construction in progress	<u>16,002</u>	<u>10,716</u>	<u>11,537</u>	<u>9,045</u>	<u>27,539</u>	<u>19,761</u>
<b>Total net capital assets</b>	<b><u>\$80,213</u></b>	<b><u>\$75,983</u></b>	<b><u>\$76,936</u></b>	<b><u>\$72,524</u></b>	<b><u>\$157,149</u></b>	<b><u>\$148,507</u></b>

As of June 30, 2004, 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 2005 fiscal year of \$7.4 million.

Various water master plan projects were completed as part of the Water Utility enterprise fund's \$2.3 million investment in additional infrastructure in 2004. The Sanitation District contributed an additional \$5.0 million to add to the City's enterprise fund infrastructure. Most significant for the District is the tertiary water treatment system project for recycled water production, begun in fiscal 2003 and expected to be completed in fiscal 2005, with a total budget of \$8.9 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 down to 2.5 percent. During the 2004 fiscal year the City issued debt four times to finance infrastructure and to refinance pension obligations as illustrated in Table 5. At June 30, the City's debt was comprised of:

**Table 5  
Outstanding Debt  
(in thousands)**

<u>Description</u>	<u>Interest</u>	<u>Original Principal</u>	<u>Balance at June 30, 2003</u>	<u>Balance at June 30, 2004</u>
<u>Sanitation District Capacity Expansion</u> Refinancing Certificates of Participation Issued Aug. 1, 1992 Final Maturity June 1, 2009	2.5%	\$20,980	\$9,375	\$7,740
<u>Sanitation District Recycled Water</u> <u>Project</u> State Water Resources Revolving Fund Issued March 1, 2004 Final Maturity March 1, 2024	2.5%	\$3,161 (1)	0	\$3,161
<u>Bayshore Community Center</u> HUD Sec 108 Loan Issued June 30, 2004 Final Maturity Aug. 1, 2022	5.41%	\$4,500	0	\$4,500
<u>Water System Improvements</u> Certificates of Participation Issued June 11, 2004 Final Maturity June 1, 2024	4.811775%	\$9,860	0	\$9,860
<u>Pension Obligation Bonds</u> Issued June 29, 2004 Final Maturity June 1, 2024	5.973% (taxable)	\$36,235	0	\$36,235
(1) Remainder of total approved amount of \$4,450,128 will be drawn in fiscal 2005				

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Consumer Price Index-All Urban Consumers was 1.4 percent for the San Francisco-Oakland region, compared to 3.3 percent for the U.S. City Average as of June 2004. This is down slightly locally from the prior period, when the index was 1.6 percent locally and 2.1 percent nationally.

The Daly City annual average unemployment rate was 6.5 percent in December of both 2003 and 2002, up from 3.6 percent in 2001 and 2.1 percent in 2000. This compares with 5.1, 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 2004.

Fiscal 2005 continues with the third year of a selective hiring freeze to aid in balancing the General Fund budget, and in anticipation of the second year of significant increases in retirement costs. Cash contributions, previously zero for four years ended in fiscal 2003, increased to 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 16.5161 percent and 21.4937 percent of covered payroll, after the impact of issuing pension obligation bonds. Issuing pension obligation bonds had the effect of decreasing the effective cash contribution rate by 1.3 percent and 1.7 percent in fiscal 2005 for miscellaneous and public safety, respectively.

As of the date of this report, we are awaiting the decisions of both local Daly City and California voters to determine what impact there will be on City finances. The City Council has placed two revenue measures on the local ballot, one to increase local sales tax by  $\frac{1}{4}$  of one percent, and one to increase the local business license tax. Passage of either or both will allow us to recover some of the services that have been cut in order to balance the 2005 budget. On the state level, the governor has aggressively supported state measure 1A, which will serve to stop any future taking of local revenues by the State to balance their budget. Should this measure pass it will go far in bringing back some predictability and fairness to local government revenues.

#### **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 – 90<sup>th</sup> Street, Daly City California 94015. Additional information about the City of Daly City, including our biennial budget document, can be found at [www.dalycity.org](http://www.dalycity.org).

CITY OF DALY CITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 1F)	\$68,455,762	\$16,293,867	\$84,749,629
Cash with fiscal agent (Note 1F)		10,209,261	10,209,261
Accounts receivable, net	4,427,563	2,288,292	6,715,855
Inventories	297,955	1,619,539	1,917,494
Prepays	137,863	308,522	446,385
Notes receivable (Note 12)	976,606		976,606
Property held for development (Note 1C)	12,624,591		12,624,591
Prepaid PERS contribution	35,600,000		35,600,000
Capital assets, (Note 4)			
Nondepreciable capital assets	37,018,329	14,399,835	51,418,164
Depreciable capital assets, net	43,194,281	62,535,611	105,729,892
	<u>202,732,950</u>	<u>107,654,927</u>	<u>310,387,877</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts payable	3,304,369	1,885,193	5,189,562
Accrued payroll	1,480,020	182,926	1,662,946
Accrued liabilities	477,257	527,138	1,004,395
Deposits payable	776,023	52,880	828,903
Deferred revenue	3,994,928		3,994,928
Compensated absences (Note 1J)			
Due within one year	214,508	55,492	270,000
Due in more than one year	7,234,013	705,063	7,939,076
Accrued claims payable (Note 9)			
Due within one year	1,324,100		1,324,100
Due in more than one year	1,509,141		1,509,141
Long-term debt (Note 5):			
Due within one year	504,714	2,035,000	2,539,714
Due in more than one year	41,194,769	18,725,733	59,920,502
	<u>62,013,842</u>	<u>24,169,425</u>	<u>86,183,267</u>
Total Liabilities			
<b>NET ASSETS (Note 10)</b>			
Invested in capital assets, net of related debt	79,115,127	64,624,867	143,739,994
Restricted for:			
Debt service		1,047,605	1,047,605
Redevelopment projects	1,396,964		1,396,964
Special revenue projects	10,834,533		10,834,533
	<u>12,231,497</u>	<u>1,047,605</u>	<u>13,279,102</u>
Total Restricted Net Assets			
Unrestricted	49,372,484	17,813,030	67,185,514
	<u>\$140,719,108</u>	<u>\$83,485,502</u>	<u>\$224,204,610</u>
Total Net Assets			

See accompanying notes to financial statements

CITY OF DALY CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>						
General government	\$7,049,253	\$143,481	\$150,681	\$3,000	(\$6,752,091)	(\$6,752,091)
Public safety	31,706,399	4,066,392	957,680		(26,682,327)	(26,682,327)
Public works	5,808,559	1,849,348		474,162	(3,485,049)	(3,485,049)
Streets and Infrastructure	2,296,403	998,664			(1,297,739)	(1,297,739)
Culture and recreation	12,118,778	2,810,198	1,184,668	70,000	(8,053,912)	(8,053,912)
Economic and community development	6,718,322	2,143,008	3,767,706		(807,608)	(807,608)
Nondepartmental	277,871	932,656	2,443,637	50,000	3,148,422	3,148,422
Interest on long term debt	667,851				(667,851)	(667,851)
<b>Total Governmental Activities.</b>	<b>66,643,436</b>	<b>12,943,747</b>	<b>8,504,372</b>	<b>597,162</b>	<b>(44,598,155)</b>	<b>(44,598,155)</b>
<b>Business-type Activities:</b>						
Water Utility	9,026,033	10,914,100			\$1,888,067	1,888,067
Civic Center	654,354	892,122			237,768	237,768
Transfer Station	1,291,865	1,615,257			323,392	323,392
Sanitation District	11,672,157	13,269,512			1,597,355	1,597,355
<b>Total Business-type Activities</b>	<b>22,644,409</b>	<b>26,690,991</b>			<b>4,046,582</b>	<b>4,046,582</b>
<b>Total</b>	<b>\$89,287,845</b>	<b>\$39,634,738</b>	<b>\$8,504,372</b>	<b>\$597,162</b>	<b>(44,598,155)</b>	<b>(40,551,573)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property tax					15,822,888	16,849,425
Sales tax					8,972,708	8,972,708
Utility users tax					5,467,435	5,467,435
Franchise fees					2,471,180	2,471,180
Other taxes					2,068,815	2,068,815
Motor vehicle in lieu					4,803,122	4,803,122
Investment earnings					713,346	836,623
Gain (loss) from disposal of capital assets					(555,685)	(556,463)
Miscellaneous					929,098	2,428,860
Transfers (Note 6)					4,209,488	(4,209,488)
<b>Total general revenues and transfers</b>					<b>44,902,395</b>	<b>43,341,705</b>
<b>Change in Net Assets</b>					<b>304,240</b>	<b>2,790,132</b>
<b>Net Assets-Beginning</b>					<b>140,414,868</b>	<b>221,414,478</b>
<b>Net Assets-Ending</b>					<b>\$140,719,108</b>	<b>\$224,204,610</b>

See accompanying notes to financial statements

CITY OF DALY CITY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2004

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments (Note 1F)	\$12,548,561	\$4,885,719	\$4,984,174	\$25,286,512	\$9,474,295	\$57,179,261
Accounts receivable, net	2,624,827	444,478	6,550	43,159	1,257,009	4,376,023
Inventories	131,441					131,441
Prepays	111,749				8,434	120,183
Notes receivable (Note 12)	76,103				900,503	976,606
Long-term interfund receivables (Note 6)	30,553,395					30,553,395
Property held for development (Note 1C)			12,624,591			12,624,591
<b>Total Assets</b>	<b>\$46,046,076</b>	<b>\$5,330,197</b>	<b>\$17,615,315</b>	<b>\$25,329,671</b>	<b>\$11,640,241</b>	<b>\$105,961,500</b>
<b>LIABILITIES</b>						
Accounts payable	\$535,412	\$221,667	\$268,231	\$1,221,040	\$912,426	\$3,158,776
Accrued payroll	1,282,436		8,923		78,363	1,369,722
Accrued liabilities	457,874				19,098	476,972
Deposits payable	754,393		21,630			776,023
Deferred revenue	10,753,140				4,895,431	15,648,571
Compensated absences (Note 1J)	214,508					214,508
Long-term interfund payables (Note 6)			30,553,395			30,553,395
<b>Total Liabilities</b>	<b>13,997,763</b>	<b>221,667</b>	<b>30,852,179</b>	<b>1,221,040</b>	<b>5,905,318</b>	<b>52,197,967</b>
<b>FUND BALANCES</b>						
<b>Fund Balance (Note 1M)</b>						
<b>Reserved for:</b>						
Encumbrances	78,706	426,269	45,696	16,523,827	2,306,271	19,380,769
Inventories	131,441					131,441
Prepays	111,749				8,434	120,183
Notes receivable	76,103					76,103
Long-term interfund receivables	19,800,255					19,800,255
Property held for development			12,624,591			12,624,591
Restricted purposes			1,396,964		5,324,616	6,721,580
Imprest cash funds	6,280				486	6,766
<b>Unreserved:</b>						
<b>Designated for:</b>						
Capital projects		2,024,628		7,584,804		9,609,432
Operating capital	6,000,000					6,000,000
<b>Undesignated, reported in:</b>						
General Fund	5,843,779					5,843,779
Special Revenue Funds		2,657,633	(27,304,115)		(1,904,884)	(26,551,366)
<b>Total Fund Balances (Deficits)</b>	<b>32,048,313</b>	<b>5,108,530</b>	<b>(13,236,864)</b>	<b>24,108,631</b>	<b>5,734,923</b>	<b>53,763,533</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$46,046,076</b>	<b>\$5,330,197</b>	<b>\$17,615,315</b>	<b>\$25,329,671</b>	<b>\$11,640,241</b>	<b>\$105,961,500</b>

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, 2004

Total fund balances reported on the Governmental Funds Balance Sheet \$53,763,533

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. 74,835,081

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	11,276,501
Accounts receivable	51,540
Prepays	17,680
Inventories	166,514
Capital assets	5,377,529
Prepaid PERS contribution	35,600,000
Accounts payable	(145,593)
Accrued payroll	(110,298)
Accrued liabilities	(285)
Accrued claims payable	(2,833,241)
Compensated absences	(660,463)
Long-term debt - due within one year	(400,000)
Long-term debt - due in more than one year	(35,835,000)

ACCRUAL OF NONCURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently  
 are taken into revenue in the Statement of Activities. 11,653,643

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	(5,464,483)
Non-current portion of compensated absences	(6,573,550)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$140,719,108

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, 2004

	<u>General</u>	<u>Gas Tax</u>	<u>Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Property tax	\$11,685,670		\$4,137,218			\$15,822,888
Gas tax		\$2,024,722				2,024,722
Sales tax	8,284,050	1,140,970				9,425,020
Utility users tax	5,467,435					5,467,435
Franchise fees	2,471,180					2,471,180
Other taxes	6,871,937					6,871,937
Licenses and permits	1,538,705					1,538,705
Fines and forfeitures	2,584,331					2,584,331
Rents and interest	3,692,297	16,766	100,457	\$90,051	\$73,991	3,973,562
Federal programs and grants	15,301	50,200			4,139,595	4,205,096
Receipts from other agencies	668,151	340,883		120,902	959,871	2,089,807
Charges and fees	6,060,898	41,610	6,970	272,090	1,026,148	7,407,716
Miscellaneous	1,602,396		15,761	114,946	352,966	2,086,069
<b>Total Revenues</b>	<u>50,942,351</u>	<u>3,615,151</u>	<u>4,260,406</u>	<u>597,989</u>	<u>6,552,571</u>	<u>65,968,468</u>
<b>EXPENDITURES</b>						
Current:						
General government	6,275,456					6,275,456
Public safety	28,620,597				727,804	29,348,401
Public works	5,539,528				15,317	5,554,845
Culture and recreation	9,395,197				2,027,204	11,422,401
Economic and community development	2,595,912		1,238,939		2,893,520	6,728,371
Capital projects		2,315,560		7,043,423		9,358,983
Debt service						
Principal				100,023		100,023
Interest and fiscal charges	6,853		616,097	44,303	598	667,851
<b>Total Expenditures</b>	<u>52,433,543</u>	<u>2,315,560</u>	<u>1,855,036</u>	<u>7,187,749</u>	<u>5,664,443</u>	<u>69,456,331</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,491,192)</u>	<u>1,299,591</u>	<u>2,405,370</u>	<u>(6,589,760)</u>	<u>888,128</u>	<u>(3,487,863)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds					4,500,000	4,500,000
Sale of property	1,191					1,191
Transfers in (Note 6)	5,554,142			5,696,770	563,110	11,814,022
Transfers out (Note 6)	(4,263,220)	(1,647,473)			(1,721,182)	(7,631,875)
<b>Total Other Financing Sources (Uses)</b>	<u>1,292,113</u>	<u>(1,647,473)</u>		<u>5,696,770</u>	<u>3,341,928</u>	<u>8,683,338</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(199,079)</u>	<u>(347,882)</u>	<u>2,405,370</u>	<u>(892,990)</u>	<u>4,230,056</u>	<u>5,195,475</u>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<u>32,247,392</u>	<u>5,456,412</u>	<u>(15,642,234)</u>	<u>25,001,621</u>	<u>1,504,867</u>	<u>48,568,058</u>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<u>\$32,048,313</u>	<u>\$5,108,530</u>	<u>(\$13,236,864)</u>	<u>\$24,108,631</u>	<u>\$5,734,923</u>	<u>\$53,763,533</u>

See accompanying notes to financial statements

CITY OF DALY CITY  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2004

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 \$5,195,475

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. 7,700,420

Depreciation expense is deducted from fund balance  
 (Depreciation expense is net of internal service fund depreciation of \$1,042,755 which has already been allocated to serviced funds). (2,218,432)

Retirements of capital assets (558,339)

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 100,023

Proceeds from the issuance of debt are deducted from fund balance (4,500,000)

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 (2,529,235)

Compensated absences (765,217)

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 (2,120,455)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$304,240

See accompanying notes to financial statements

CITY OF DALY CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property tax	\$11,267,472	\$11,267,472	\$11,685,670	\$418,198
Sales tax	8,542,123	8,542,123	8,284,050	(258,073)
Utility users tax	5,507,513	5,507,513	5,467,435	(40,078)
Franchise fees	2,413,330	2,413,330	2,471,180	57,850
Other taxes	7,646,406	7,646,406	6,871,937	(774,469)
Licenses and permits	1,571,892	1,571,892	1,538,705	(33,187)
Fines and forfeitures	2,862,059	2,862,059	2,584,331	(277,728)
Rents and interest	4,102,739	4,102,739	3,692,297	(410,442)
Federal programs and grants	9,720	9,720	15,301	5,581
Receipts from other agencies	520,619	675,988	668,151	(7,837)
Charges and fees	6,167,652	6,170,290	6,060,898	(109,392)
Miscellaneous	133,833	184,925	1,602,396	1,417,471
<b>Total Revenues</b>	<b>50,745,358</b>	<b>50,954,457</b>	<b>50,942,351</b>	<b>(12,106)</b>
<b>EXPENDITURES:</b>				
<b>Current Operations:</b>				
<b>General Government</b>				
<b>Legislative:</b>				
Personnel services	106,476	120,776	120,756	20
Other services	56,831	55,831	55,791	40
Other charges	14,048	5,148	5,092	56
<b>Total Legislative</b>	<b>177,355</b>	<b>181,755</b>	<b>181,639</b>	<b>116</b>
<b>Legal:</b>				
Personnel services	632,073	626,673	493,663	133,010
Other services	121,693	121,293	107,365	13,928
Other charges	4,753	5,153	5,032	121
<b>Total Legal</b>	<b>758,519</b>	<b>753,119</b>	<b>606,060</b>	<b>147,059</b>
<b>Administrative</b>				
Personnel services	3,499,752	4,054,353	4,051,758	2,595
Other services	1,095,436	1,261,256	1,113,187	148,069
Capital outlay	2,253	12,528	2,601	9,927
Other charges	1,050,497	669,839	320,211	349,628
<b>Total Administrative</b>	<b>5,647,938</b>	<b>5,997,976</b>	<b>5,487,757</b>	<b>510,219</b>
<b>Total General Government</b>	<b>6,583,812</b>	<b>6,932,850</b>	<b>6,275,456</b>	<b>657,394</b>
<b>Public Safety</b>				
<b>Police:</b>				
Personnel services	14,812,717	13,755,444	13,554,234	201,210
Other services	3,036,552	3,034,425	2,941,260	93,165
Capital outlay	112,569	222,750	146,585	76,165
Other charges	79,193	138,041	137,548	493
<b>Total Police</b>	<b>18,041,031</b>	<b>17,150,660</b>	<b>16,779,627</b>	<b>371,033</b>
<b>Fire:</b>				
Personnel services	8,341,438	9,301,938	9,301,456	482
Other services	852,998	859,184	858,713	471
Capital outlay	21,800	23,800	20,970	2,830
Other charges	64,045	56,035	55,632	403
<b>Total Fire</b>	<b>9,280,281</b>	<b>10,240,957</b>	<b>10,236,771</b>	<b>4,186</b>
<b>Public Safety Communications</b>				
Personnel services	1,136,857	1,238,857	1,238,305	552
Other services	331,014	360,464	360,129	335
Capital outlay	1,560	560	504	56
Other charges	6,319	5,319	5,261	58
<b>Total Public Safety Communications</b>	<b>1,475,750</b>	<b>1,605,200</b>	<b>1,604,199</b>	<b>1,001</b>
<b>Total Public Safety</b>	<b>28,797,062</b>	<b>28,996,817</b>	<b>28,620,597</b>	<b>376,220</b>

CITY OF DALY CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Public Works</b>				
Personnel services	4,253,252	4,355,252	4,354,020	1,232
Other services	1,242,792	1,137,492	1,117,134	20,358
Capital outlay	1,000	1,100	1,054	46
Other charges	64,175	67,375	67,320	55
<b>Total Public Works</b>	<b>5,561,219</b>	<b>5,561,219</b>	<b>5,539,528</b>	<b>21,691</b>
<b>Culture and Recreation</b>				
<b>Library:</b>				
Personnel services	1,743,487	1,743,487	1,690,640	52,847
Other services	775,768	779,902	725,375	54,527
Other charges	15,829	15,829	15,169	660
<b>Total Library</b>	<b>2,535,084</b>	<b>2,539,218</b>	<b>2,431,184</b>	<b>108,034</b>
<b>Parks and Recreation:</b>				
Personnel services	4,200,124	4,280,664	4,182,386	98,278
Other services	2,808,630	2,808,630	2,726,327	82,303
Capital outlay	7,947	7,947	7,550	397
Other charges	52,446	52,446	47,750	4,696
<b>Total Parks and Recreation</b>	<b>7,069,147</b>	<b>7,149,687</b>	<b>6,964,013</b>	<b>185,674</b>
<b>Total Culture and Recreation</b>	<b>9,604,231</b>	<b>9,688,905</b>	<b>9,395,197</b>	<b>293,708</b>
<b>Economic and Community Development</b>				
Personnel services	2,044,168	2,054,168	2,053,376	792
Other services	598,904	596,304	505,972	90,332
Capital outlay	1,828	9,428	785	8,643
Other charges	47,805	47,805	35,779	12,026
<b>Total Economic and Community Development</b>	<b>2,692,705</b>	<b>2,707,705</b>	<b>2,595,912</b>	<b>111,793</b>
<b>Debt Service:</b>				
Interest and fiscal charges	7,000	7,000	6,853	147
<b>Total Expenditures</b>	<b>53,246,029</b>	<b>53,894,496</b>	<b>52,433,543</b>	<b>1,460,953</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,500,671)</b>	<b>(2,940,039)</b>	<b>(1,491,192)</b>	<b>1,448,847</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of property	6,500	6,500	1,191	(5,309)
Transfers in	5,677,221	5,677,221	5,554,142	(123,079)
Transfers out	(4,219,341)	(4,435,748)	(4,263,220)	172,528
<b>Total Other Financing Sources (Uses)</b>	<b>1,464,380</b>	<b>1,247,973</b>	<b>1,292,113</b>	<b>44,140</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$1,036,291)</b>	<b>(\$1,692,066)</b>	<b>(199,079)</b>	<b>\$1,492,987</b>
<b>BEGINNING FUND BALANCE</b>			<b>32,247,392</b>	
<b>ENDING FUND BALANCE</b>			<b>\$32,048,313</b>	

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gas tax	\$2,020,266	\$2,020,266	\$2,024,722	\$4,456
Sales tax	1,238,779	1,238,779	1,140,970	(97,809)
Interest	120,000	120,000	16,766	(103,234)
Federal programs and grants	395,200	395,200	50,200	(345,000)
Receipts from other agencies	350,000	350,000	340,883	(9,117)
Charges and fees		41,610	41,610	
Total Revenues	<u>4,124,245</u>	<u>4,165,855</u>	<u>3,615,151</u>	<u>(550,704)</u>
EXPENDITURES:				
Capital projects	<u>6,597,689</u>	<u>6,639,301</u>	<u>2,315,560</u>	<u>4,323,741</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,473,444)</u>	<u>(2,473,446)</u>	<u>1,299,591</u>	<u>3,773,037</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,770,552)</u>	<u>(1,770,552)</u>	<u>(1,647,473)</u>	<u>123,079</u>
NET CHANGE IN FUND BALANCE	<u>(\$4,243,996)</u>	<u>(\$4,243,998)</u>	<u>(347,882)</u>	<u>\$3,896,116</u>
BEGINNING FUND BALANCE			<u>5,456,412</u>	
ENDING FUND BALANCE			<u>\$5,108,530</u>	

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property tax	\$4,622,950	\$4,622,950	\$4,137,218	(\$485,732)
Rents and interest	123,868	123,868	100,457	(23,411)
Charges and fees	100	100	6,970	6,870
Miscellaneous	800	800	15,761	14,961
<b>Total Revenues</b>	<b><u>4,747,718</u></b>	<b><u>4,747,718</u></b>	<b><u>4,260,406</u></b>	<b><u>(487,312)</u></b>
<b>EXPENDITURES:</b>				
Economic and Community Development:				
Salaries and benefits	326,108	326,708	326,227	481
Services and supplies	275,214	209,914	93,677	116,237
ERAF payment		132,124	132,124	
Pass thru payments		296,617	411,090	(114,473)
Other charges	492,155	513,414	199,472	313,942
Capital outlay	22,055	135,758	76,349	59,409
<b>Total Economic and Community Development</b>	<b><u>1,115,532</u></b>	<b><u>1,614,535</u></b>	<b><u>1,238,939</u></b>	<b><u>375,596</u></b>
Debt Service:				
Interest and fiscal charges	2,995,879	2,995,879	616,097	2,379,782
<b>Total Expenditures</b>	<b><u>4,111,411</u></b>	<b><u>4,610,414</u></b>	<b><u>1,855,036</u></b>	<b><u>2,755,378</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$636,307</u></b>	<b><u>\$137,304</u></b>	<b><u>2,405,370</u></b>	<b><u>\$2,268,066</u></b>
<b>BEGINNING FUND BALANCE (DEFICIT)</b>			<b><u>(15,642,234)</u></b>	
<b>ENDING FUND BALANCE (DEFICIT)</b>			<b><u>(\$13,236,864)</u></b>	

See accompanying notes to financial statements

CITY OF DALY CITY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and investments	\$3,453,294	\$11,131,758	\$1,708,815	\$16,293,867	\$11,276,501
Cash with fiscal agent	9,161,656	1,047,605		10,209,261	
Accounts receivable, net	1,406,723	706,429	130,543	2,243,695	51,540
Inventories	459,564	1,159,975		1,619,539	166,514
Prepays	\$246,540	61,982		308,522	17,680
<b>Total Current Assets</b>	<b>14,727,777</b>	<b>14,107,749</b>	<b>1,839,358</b>	<b>30,674,884</b>	<b>11,512,235</b>
<b>Long-Term Assets:</b>					
Advances to others			44,597	44,597	
Long-term interfund receivable (Note 6)		711,502		711,502	
Prepaid PERS contribution					35,600,000
<b>Total Long-Term Assets</b>		<b>711,502</b>	<b>44,597</b>	<b>756,099</b>	<b>35,600,000</b>
<b>Capital Assets:</b>					
Land	839,856	233,547	1,789,146	2,862,549	333,343
Buildings	502,661	566,283	6,753,006	7,821,950	194,494
Sewage facilities		47,233,861		47,233,861	
Wells and pump stations	4,147,914			4,147,914	
Water reservoirs	7,308,827			7,308,827	
Mains & subsurface lines	10,592,962	17,321,776		27,914,738	
Equipment	3,677,586	1,959,695	676,168	6,313,449	14,146,604
Furniture and fixtures	15,070	53,240		68,310	16,633
Construction in progress	2,744,701	8,792,585		11,537,286	
<b>Total Capital Assets</b>	<b>29,829,577</b>	<b>76,160,987</b>	<b>9,218,320</b>	<b>115,208,884</b>	<b>14,691,074</b>
Less accumulated depreciation	7,489,467	27,885,387	2,898,584	38,273,438	9,313,545
<b>Net Capital Assets</b>	<b>22,340,110</b>	<b>48,275,600</b>	<b>6,319,736</b>	<b>76,935,446</b>	<b>5,377,529</b>
<b>Total Assets</b>	<b>37,067,887</b>	<b>63,094,851</b>	<b>8,203,691</b>	<b>108,366,429</b>	<b>52,489,764</b>
<b>Current Liabilities:</b>					
Accounts payable	647,248	853,651	20,815	1,521,714	145,593
Retentions payable	103,569	259,910		363,479	
Accrued payroll	59,202	123,724		182,926	110,298
Accrued liabilities			527,138	527,138	285
Compensated absences		55,492		55,492	
Accrued claims payable					1,324,100
Deposits payable	52,880			52,880	
Long term debt (Note 5)	365,000	1,670,000		2,035,000	400,000
<b>Total Current Liabilities</b>	<b>1,227,899</b>	<b>2,962,777</b>	<b>547,953</b>	<b>4,738,629</b>	<b>1,980,276</b>
<b>Long-Term Liabilities:</b>					
Compensated absences (Note 1J)	187,648	517,415		705,063	660,463
Accrued claims payable (Note 9)					1,509,141
Long-term interfund payable			711,502	711,502	
Long term debt (Note 5)	9,495,000	9,230,733		18,725,733	35,835,000
<b>Total Long-Term Liabilities</b>	<b>9,682,648</b>	<b>9,748,148</b>	<b>711,502</b>	<b>20,142,298</b>	<b>38,004,604</b>
<b>Total Liabilities</b>	<b>10,910,547</b>	<b>12,710,925</b>	<b>1,259,455</b>	<b>24,880,927</b>	<b>39,984,880</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	21,641,766	37,374,867	5,608,234	64,624,867	5,377,529
Restricted for debt service		1,047,605		1,047,605	
Unrestricted (Note 1M)	4,515,574	11,961,454	1,336,002	17,813,030	7,127,355
<b>Total Net Assets</b>	<b>\$26,157,340</b>	<b>\$50,383,926</b>	<b>\$6,944,236</b>	<b>\$83,485,502</b>	<b>\$12,504,884</b>

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, 2004

	Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds	
	Water Utility	Sanitation District	Other Enterprise Funds		Totals
<b>OPERATING REVENUES</b>					
Water sales	\$10,914,100			\$10,914,100	
Sewer service charges		\$13,115,911		13,115,911	
Connection charges		153,601		153,601	
Rental income			\$892,122	892,122	
Lease revenue			375,000	375,000	
Recycling revenue			1,240,257	1,240,257	
Charges to City departments					\$8,928,127
Other revenues	1,103,732	200,430	195,600	1,499,762	773,595
<b>Total Operating Revenues</b>	<u>12,017,832</u>	<u>13,469,942</u>	<u>2,702,979</u>	<u>28,190,753</u>	<u>9,701,722</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	2,084,336	4,440,997		6,525,333	4,156,270
Services and supplies	1,173,896	3,669,154	186,287	5,029,337	2,030,884
Water purchases	3,077,561			3,077,561	
Transfer station charges			1,240,257	1,240,257	
Utilities	835,988	741,895	117,577	1,695,460	380,504
Insurance	95,978	231,532	13,813	341,323	1,321,376
Claims / settlements					1,922,882
Depreciation	893,195	1,713,883	312,054	2,919,132	1,042,755
Other charges	865,079	661,525	36,407	1,563,011	353,295
<b>Total Operating Expenses</b>	<u>9,026,033</u>	<u>11,458,986</u>	<u>1,906,395</u>	<u>22,391,414</u>	<u>11,207,966</u>
<b>Operating Income (Loss)</b>	<u>2,991,799</u>	<u>2,010,956</u>	<u>796,584</u>	<u>5,799,339</u>	<u>(1,506,244)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property taxes		1,026,537		1,026,537	
Gain (loss) on sale of capital assets		(778)		(778)	13,763
Storm damage repair expenses					(60,385)
Interest income	12,276	108,739	2,262	123,277	40,070
Interest expense and cost of issuance		(213,171)	(39,824)	(252,995)	(635,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>12,276</u>	<u>921,327</u>	<u>(37,562)</u>	<u>896,041</u>	<u>(641,552)</u>
<b>Income Before Transfers</b>	<u>3,004,075</u>	<u>2,932,283</u>	<u>759,022</u>	<u>6,695,380</u>	<u>(2,147,796)</u>
Transfers in (Note 6)		983,787		983,787	174,919
Transfers out (Note 6)	(2,574,570)	(1,907,786)	(710,919)	(5,193,275)	(147,578)
<b>Net transfers</b>	<u>(2,574,570)</u>	<u>(923,999)</u>	<u>(710,919)</u>	<u>(4,209,488)</u>	<u>27,341</u>
<b>Change in net assets</b>	<u>429,505</u>	<u>2,008,284</u>	<u>48,103</u>	<u>2,485,892</u>	<u>(2,120,455)</u>
<b>BEGINNING NET ASSETS</b>	<u>25,727,835</u>	<u>48,375,642</u>	<u>6,896,133</u>	<u>80,999,610</u>	<u>14,625,339</u>
<b>ENDING NET ASSETS</b>	<u>\$26,157,340</u>	<u>\$50,383,926</u>	<u>\$6,944,236</u>	<u>\$83,485,502</u>	<u>\$12,504,884</u>

See accompanying notes to financial statements

CITY OF DALY CITY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$12,099,688	\$13,504,358	\$2,757,561	\$28,361,607	\$9,709,884
Payments to suppliers	(6,209,460)	(6,126,616)	(1,458,528)	(13,794,604)	(4,119,692)
Payments to employees	(2,060,323)	(4,302,552)		(6,362,875)	(4,046,612)
Claims paid					(1,594,741)
<b>Cash Flows from Operating Activities</b>	<b>3,829,905</b>	<b>3,075,190</b>	<b>1,299,033</b>	<b>8,204,128</b>	<b>(51,161)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund receipts		121,765		121,765	
Interfund payments			(121,765)	(121,765)	
Interest paid			(39,824)	(39,824)	
Property tax		1,026,537		1,026,537	
Storm damage repair expenses					(60,385)
Proceeds from long term debt					36,235,000
PERS Obligation contribution					(35,600,000)
Cost of debt issuance					(635,000)
Transfers in		983,787		983,787	174,919
Transfers out	(2,574,570)	(1,907,786)	(710,919)	(5,193,275)	(147,578)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(2,574,570)</b>	<b>224,303</b>	<b>(872,508)</b>	<b>(3,222,775)</b>	<b>(33,044)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(2,344,015)	(4,987,491)		(7,331,506)	(349,283)
Proceeds from sale of capital assets					13,917
Proceeds from long term debt	9,613,460	3,160,733		12,774,193	
Principal payments on capital debt		(1,635,000)		(1,635,000)	
Interest paid		(213,171)		(213,171)	
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>7,269,445</b>	<b>(3,674,929)</b>		<b>3,594,516</b>	<b>(335,366)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest	12,276	108,739	2,262	123,277	40,070
<b>Net Cash Flows</b>	<b>8,537,056</b>	<b>(266,697)</b>	<b>428,787</b>	<b>8,699,146</b>	<b>(379,501)</b>
Cash and investments at beginning of period	4,077,894	12,446,060	1,280,028	17,803,982	11,656,002
Cash and investments at end of period	<u>\$12,614,950</u>	<u>\$12,179,363</u>	<u>\$1,708,815</u>	<u>\$26,503,128</u>	<u>\$11,276,501</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows</b>					
from Operating Activities:					
Operating income (loss)	\$2,991,799	\$2,010,956	\$796,584	\$5,799,339	(\$1,506,244)
Adjustments to reconcile operating income to cash flows					
from operating activities:					
Depreciation	893,195	1,713,883	312,054	2,919,132	1,042,755
Change in assets and liabilities:					
Receivables, net	81,856	34,416	54,582	170,854	8,162
Inventory	(3,239)	(4,622)		(7,861)	
Other assets		12,635		12,635	36,302
Accounts and other payables	(157,719)	(830,523)	135,813	(852,429)	(69,935)
Accrued claims payable					328,141
Accrued payroll and compensated absences	24,013	138,445		162,458	109,658
<b>Cash Flows from Operating Activities</b>	<b>\$3,829,905</b>	<b>\$3,075,190</b>	<b>\$1,299,033</b>	<b>\$8,204,128</b>	<b>(\$51,161)</b>

See accompanying notes to financial statements

CITY OF DALY CITY  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 1F)	\$3,945,416
Receivables	<u>659,404</u>
Total Assets	<u><u>\$4,604,820</u></u>
LIABILITIES	
Accounts payable	\$1,932,487
Due to bondholders	1,221,388
Deposits payable	<u>1,450,945</u>
Total Liabilities	<u><u>\$4,604,820</u></u>

See accompanying notes to financial statements

CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2004

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

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

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

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

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

## **B. MAJOR FUNDS**

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

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

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

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

**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 water service to the community.

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

The City also reports the following fund types:

**Internal Service Funds.** The funds account for motor vehicles, central services, telephone, building maintenance, information services, self-insurance and pension bond payments; 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.

Inventories and prepaids are valued at cost (on the first-in, first-out basis). Inventories of the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time individual inventory items are consumed. Reported General Fund inventories are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

***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 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, 2004, the carrying amount of the City's deposits and certificates of deposit was \$7,878,373 and the bank balance was \$9,808,650. Of the bank balance \$1,594,000 was insured by federal depository insurance or covered by collateral held by the City's agent in the City's name, and \$8,214,650 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 \$78,700,892 at June 30, 2004 (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, 2004 was \$2,115,780. 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 the lesser of \$3 million or 10 percent of the portfolio 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 \$10,209,261 at June 30, 2004 consists of \$105 in mutual funds invested in United States Treasury securities and \$10,209,156 in investment agreements.

The City's cash with fiscal agent, as well as certain cash and investments recorded in the City's agency funds, are required to be expended for the payment certain 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)	\$2,115,780
Non categorized investments:	
Local Agency Investment Fund	7,504,164
San Mateo County Investment Pool	71,196,728
U.S. Treasury securities mutual fund	105
Investment agreements	<u>10,209,156</u>
Total Investments	<u>91,025,933</u>
Cash deposits with banks	6,376,643
Certificates of deposit	1,494,000
Cash on hand	<u>7,730</u>
Total Cash and Investments	<u><u>\$98,904,306</u></u>
Financial Statement Presentation:	
City Cash and Investments:	
Cash and investments	\$84,749,629
Investments with fiscal agent	<u>10,209,261</u>
Total City Cash and Investments	<u>94,958,890</u>
Fiduciary Funds:	
Cash and investments	<u>3,945,416</u>
Total Cash and Investments	<u><u>\$98,904,306</u></u>

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:

- 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 Investment Pool
- Passbook Savings Accounts

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 AND PREPAIDS**

Inventory is valued at cost, using the first-in, first-out method. For the General Fund, inventories consist of consumable supplies, and do not constitute "available spendable resources", even though they are a component of net current assets. 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.

Prepays represent services that are paid for in advance. For governmental funds, prepaids do not constitute available spendable resources even though they are a component of net current assets. They are equally offset by a reservation of fund balance. For the Water Utility and Sanitation District enterprise funds, prepaids represent the unamortized portion of the certificates of participation issue costs. The consumption method of accounting is applied to prepaids.

***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, 2003	\$6,981,704	\$657,446	\$7,639,150
Additions	5,554,738	698,072	6,252,810
Payments	(5,087,921)	(594,963)	(5,682,884)
Balance June 30, 2004	<u>\$7,448,521</u>	<u>\$760,555</u>	<u>\$8,209,076</u>
Current portion	<u>\$214,508</u>	<u>\$55,492</u>	<u>\$270,000</u>

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.

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

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

**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 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 in accordance 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 9. 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, 2004, the City had made the following Enterprise Funds fund equity designations:

	<u>Water Utility</u>	<u>Sanitation District</u>	<u>Civic Center</u>	<u>Transfer Station</u>
Unrestricted, designated for:				
Equipment replacement	\$1,734,217	\$3,812,547	\$787,719	\$525,377
Operating capital		4,500,000		
Recycling				22,906
Capital projects	1,357,997	2,288,363		
Unrestricted, undesignated	<u>1,423,360</u>	<u>1,360,544</u>		
 Total unrestricted net assets	 <u>\$4,515,574</u>	 <u>\$11,961,454</u>	 <u>\$787,719</u>	 <u>\$548,283</u>

At June 30, 2004, the City had made the following Internal Service Funds fund equity designations:

	<u>Motor Vehicles</u>	<u>Central Services</u>	<u>PBX</u>	<u>Information Services</u>	<u>Self- Insurance</u>
Unrestricted, designated for:					
Equipment replacement	\$1,872,304	\$111,457	\$197,181	\$1,855,565	
Fire apparatus replacement	0				
Capital projects	857,458				
Possible future claims					\$2,863,267
Unrestricted, undesignated			<u>301,984</u>	<u>339</u>	
 Total unrestricted net assets	 <u>\$2,729,762</u>	 <u>\$111,457</u>	 <u>\$499,165</u>	 <u>\$1,855,904</u>	 <u>\$2,863,267</u>

**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 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.

The North San Mateo County Sanitation District became a subsidiary district of the City on July 1, 1985. 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, 2004, the City had made commitments of approximately \$23 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. 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.

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, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$21,044,101	\$528,763	(\$556,876)		\$21,015,988
Construction in progress	10,716,003	5,859,460		(\$573,122)	16,002,341
Total capital assets not being depreciated	<u>31,760,104</u>	<u>6,388,223</u>	<u>(556,876)</u>	<u>(573,122)</u>	<u>37,018,329</u>
Capital assets being depreciated:					
Buildings & improvements	26,691,389	2,804		506,954	27,201,147
Streets & infrastructure	55,333,340	1,066,250	(5,288)		56,394,302
Vehicles, equipment, furniture and fixtures	16,868,978	592,424	(269,485)		17,191,917
Park structures and improvements	998,999			66,168	1,065,167
Total capital assets being depreciated	<u>99,892,706</u>	<u>1,661,478</u>	<u>(274,773)</u>	<u>573,122</u>	<u>101,852,533</u>
Less accumulated depreciation for:					
Buildings & improvements	13,417,488	733,340			14,150,828
Streets & infrastructure	31,246,368	1,213,030	(3,825)		32,455,573
Vehicles, equipment, furniture and fixtures	10,729,005	1,276,382	(269,331)		11,736,056
Park structures and improvements	277,360	38,435			315,795
Total accumulated depreciation	<u>55,670,221</u>	<u>3,261,187</u>	<u>(273,156)</u>		<u>58,658,252</u>
Net depreciable assets	<u>44,222,485</u>	<u>(1,599,709)</u>	<u>(1,617)</u>	<u>573,122</u>	<u>43,194,281</u>
Governmental activity capital assets, net	<u>\$75,982,589</u>	<u>\$4,788,514</u>	<u>(\$558,493)</u>		<u>\$80,212,610</u>

	Balance June 30, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$2,862,549				\$2,862,549
Construction in progress	9,045,067	\$6,724,686		(\$4,232,467)	11,537,286
Total capital assets not being depreciated	11,907,616	6,724,686		(4,232,467)	14,399,835
Capital assets being depreciated:					
Buildings	7,465,086			356,864	7,821,950
Sewage facilities	45,125,607	41,069		2,067,185	47,233,861
Wells & pump stations	5,019,529			(871,615)	4,147,914
Water reservoirs	7,308,827				7,308,827
Mains & subsurface lines	26,155,407	225,441		1,533,890	27,914,738
Equipment	4,831,878	340,311	(\$4,883)	1,146,143	6,313,449
Furniture and Fixtures	68,310				68,310
Total capital assets being depreciated	95,974,644	606,821	(4,883)	4,232,467	100,809,049
Less accumulated depreciation for:					
Buildings	2,484,063	240,096			2,724,159
Sewage facilities	22,383,366	1,092,810			23,476,176
Wells & pump stations	1,790,142	99,986		(188,997)	1,701,131
Water reservoirs	2,492,373	180,624			2,672,997
Mains & subsurface lines	4,404,835	773,306			5,178,141
Equipment	1,754,258	526,936	(4,108)	188,997	2,466,083
Furniture and Fixtures	49,377	5,374			54,751
Total accumulated depreciation	35,358,414	2,919,132	(4,108)		38,273,438
Net depreciable assets	60,616,230	(2,312,311)	(775)	4,232,467	62,535,611
Business-type activity capital assets, net	\$72,523,846	\$4,412,375	(\$775)		\$76,935,446

## **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:

<b>Governmental Activities</b>	
General government	\$14,030
Public safety	223,506
Public works	11,113
Culture and recreation	457,847
Economic and community development	14,705
Streets and infrastructure	1,220,823
Nondepartmental	276,408
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,042,755</u>
<b>Total Governmental Activities</b>	<u><u>\$3,261,187</u></u>
<b>Business-Type Activities</b>	
Water Utility	\$893,195
Civic Center	268,350
Transfer Station	43,704
Sanitation District	<u>1,713,883</u>
<b>Total Business-Type Activities</b>	<u><u>\$2,919,132</u></u>

**Note 5.****LONG-TERM DEBT**

Changes in Long-Term Debt for the fiscal year ended June 30, 2004, are as follows:

	Original Issue Amount	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004	Current Portion
<b><i>Governmental Activity Debt</i></b>						
2002 Capital Lease						
4.69%, due 2011	\$1,184,477	\$944,609		\$100,023	\$844,586	\$104,714
Line of Credit						
5.7%, due 2006	164,000	119,897			119,897	
Housing & Urban Development Section 108 Loan						
2.31%-6.01%, due semi-annually to 2023	4,500,000		\$4,500,000		4,500,000	
2004 Series A-1 Pension Obligation Bonds						
2.650%-5.896% due 2024	36,235,000		36,235,000		36,235,000	400,000
<b>Total Governmental Activity</b>		<u>1,064,506</u>	<u>40,735,000</u>	<u>100,023</u>	<u>41,699,483</u>	<u>504,714</u>
<b><i>Business-Type Activity Debt</i></b>						
2002 Certificates of Participation						
2%-2.5%, due serially to 2009	10,475,000	9,375,000		1,635,000	7,740,000	1,670,000
State Water Resources Control Board Loan						
2.5% Annually to 2024	3,160,733		3,160,733		3,160,733	
2004 Certificates of Participation						
3%-5%, due semi-annually to 2024	9,860,000		9,860,000		9,860,000	365,000
<b>Total Business-Type Activity</b>		<u>9,375,000</u>	<u>13,020,733</u>	<u>1,635,000</u>	<u>20,760,733</u>	<u>2,035,000</u>
<b>Total City Long-Term Obligations</b>		<u>\$10,439,506</u>	<u>\$53,755,733</u>	<u>\$1,735,023</u>	<u>\$62,460,216</u>	<u>\$2,539,714</u>

On August 13, 2001, the City entered into a \$1,184,477 capital lease agreement 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, 2004 the City had a bank line of credit bearing interest at 5.70 percent. Monthly interest payments vary, with a final principal 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.

During fiscal 2003 the City entered into a \$4,500,000 variable interest rate note payable, guaranteed under the Department of Housing and Urban 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. Principal payments are due annually on August 1; interest payments are due semi-annually on August 1 and February 1. As of June 30, 2004 the City had drawn down the entire amount of the loan.

On June 1, 2004 the City, through the California Statewide Communities Development Authority, issued \$36,235,000 of Taxable Pension Obligation Bonds, Series A-1 bearing interest at 2.65 percent to 5.896 percent to prepay the City's unfunded PERS accrued actuarial liability of \$35,600,000. Principal is due annually on August 1 and interest is due semiannually on August 1 and February 1, through August 1, 2024. Debt service is payable from available city resources.

On September 24, 2002, the City, through the Daly City Public Facilities Financing Corporation, issued \$10,475,000 of 2002 Certificates of Participation bearing interest at 2 percent to 2.5 percent to retire the 1992 Refunding Certificates of Participation. Principal is due annually on June 1 and interest is due semiannually on June 1 and December 1, through June 1, 2009. Debt service is repayable from Sanitation District Enterprise Fund operating revenues.

On November 18, 2003 the City authorized a \$4,450,128 loan payable from the California State Water Resources Control Board. Proceeds from the loan are to be used for construction of tertiary treatment facilities and distribution pipelines in the City's Sanitation District. The City draws down the loan based on actual construction costs and as of June 30, 2004 the City had drawn down \$3,160,733. Repayments commence one year after completion of the project, which is estimated to take place in January of 2005 and will be based on the total amount that the City draws down. Interest accrues from the date of disbursement.

On June 24, 2004 the City, through the Daly City Public Facilities Financing Corporation, issued \$9,860,000 of 2004 Certificates of Participation bearing interest at 3 percent to 5 percent to fund the Bayshore Water Utility Master Plan Project, to provide expanded service to the Bayshore area as well as to provide emergency interconnection and water system redundancy in the City. Principal is due annually on June 1 and interest is due semiannually on June 1 and December 1, through June 1, 2024. Debt service is repayable from Water System net revenues after operating and maintenance expenses.

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

<u>Year ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$504,714	\$2,059,878	\$2,035,000	\$556,864
2006	696,522	2,297,266	2,055,000	539,059
2007	691,767	2,271,018	2,100,000	494,459
2008	817,150	2,244,465	2,140,000	448,859
2009	947,785	2,210,276	1,240,000	391,659
2010-2014	6,747,545	10,232,924	2,135,000	1,628,994
2015-2019	11,860,000	7,906,641	2,615,000	1,157,395
2020-2024	19,434,000	3,565,650	3,280,000	498,211
	<u>\$41,699,483</u>	<u>\$32,788,118</u>	<u>\$17,600,000</u>	<u>\$5,715,500</u>

**Note 6.**

**INTERFUND BALANCES**

The Sanitation Enterprise Fund loaned \$1.2 million, (\$711,502 at June 30, 2004), 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 1.902 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 2004 additions to loans payable amounting to \$616,097 represent interest, as the terms of the agreement stipulate that any unpaid interest shall be added to the principal. During fiscal 2004, the Agency repaid the City \$2,995,878. At June 30, 2004, the total amount of loans payable from the Agency to the General Fund was \$30,553,395.

## INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2004 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Amount Transferred</u>
General Fund	Capital Projects Fund	3,629,444
	Central Services Internal Service Fund	54,563
	Information Services Internal Service Fund	16,103
	Nonmajor Governmental Funds	563,110
Gas Tax	General Fund	1,647,473
Nonmajor Governmental Funds	Capital Projects Fund	1,673,000
	Information Services Internal Service Fund	17,482
	Motor Vehicles Internal Service Fund	30,700
Water Utility	General Fund	1,590,783
	Sanitation District Enterprise Fund	983,787
Sanitation District	General Fund	1,906,562
	Information Services Internal Service Fund	1,224
Nonmajor Enterprise Funds	General Fund	409,324
	Capital Projects Fund	250,000
	Building Maintenance Internal Service Fund	51,595
Building Maintenance	Capital Projects Fund	144,326
	Information Services Internal Service Fund	3,252
		<u>\$12,972,728</u>

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 7.**

**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, 2004, are summarized below:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Redevelopment Agency Miscellaneous</u>
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%	2.0%-3.0%	1.092% - 2.418%
Required employee contribution rates	9%	8%	7%
Required employer contribution rates	5.108%	9.17%	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 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The 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, 2003, the most recent information available:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Redevelopment Agency Miscellaneous</u>
Beginning Balance June 30, 2002	\$122,601,881	\$93,213,436	\$433,534
Contributions received	1,630,707	1,775,174	
Benefits, Refunds and Miscellaneous Adjustments	(5,153,398)	(2,831,037)	(615)
Expected Investment Earnings Credited	<u>9,972,224</u>	<u>7,647,417</u>	<u>35,742</u>
Expected Actuarial Value of Assets as of June 30, 2003	<u>\$129,051,414</u>	<u>\$99,804,990</u>	<u>\$468,661</u>
Fair Value of Assets as of June 30, 2003	<u>\$112,001,844</u>	<u>\$86,692,969</u>	<u>\$408,735</u>
Actuarial Value of Assets as of June 30, 2003	<u>\$123,202,028</u>	<u>\$95,362,266</u>	<u>\$449,609</u>

Annual pension costs, representing the payment of contributions required by CALPERS, for the three fiscal years ended June 30, 2004, 2003, and 2002 were \$3,041,371, \$3,268,107 and \$2,886,827 respectively. The City made these contributions as required.

On June 1, 2004 the City, through the California Statewide Communities Development Authority, issued \$36,235,000 of Taxable Pension Obligation Bonds, Series A-1 to prepay the City's unfunded PERS accrued actuarial liability of \$35,600,000 as determined in certified actuarial calculations as of June 29, 2004. This prepayment has been reflected as Prepaid CALPERS contributions in the Statement of Net Assets. The effect of this prepayment will be reflected in future actuarial reports as that information becomes available from PERS.

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
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%
2003	139,959,522	123,202,028	16,757,494	88.0%	16,046,803	104.4%

***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
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%
2003	118,963,932	95,362,266	23,601,666	80.2%	25,188,016	93.7%

***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
2001	\$105,780	\$447,839	(\$342,059)	423.4%	-	N/A
2002	140,312	433,534	(293,222)	309.0%	-	N/A
2003	183,389	449,609	(266,220)	245.2%	-	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 8.**

**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 9.**

**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 of 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 powers 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, 2004, the City contributed \$231,819 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, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Beginning balance of claims payable	\$2,505,100	\$1,693,886
Increase in estimated claims liability	1,922,882	2,300,936
Claims paid	<u>(1,594,741)</u>	<u>(1,489,722)</u>
Ending balance of claims payable	<u>\$2,833,241</u>	<u>\$2,505,100</u>

**Note 10.**

**NET ASSETS**

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. 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.

**Note 11**

**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 \$855,000 at June 30, 2004.

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 12.**

**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 fiscal year 2004 the City made loans to six participants under this program. Fiscal 2004 CDBG loan program activity is as follows:

Beginning Balance	\$905,943
New loans	185,431
Loan repayments	<u>(190,871)</u>
Ending Balance	<u><u>\$900,503</u></u>

The City holds a note receivable 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. At June 30, 2004 the balance of this note was \$76,103. 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 (2.681 percent at June 30, 2004). 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 13.**

**DEVELOPMENT AGREEMENTS**

In fiscal 1999, the Agency entered into a three-phase Disposition and Development Agreement (DDA) with a developer to construct a \$175 million commercial project, including a hotel, commonly known as Pacific Plaza. The DDA was later amended, with the hotel portion of the project being removed. Included in the amended DDA were provisions for the Agency to sell several parcels of land to the developer for \$4.25 million for Phase I, \$3 million for Phase II and \$3.6 million for Phase III with inflation factors if the Phase III option is not exercised by February 2005. The developer has completed construction of the first two phases, which consist of an eight-story office building with ground floor retail space, restaurants and shops surrounding a central public event plaza, a 20 screen three story theater complex and two parking structures. Currently, the developer has a \$50,000 irrevocable letter of credit in favor of the Agency to act as the performance deposit required under the Agreement for the successful completion of Phase III.

As of June 30, 2004, the remaining parcels in Phase III are still owned by the Agency, except for one that remains in private ownership. In addition, the parcels associated with the Hotel development are Agency-owned. It is the intent of the Agency that the hotel parcels be sold to a Developer under provisions of a DDA that will stipulate certain development criteria, including zoning requirements. These criteria include development of a hotel with banquet capabilities, landscaping and an elevated pedestrian bridge to the new office building to be built under Phase III of the existing Pacific Plaza DDA described above. As of June 30, 2004, the Agency has not entered into an agreement for development of the Hotel.

During fiscal 2004, the Agency and City entered into a development agreement with a developer under which the developer is to construct a mixed-use project consisting of approximately 14,780 square feet of ground floor commercial space, 87 affordable senior housing apartments and six single family homes, commonly known as the El Rancho Site, within the Bayshore Project Area. The Agency will contribute \$300,000 in low/moderate income housing set-aside funds to assist in the predevelopment costs for affordable senior housing of the project. As a part of the agreement, the developer will set aside \$150,000 of proceeds from each of the six single family homes upon their sale to be used to insure the development of the mixed-use portion of the project. If the developer does not obtain a certificate of occupancy for the senior affordable housing component by February 2011, the funds from the home sales will be disbursed to the Agency/City to be used for other affordable housing projects. In addition, any portion of the \$300,000 in Agency low/moderate income housing set-aside funds that have been distributed to the Developer for predevelopment costs will be reimbursed to the Agency.

**Note 14.**

**FUND DEFICIT**

The Redevelopment Agency Special Revenue Fund had a deficit amounting to \$13,236,864, the Building Maintenance Internal Service Fund had a deficit amounting to \$279,949 and the PERS Contributions Internal Service Fund had a deficit amounting to \$635,000 at June 30, 2004. 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, 2004

SPECIAL REVENUE FUNDS

	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
<b>ASSETS</b>					
Cash and investments	\$21,474	\$4,200,245	\$158,842	\$513,902	\$93,829
Accounts receivable, net	35,447	293,485		437	
Prepays	8,434				
Notes receivable		900,503			
<b>Total Assets</b>	<b>\$65,355</b>	<b>\$5,394,233</b>	<b>\$158,842</b>	<b>\$514,339</b>	<b>\$93,829</b>
<b>LIABILITIES</b>					
Accounts payable	\$24,781	\$109,478	\$8	\$887	\$741
Accrued payroll	12,556	17,252			
Accrued liabilities	19,098				
Deferred revenue		900,503			
<b>Total Liabilities</b>	<b>56,435</b>	<b>1,027,233</b>	<b>8</b>	<b>887</b>	<b>741</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances					2,500
Prepays	8,434				
Restricted purposes		4,367,000	158,834	513,452	90,588
Imprest cash funds	486				
Unreserved, undesignated					
<b>Total Fund Balances</b>	<b>8,920</b>	<b>4,367,000</b>	<b>158,834</b>	<b>513,452</b>	<b>93,088</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$65,355</b>	<b>\$5,394,233</b>	<b>\$158,842</b>	<b>\$514,339</b>	<b>\$93,829</b>

Federal Grants	Peninsula Partnership	Total Nonmajor Governmental Funds
\$4,247,016	\$238,987	\$9,474,295
865,817	61,823	1,257,009
		8,434
		900,503
<u>\$5,112,833</u>	<u>\$300,810</u>	<u>\$11,640,241</u>
\$711,664	\$64,867	\$912,426
7,354	41,201	78,363
		19,098
<u>3,994,928</u>		<u>4,895,431</u>
<u>4,713,946</u>	<u>106,068</u>	<u>5,905,318</u>
2,303,771		2,306,271
		8,434
	194,742	5,324,616
		486
<u>(1,904,884)</u>		<u>(1,904,884)</u>
<u>398,887</u>	<u>194,742</u>	<u>5,734,923</u>
<u>\$5,112,833</u>	<u>\$300,810</u>	<u>\$11,640,241</u>

CITY OF DALY CITY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
REVENUES					
Rents and interest			\$3,994	\$1,471	
Federal programs and grants	\$185,814	\$2,283,560			
Receipts from other agencies					
Charges and fees	371,492		29,456	572,550	\$52,650
Miscellaneous	121,527	210,936	303		10,200
	678,833	2,494,496	33,753	574,021	62,850
EXPENDITURES					
Public safety					78,331
Public works			15,317		
Culture and recreation	1,028,222				
Economic and community development		1,428,898			
Interest		598			
	1,028,222	1,429,496	15,317		78,331
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(349,389)	1,065,000	18,436	574,021	(15,481)
OTHER FINANCING SOURCES (USES)					
Loan proceeds		4,500,000			
Transfers in	359,389				
Transfers out	(10,000)	(1,198,000)		(475,000)	(219)
	349,389	3,302,000		(475,000)	(219)
NET CHANGE IN FUND BALANCES					
		4,367,000	18,436	99,021	(15,700)
BEGINNING FUND BALANCES					
	8,920		140,398	414,431	108,788
ENDING FUND BALANCES					
	\$8,920	\$4,367,000	\$158,834	\$513,452	\$93,088

Federal Grants	Peninsula Partnership	Total Nonmajor Governmental Funds
\$68,526		\$73,991
1,599,098	\$71,123	4,139,595
368,738	591,133	959,871
		1,026,148
2,500	7,500	352,966
<u>2,038,862</u>	<u>669,756</u>	<u>6,552,571</u>
649,473		727,804
		15,317
	998,982	2,027,204
1,464,622		2,893,520
		598
<u>2,114,095</u>	<u>998,982</u>	<u>5,664,443</u>
<u>(75,233)</u>	<u>(329,226)</u>	<u>888,128</u>
		4,500,000
134,107	69,614	563,110
<u>(36,700)</u>	<u>(1,263)</u>	<u>(1,721,182)</u>
<u>97,407</u>	<u>68,351</u>	<u>3,341,928</u>
22,174	(260,875)	4,230,056
<u>376,713</u>	<u>455,617</u>	<u>1,504,867</u>
<u>\$398,887</u>	<u>\$194,742</u>	<u>\$5,734,923</u>

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, 2004

	DOELGER SENIOR CENTER			COMMUNITY BLOCK GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Rents and interest						
Federal programs and grants	\$216,349	\$185,814	(\$30,535)	\$3,117,472	\$2,283,560	(\$833,912)
Receipts from other agencies						
Charges and fees	284,932	371,492	86,560			
Miscellaneous	121,340	121,527	187	68,399	210,936	142,537
<b>Total Revenues</b>	<b>622,621</b>	<b>678,833</b>	<b>56,212</b>	<b>3,185,871</b>	<b>2,494,496</b>	<b>(691,375)</b>
<b>EXPENDITURES</b>						
<b>Public Safety</b>						
Salaries and benefits						
Other services						
Capital outlay						
Other charges						
<b>Total Public Safety</b>						
<b>Public Works</b>						
Services and supplies						
Capital outlay						
Other charges						
<b>Total Public Works</b>						
<b>Culture and Recreation</b>						
Salaries and benefits	509,305	512,063	(2,758)			
Other services	467,539	499,661	(32,122)			
Capital outlay						
Other charges	29,707	16,498	13,209			
<b>Total Culture and Recreation</b>	<b>1,006,551</b>	<b>1,028,222</b>	<b>(21,671)</b>			
<b>Economic and community development</b>						
Salaries and benefits				617,875	610,344	7,531
Services and supplies				604,803	544,849	59,954
Capital outlay				200,063	31,171	168,892
Other charges				598,130	242,534	355,596
Interest				100,000	598	99,402
<b>Total Economic and Community Development</b>				<b>2,120,871</b>	<b>1,429,496</b>	<b>691,375</b>
<b>Total Expenditures</b>	<b>1,006,551</b>	<b>1,028,222</b>	<b>(21,671)</b>	<b>2,120,871</b>	<b>1,429,496</b>	<b>691,375</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	<b>(383,930)</b>	<b>(349,389)</b>	<b>34,541</b>	<b>1,065,000</b>	<b>1,065,000</b>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds				4,500,000	4,500,000	
Transfers in	409,439	359,389	(50,050)			
Transfers out	(10,000)	(10,000)		(5,565,000)	(1,198,000)	4,367,000
<b>Total Other Financing Sources (Uses)</b>	<b>399,439</b>	<b>349,389</b>	<b>(50,050)</b>	<b>(\$1,065,000)</b>	<b>3,302,000</b>	<b>4,367,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$15,509</b>		<b>(\$15,509)</b>		<b>4,367,000</b>	<b>\$4,367,000</b>
<b>BEGINNING FUND BALANCES</b>		<b>8,920</b>				
<b>ENDING FUND BALANCES</b>		<b>\$8,920</b>			<b>\$4,367,000</b>	

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)
\$5,376	\$3,994	(\$1,382)		\$1,471	\$1,471			
25,990	29,456	3,466	\$558,959	572,550	13,591	\$35,000	\$52,650	\$17,650
	303	303				15,520	10,200	(5,320)
31,366	33,753	2,387	558,959	574,021	15,062	50,520	62,850	12,330
						19,169	14,217	4,952
						60,307	39,137	21,170
						27,064	24,514	2,550
						750	463	287
						107,290	78,331	28,959
17,299	14,010	3,289						
1,000	857	143						
451	450	1						
18,750	15,317	3,433						
18,750	15,317	3,433				107,290	78,331	28,959
12,616	18,436	5,820	558,959	574,021	15,062	(56,770)	(15,481)	41,289
			(475,000)	(475,000)		(219)	(219)	
			(475,000)	(475,000)		(219)	(219)	
<u>\$12,616</u>	18,436	<u>\$5,820</u>	<u>\$83,959</u>	99,021	<u>\$15,062</u>	<u>(\$56,989)</u>	(15,700)	<u>\$41,289</u>
	140,398			414,431			108,788	
	<u>\$158,834</u>			<u>\$513,452</u>			<u>\$93,088</u>	

(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, 2004

	FEDERAL GRANTS			PENINSULA PARTNERSHIP		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Rents and interest	\$100,000	\$68,526	(\$31,474)			
Federal programs and grants	5,447,501	1,599,098	(3,848,403)		\$71,123	\$71,123
Receipts from other agencies	5,014,258	368,738	(4,645,520)	\$729,878	591,133	(138,745)
Charges and fees						
Miscellaneous	2,500	2,500			7,500	\$7,500
<b>Total Revenues</b>	<b>10,564,259</b>	<b>2,038,862</b>	<b>(8,525,397)</b>	<b>729,878</b>	<b>669,756</b>	<b>(60,122)</b>
<b>EXPENDITURES</b>						
<b>Public Safety</b>						
Salaries and benefits	547,896	420,677	127,219			
Other services	738,181	139,410	598,771			
Capital outlay	152,611	85,986	66,625			
Other charges	6,106	3,400	2,706			
<b>Total Public Safety</b>	<b>1,444,794</b>	<b>649,473</b>	<b>795,321</b>			
<b>Public Works</b>						
Services and supplies						
Capital outlay						
Other charges						
<b>Total Public Works</b>						
<b>Culture and Recreation</b>						
Salaries and benefits				525,034	787,132	(262,098)
Other services				283,581	145,103	138,478
Capital outlay				48,079	47,670	409
Other charges				14,140	19,077	(4,937)
<b>Total Culture and Recreation</b>				<b>870,834</b>	<b>998,982</b>	<b>(128,148)</b>
<b>Economic and community development</b>						
Salaries and benefits	75,000	75,000				
Services and supplies	1,164,853	259,921	904,932			
Capital outlay	1,103,742	278,024	825,718			
Other charges	8,717,225	851,677	7,865,548			
Interest						
<b>Total Economic and Community Development</b>	<b>11,060,820</b>	<b>1,464,622</b>	<b>9,596,198</b>			
<b>Total Expenditures</b>	<b>12,505,614</b>	<b>2,114,095</b>	<b>10,391,519</b>	<b>870,834</b>	<b>998,982</b>	<b>(128,148)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,941,355)</b>	<b>(75,233)</b>	<b>1,866,122</b>	<b>(140,956)</b>	<b>(329,226)</b>	<b>(188,270)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
<b>Loan proceeds</b>						
Transfers in	213,486	134,107	(79,379)	69,614	69,614	
Transfers out	(36,700)	(36,700)		(1,263)	(1,263)	
<b>Total Other Financing Sources (Uses)</b>	<b>176,786</b>	<b>97,407</b>	<b>(79,379)</b>	<b>68,351</b>	<b>68,351</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,764,569)</b>	<b>22,174</b>	<b>\$1,786,743</b>	<b>(\$72,605)</b>	<b>(260,875)</b>	<b>(\$188,270)</b>
<b>BEGINNING FUND BALANCES</b>		<b>376,713</b>			<b>455,617</b>	
<b>ENDING FUND BALANCES</b>		<b>\$398,887</b>			<b>\$194,742</b>	

TOTALS		
Budget	Actual	Variance Positive (Negative)
\$105,376	\$73,991	(\$31,385)
8,781,322	4,139,595	(4,641,727)
5,744,136	959,871	(4,784,265)
904,881	1,026,148	121,267
207,759	352,966	145,207
<u>15,743,474</u>	<u>6,552,571</u>	<u>(9,190,903)</u>
567,065	434,894	132,171
798,488	178,547	619,941
179,675	110,500	69,175
6,856	3,863	2,993
<u>1,552,084</u>	<u>727,804</u>	<u>824,280</u>
17,299	14,010	3,289
1,000	857	143
451	450	1
<u>18,750</u>	<u>15,317</u>	<u>3,433</u>
1,034,339	1,299,195	(264,856)
751,120	644,764	106,356
48,079	47,670	409
43,847	35,575	8,272
<u>1,877,385</u>	<u>2,027,204</u>	<u>(149,819)</u>
692,875	685,344	7,531
1,769,656	804,770	964,886
1,303,805	309,195	994,610
9,315,355	1,094,211	8,221,144
100,000	598	99,402
<u>13,181,691</u>	<u>2,894,118</u>	<u>10,287,573</u>
<u>16,629,910</u>	<u>5,664,443</u>	<u>10,965,467</u>
<u>(886,436)</u>	<u>888,128</u>	<u>1,774,564</u>
4,500,000	4,500,000	
692,539	563,110	(129,429)
<u>(6,088,182)</u>	<u>(1,721,182)</u>	<u>4,367,000</u>
<u>(895,643)</u>	<u>3,341,928</u>	<u>4,237,571</u>
<u>(\$1,782,079)</u>	<u>4,230,056</u>	<u>\$6,012,135</u>
	<u>1,504,867</u>	
	<u>\$5,734,923</u>	

**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 BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUES</b>			
Rents and interest	\$180,000	\$90,051	(\$89,949)
Receipts from other agencies	839,283	120,902	(718,381)
Charges and fees	1,469,095	272,090	(1,197,005)
Miscellaneous	<u>2,185,994</u>	<u>114,946</u>	<u>(2,071,048)</u>
<b>Total Revenues</b>	<u>4,674,372</u>	<u>597,989</u>	<u>(4,076,383)</u>
<b>EXPENDITURES</b>			
Capital projects	37,673,208	7,043,423	30,629,785
Debt Service			
Principal	100,023	100,023	
Interest	<u>44,303</u>	<u>44,303</u>	
<b>Total Expenditures</b>	<u>37,817,534</u>	<u>7,187,749</u>	<u>30,629,785</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(33,143,162)</u>	<u>(6,589,760)</u>	<u>26,553,402</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>13,245,869</u>	<u>5,696,770</u>	<u>(7,549,099)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$19,897,293)</u></u>	<u><u>(892,990)</u></u>	<u><u>\$19,004,303</u></u>
<b>BEGINNING FUND BALANCE</b>		<u>25,001,621</u>	
<b>ENDING FUND BALANCE</b>		<u><u>\$24,108,631</u></u>	

## 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, 2004

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and investments	\$801,004	\$907,811	\$1,708,815
Account receivable	7,530	123,013	130,543
<b>Total Current Assets</b>	<u>808,534</u>	<u>1,030,824</u>	<u>1,839,358</u>
<b>Long-Term Assets:</b>			
Advances to others		44,597	44,597
<b>Capital Assets:</b>			
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
<b>Total Capital Assets</b>	<u>7,708,291</u>	<u>1,510,029</u>	<u>9,218,320</u>
Less accumulated depreciation	<u>2,077,468</u>	<u>821,116</u>	<u>2,898,584</u>
<b>Net Capital Assets</b>	<u>5,630,823</u>	<u>688,913</u>	<u>6,319,736</u>
<b>Total Assets</b>	<u>6,439,357</u>	<u>1,764,334</u>	<u>8,203,691</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	20,815		20,815
Accrued liabilities		527,138	527,138
<b>Total Current Liabilities</b>	<u>20,815</u>	<u>527,138</u>	<u>547,953</u>
<b>Long-Term Liabilities:</b>			
Long-term interfund payable	<u>711,502</u>		<u>711,502</u>
<b>Total Liabilities</b>	<u>732,317</u>	<u>527,138</u>	<u>1,259,455</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,919,321	688,913	5,608,234
Unrestricted	787,719	548,283	1,336,002
<b>Total Net Assets</b>	<u>\$5,707,040</u>	<u>\$1,237,196</u>	<u>\$6,944,236</u>

CITY OF DALY CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$892,122		\$892,122
Lease revenue		\$375,000	375,000
Recycling revenue		1,240,257	1,240,257
Other revenue	141,499	54,101	195,600
	<u>1,033,621</u>	<u>1,669,358</u>	<u>2,702,979</u>
OPERATING EXPENSES			
Services and supplies	186,287		186,287
Transfer station charges		1,240,257	1,240,257
Utilities	117,577		117,577
Insurance	10,536	3,277	13,813
Depreciation	268,350	43,704	312,054
Other charges	31,780	4,627	36,407
	<u>614,530</u>	<u>1,291,865</u>	<u>1,906,395</u>
Operating Income	<u>419,091</u>	<u>377,493</u>	<u>796,584</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,262		2,262
Interest expense	(39,824)		(39,824)
	<u>(37,562)</u>		<u>(37,562)</u>
Income Before Transfers	381,529	377,493	759,022
Transfers out	(301,595)	(409,324)	(710,919)
Change in Net Assets	79,934	(31,831)	48,103
BEGINNING NET ASSETS	<u>5,627,106</u>	<u>1,269,027</u>	<u>6,896,133</u>
ENDING NET ASSETS	<u>\$5,707,040</u>	<u>\$1,237,196</u>	<u>\$6,944,236</u>

CITY OF DALY CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004

	Civic Center	Transfer Station	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$1,102,153	\$1,655,408	\$2,757,561
Payments to suppliers	(349,811)	(1,108,717)	(1,458,528)
<b>Cash Flows from Operating Activities</b>	<b>752,342</b>	<b>546,691</b>	<b>1,299,033</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund payments	(121,765)		(121,765)
Transfers out	(301,595)	(409,324)	(710,919)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(423,360)</b>	<b>(409,324)</b>	<b>(832,684)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Interest expense	(39,824)		(39,824)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	2,262		2,262
<b>Net Cash Flows</b>	<b>291,420</b>	<b>137,367</b>	<b>428,787</b>
Cash and investments at beginning of period	509,584	770,444	1,280,028
Cash and investments at end of period	<u>\$801,004</u>	<u>\$907,811</u>	<u>\$1,708,815</u>
<b>Reconciliation of operating income to net cash flows from operating activities:</b>			
Operating income	\$419,091	\$377,493	\$796,584
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>			
Depreciation	268,350	43,704	312,054
<b>Change in assets and liabilities:</b>			
Accounts receivable	68,532	(13,950)	54,582
Accounts and other payables	(3,631)	139,444	135,813
<b>Cash Flows from Operating Activities</b>	<b><u>\$752,342</u></b>	<b><u>\$546,691</u></b>	<b><u>\$1,299,033</u></b>



## INTERNAL SERVICE FUNDS

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

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

The City's Internal Service Funds are:

- Motor Vehicles - to account for the purchase and maintenance of all motor vehicles provided as a service to City departments.
- Central Services - to account for and allocate costs related to 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 telephone 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.
- PERS Contribution - to account for the long-term debt, prepaid PERS contribution and repayments from benefiting City funds and departments resulting from the City's PERS Obligation Bond issue.

CITY OF DALY CITY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Motor Vehicles	Central Services	PBX	Building Maintenance	Information Services
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$2,795,336	\$129,440	\$515,001	\$148,120	\$1,950,217
Accounts receivable	34,588			15,833	
Prepays			17,680		
Inventories	99,226	46,747		20,541	
<b>Total Current Assets</b>	<b>2,929,150</b>	<b>176,187</b>	<b>532,681</b>	<b>184,494</b>	<b>1,950,217</b>
Long-Term Assets					
Prepaid PERS contribution					
Capital Assets:					
Land					
Equipment	9,530,954	320,405	370,477	58,974	3,864,342
Furniture and fixtures				6,093	10,540
Buildings	14,494				
<b>Total Capital Assets</b>	<b>9,545,448</b>	<b>320,405</b>	<b>370,477</b>	<b>65,067</b>	<b>3,874,882</b>
Less Accumulated Depreciation	6,319,009	250,933	197,181	47,816	2,461,662
<b>Net Capital Assets</b>	<b>3,226,439</b>	<b>69,472</b>	<b>173,296</b>	<b>17,251</b>	<b>1,413,220</b>
<b>Total Assets</b>	<b>6,155,589</b>	<b>245,659</b>	<b>705,977</b>	<b>201,745</b>	<b>3,363,437</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	23,626	1,584	33,516	45,165	1,668
Accrued payroll	26,937	6,547		49,812	24,323
Accrued liabilities					
Accrued claims payable					
PERS obligation bonds					
<b>Total Current Liabilities</b>	<b>50,563</b>	<b>8,131</b>	<b>33,516</b>	<b>94,977</b>	<b>25,991</b>
Long-Term Liabilities:					
Accrued claims payable					
Compensated absences	148,825	56,599		386,717	68,322
PERS obligation bonds					
<b>Total Long-Term Liabilities</b>	<b>148,825</b>	<b>56,599</b>		<b>386,717</b>	<b>68,322</b>
<b>Total Liabilities</b>	<b>199,388</b>	<b>64,730</b>	<b>33,516</b>	<b>481,694</b>	<b>94,313</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,226,439	69,472	173,296	17,251	1,413,220
Unrestricted	2,729,762	111,457	499,165	(297,200)	1,855,904
<b>Total Net Assets (Deficit)</b>	<b>\$5,956,201</b>	<b>\$180,929</b>	<b>\$672,461</b>	<b>(\$279,949)</b>	<b>\$3,269,124</b>

Self- Insurance	PERS Contributions	Total
\$5,738,387		\$11,276,501
1,119		51,540
		17,680
		166,514
<u>5,739,506</u>		<u>11,512,235</u>
	<u>\$35,600,000</u>	<u>35,600,000</u>
333,343		333,343
1,452		14,146,604
		16,633
<u>180,000</u>		<u>194,494</u>
<u>514,795</u>		<u>14,691,074</u>
<u>36,944</u>		<u>9,313,545</u>
<u>477,851</u>		<u>5,377,529</u>
<u>6,217,357</u>	<u>35,600,000</u>	<u>52,489,764</u>
40,034		145,593
2,679		110,298
285		285
1,324,100		1,324,100
	400,000	400,000
<u>1,367,098</u>	<u>400,000</u>	<u>1,980,276</u>
1,509,141		1,509,141
		660,463
	35,835,000	35,835,000
<u>1,509,141</u>	<u>35,835,000</u>	<u>38,004,604</u>
<u>2,876,239</u>	<u>36,235,000</u>	<u>39,984,880</u>
477,851		5,377,529
2,863,267	(635,000)	7,127,355
<u>\$3,341,118</u>	<u>(\$635,000)</u>	<u>\$12,504,884</u>

CITY OF DALY CITY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004

	Motor Vehicles	Central Services	PBX	Building Maintenance
<b>OPERATING REVENUES</b>				
Charges to City departments	\$2,544,911	\$435,884	\$323,858	\$2,175,190
Other revenues	240,373	676	2,636	386,788
<b>Total Operating Revenues</b>	<b>2,785,284</b>	<b>436,560</b>	<b>326,494</b>	<b>2,561,978</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	1,032,962	246,088		1,944,692
Services and supplies	891,296	257,592	23,868	462,715
Utilities	26,093	1,688	159,175	167,027
Insurance	309,779	680		2,876
Claims / settlements				
Depreciation	621,707	32,785	74,181	4,270
Other charges	3,279	2,231		
<b>Total Operating Expenses</b>	<b>2,885,116</b>	<b>541,064</b>	<b>257,224</b>	<b>2,581,580</b>
<b>Operating Income (Loss)</b>	<b>(99,832)</b>	<b>(104,504)</b>	<b>69,270</b>	<b>(19,602)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	9,220	554	1,596	464
Cost of issuance				
Gain (loss) on sale of capital assets	13,458	122		
Storm damage repair expenses				
<b>Total Nonoperating Revenues (Expenses)</b>	<b>22,678</b>	<b>676</b>	<b>1,596</b>	<b>464</b>
<b>Income (Loss) Before Transfers</b>	<b>(77,154)</b>	<b>(103,828)</b>	<b>70,866</b>	<b>(19,138)</b>
Transfers in	30,700	54,563		51,595
Transfers out				(147,578)
<b>Net Transfers</b>	<b>30,700</b>	<b>54,563</b>		<b>(95,983)</b>
<b>Change in Net Assets</b>	<b>(46,454)</b>	<b>(49,265)</b>	<b>70,866</b>	<b>(115,121)</b>
<b>BEGINNING NET ASSETS (DEFICITS)</b>	<b>6,002,655</b>	<b>230,194</b>	<b>601,595</b>	<b>(164,828)</b>
<b>ENDING NET ASSETS (DEFICITS)</b>	<b>\$5,956,201</b>	<b>\$180,929</b>	<b>\$672,461</b>	<b>(\$279,949)</b>

<u>Information Services</u>	<u>Self-Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$1,436,054	\$2,012,230		\$8,928,127
150	142,972		\$773,595
<u>1,436,204</u>	<u>2,155,202</u>		<u>9,701,722</u>
830,939	101,589		4,156,270
206,347	189,066		2,030,884
25,646	875		380,504
1,769	1,006,272		1,321,376
	1,922,882		1,922,882
300,618	9,194		1,042,755
252,028	95,757		353,295
<u>1,617,347</u>	<u>3,325,635</u>		<u>11,207,966</u>
<u>(181,143)</u>	<u>(1,170,433)</u>		<u>(1,506,244)</u>
7,118	21,118		40,070
		(\$635,000)	(635,000)
183			13,763
	(60,385)		(60,385)
<u>7,301</u>	<u>(39,267)</u>	<u>(635,000)</u>	<u>(641,552)</u>
<u>(173,842)</u>	<u>(1,209,700)</u>	<u>(635,000)</u>	<u>(2,147,796)</u>
38,061			174,919
			(147,578)
<u>38,061</u>			<u>27,341</u>
(135,781)	(1,209,700)	(635,000)	(2,120,455)
3,404,905	4,550,818		14,625,339
<u>\$3,269,124</u>	<u>\$3,341,118</u>	<u>(\$635,000)</u>	<u>\$12,504,884</u>

CITY OF DALY CITY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004

	Motor Vehicles	Central Services	PBX	Building Maintenance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$2,765,459	\$436,617	\$326,494	\$2,546,145
Payments to suppliers	(1,276,924)	(293,642)	(179,848)	(630,830)
Payments to employees	(1,016,355)	(239,619)		(1,881,045)
Claims paid				
<b>Cash Flows from Operating Activities</b>	<b>472,180</b>	<b>(96,644)</b>	<b>146,646</b>	<b>34,270</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Proceeds from long term debt				
PERS Obligation contribution				
Cost of debt issuance				
Storm damage repair expenses				
Transfers in	30,700	54,563		51,595
Transfers out				(147,578)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>30,700</b>	<b>54,563</b>		<b>(95,983)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(190,657)	(13,666)		(9,731)
Proceeds from sale of capital assets	13,458	122		
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(177,199)</b>	<b>(13,544)</b>		<b>(9,731)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	9,220	554	1,596	464
<b>Net Cash Flows</b>	<b>334,901</b>	<b>(55,071)</b>	<b>148,242</b>	<b>(70,980)</b>
Cash and investments at beginning of period	2,460,435	184,511	366,759	219,100
Cash and investments at end of period	<u>\$2,795,336</u>	<u>\$129,440</u>	<u>\$515,001</u>	<u>\$148,120</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>				
Operating income (loss)	(\$99,832)	(\$104,504)	\$69,270	(\$19,602)
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>				
Depreciation	621,707	32,785	74,181	4,270
<b>Change in assets and liabilities:</b>				
Receivables, net	(19,825)	57		(15,833)
Other assets	(25,494)	(2,049)	(17,680)	4,158
Accounts and other payables	(20,983)	(29,402)	20,875	(2,370)
Accrued claims payable				
Accrued payroll	16,607	6,469		63,647
<b>Cash Flows from Operating Activities</b>	<b>\$472,180</b>	<b>(\$96,644)</b>	<b>\$146,646</b>	<b>\$34,270</b>

Information Services	Self-Insurance	PERS Contribution	Total
\$1,436,204	\$2,198,965		\$9,709,884
(541,942)	(1,196,506)		(4,119,692)
(810,267)	(99,326)		(4,046,612)
	(1,594,741)		(1,594,741)
<u>83,995</u>	<u>(691,608)</u>		<u>(51,161)</u>
		\$36,235,000	36,235,000
		(35,600,000)	(35,600,000)
		(635,000)	(635,000)
	(60,385)		(60,385)
38,061			174,919
			(147,578)
<u>38,061</u>	<u>(60,385)</u>		<u>(33,044)</u>
(133,777)	(1,452)		(349,283)
337			13,917
<u>(133,440)</u>	<u>(1,452)</u>		<u>(335,366)</u>
7,118	21,118		40,070
(4,266)	(732,327)		(379,501)
<u>1,954,483</u>	<u>6,470,714</u>		<u>11,656,002</u>
<u>\$1,950,217</u>	<u>\$5,738,387</u>		<u>\$11,276,501</u>
(\$181,143)	(\$1,170,433)		(\$1,506,244)
300,618	9,194		1,042,755
	43,763		8,162
	77,367		36,302
(56,152)	18,097		(69,935)
	328,141		328,141
<u>20,672</u>	<u>2,263</u>		<u>109,658</u>
<u>\$83,995</u>	<u>(\$691,608)</u>		<u>(\$51,161)</u>

## AGENCY FUNDS

Agency funds are required to 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, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>BFI</u>				
<u>Assets</u>				
Cash and investments	\$754,461	\$38,583		\$793,044
Receivables	667,901		\$10,000	657,901
Total Assets	<u>\$1,422,362</u>	<u>\$38,583</u>	<u>\$10,000</u>	<u>\$1,450,945</u>
<u>Liabilities</u>				
Deposits payable	<u>\$1,422,362</u>	<u>\$38,583</u>	<u>\$10,000</u>	<u>\$1,450,945</u>
<u>PTCRA</u>				
<u>Assets</u>				
Cash and investments	<u>\$85,517</u>	<u>\$1,780,080</u>	<u>\$1,384,225</u>	<u>\$481,372</u>
<u>Liabilities</u>				
Accounts payable	<u>\$85,517</u>	<u>\$1,780,080</u>	<u>\$1,384,225</u>	<u>\$481,372</u>
<u>SMPHESG</u>				
<u>Assets</u>				
Cash and investments	<u>\$789,500</u>	<u>\$4,461,485</u>	<u>\$3,870,348</u>	<u>\$1,380,637</u>
<u>Liabilities</u>				
Accounts payable	<u>\$789,500</u>	<u>\$4,461,485</u>	<u>\$3,870,348</u>	<u>\$1,380,637</u>
<u>Carter/Martin</u>				
<u>Assets</u>				
Cash and investments	\$1,208,932	\$465,683	\$454,730	\$1,219,885
Receivables	623	880		1,503
Total Assets	<u>\$1,209,555</u>	<u>\$466,563</u>	<u>\$454,730</u>	<u>\$1,221,388</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$1,209,555</u>	<u>\$466,563</u>	<u>\$454,730</u>	<u>\$1,221,388</u>
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	<u>\$64,825</u>	<u>\$295,644</u>	<u>\$289,991</u>	<u>\$70,478</u>
<u>Liabilities</u>				
Accounts payable	<u>\$64,825</u>	<u>\$295,644</u>	<u>\$289,991</u>	<u>\$70,478</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$2,903,235	\$7,041,475	\$5,999,294	\$3,945,416
Receivables	668,524	880	10,000	659,404
Total Assets	<u>\$3,571,759</u>	<u>\$7,042,355</u>	<u>\$6,009,294</u>	<u>\$4,604,820</u>
<u>Liabilities</u>				
Accounts payable	\$939,842	\$6,537,209	\$5,544,564	\$1,932,487
Deposits payable	1,422,362	38,583	10,000	1,450,945
Due to bondholders	1,209,555	466,563	454,730	1,221,388
Total Liabilities	<u>\$3,571,759</u>	<u>\$7,042,355</u>	<u>\$6,009,294</u>	<u>\$4,604,820</u>

CITY OF DALY CITY  
 SCHEDULES OF MEASURE A FUNDS  
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
COMPARATIVE BALANCE SHEETS		
Assets - Cash	\$1,992,017	\$2,403,765
Fund Balance - Reserved for Restricted Purposes	\$1,992,017	\$2,403,765

COMPARATIVE SCHEDULES OF CHANGES IN FUND BALANCES		
Fund Balance - July 1	\$2,403,765	\$2,437,167
Revenues		
Measure A	1,140,970	1,144,050
Expenditures:		
Cooperative Project Development	11,294	2,613
Street Resurfacing	595,448	54,463
Geneva Avenue Resurfacing	15,004	29,576
John Daly Boulevard Resurfacing		4,274
Junipero Serra Boulevard Resurfacing		11,726
Street Slurry Seal	242,954	253,742
Series Circuit Streetlights	49	232,159
Geneva/Rio Verde/Schwerin Intersection Improvement		30,136
John Daly/I280 Bridge Widening	53,931	29,689
Junipero Serra Boulevard Median Landscape		497,114
Junipero Serra Boulevard Pedestrian Improvement	316,025	
Westlake Avenue District Exit Landscape	318,013	30,469
Contingencies		1,491
Total Expenditures	1,552,718	1,177,452
Fund Balance - June 30	\$1,992,017	\$2,403,765

CITY OF DALY CITY

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years

(Dollars in thousands)

<u>Year Ended June 30</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Community Development</u>	<u>Public Works</u>	<u>Culture/ Recreation</u>	<u>Total</u>
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
2004	6,275	29,348	6,728	5,555	11,423	59,329

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
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
2004	15,823	9,425	2,025	5,467	2,471	6,872	1,539

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

Source: Department of Finance

<u>Fines &amp; Forfeitures</u>	<u>Rents &amp; Interests</u>	<u>Inter- Governmental</u>	<u>Charges &amp; Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
\$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
2,584	3,884	6,174	7,136	1,971	65,371

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 (4)	Percent of Levy Collected	Delinquent Tax Collections (4)	Total Tax Collection	
							Amount	Percent of Levy
1995	\$3,536,752	0.255	\$7,182	\$7,182	100.0%	\$428	\$7,610	106.0%
1996	3,577,880	0.255	7,406	7,406	100.0%		7,406	100.0%
1997	3,707,944	0.255	7,697	7,697	100.0%		7,697	100.0%
1998	3,819,223	0.255	7,861	7,861	100.0%		7,861	100.0%
1999	3,979,648	0.255	8,206	8,206	100.0%		8,206	100.0%
2000	4,203,781	0.255	8,756	8,756	100.0%		8,756	100.0%
2001	4,526,329	0.255	9,387	9,387	100.0%		9,387	100.0%
2002	4,918,573	0.255	10,524	10,524	100.0%		10,524	100.0%
2003	5,372,625	0.255	10,401	10,401	100.0%		10,401	100.0%
2004	5,879,650	0.255	11,485	11,485	100.0%		11,485	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

<u>Fiscal Year</u>	<u>Basic Levy</u>	<u>All School Districts (2)</u>	<u>Total</u>
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
2004	1.00	0.0602	1.0602

- (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 63 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

<u>Year</u>	<u>City Size Square Miles (1)</u>	<u>City Population (2)</u>	<u>Change in Population</u>	<u>Population Change in Percent</u>	<u>Population per Household (2)</u>	<u>Unemployment Rate (3)</u>
1995	7.50	99,633	863	0.87%	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
2004	7.60	103,269	(1,036)	-1.00%	3.297	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)

Year	New Industrial		New Commercial and Office		New Residential		All Other**		Bank Deposits 06/30 in thousands (2)
	Permits	Value	Permits	Value	Permits	Value	Permits	Value	
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
2004	2	\$900,000	3	5,017,426	38	10,374,620	5,584	39,892,799	1,740,549

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, 2004  
(Dollars in thousands)

Total Assessed Valuation	<u>\$5,879,650</u>
Debt Limit - 15 percent of Total Assessed Value	<u>\$881,948</u>
Amount of Debt Applicable to Limit	<u>\$0</u>
Legal Debt Margin	<u>\$881,948</u>

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, 2004

2003-04 Assessed Valuation:	\$6,160,058,077
Redevelopment Incremental Valuation:	427,707,811
Adjusted Assessed Valuation:	\$5,732,350,266

<u>OVERLAPPING TAX &amp; ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/04</u>
San Mateo Community College District	6.244 %	\$5,903,116
South San Francisco Unified School District	11.377	4,011,549
Jefferson Union High School District	50.413	12,935,976
Jefferson School District	85.559	29,517,855
City of Daly City 1915 Act Bonds	100.000	855,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$53,223,496</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
San Mateo County General Fund Obligations	6.244 %	\$26,417,660
San Mateo County Board of Education Certificates of Participation	6.244	298,151
San Mateo County Flood Control District Certificates of Participation	32.303	4,756,617
San Mateo Community College District Certificates of Participation	6.244	1,928,459
South San Francisco Unified School District Certificates of Participation	11.377	284,425
City of Daly City Pension Obligations	100.000	36,235,000
<b>TOTAL DIRECT &amp; OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$69,920,312</b>

**COMBINED TOTAL DEBT** **\$123,143,808** (1)

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

Ratios to 2003-04 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.86%
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Ratios to Adjusted Assessed Valuation:

Combined Direct Debt	\$36,235,000	0.63%
Combined Total Debt		2.15%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$0

Source: California Municipal Statistics, Inc.

CITY OF DALY CITY

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2004

<u>TAXPAYER</u>	<u>TYPE OF PROPERTY</u>	<u>ASSESSED VALUATION (LAND + IMPROV)</u>	<u>PERCENT OF TOTAL ASSESSED VALUATION</u>
Seton Medical Center	Medical Facility	\$166,881,300	2.8%
Daly City Serramonte Center LLC	Commercial	\$133,976,776	2.3%
HPMC Pacific Plaza LLC	Commercial	\$122,115,792	2.1%
Westlake Kimco	Commercial	\$79,321,000	1.3%
John Daly Blvd Associates LP	Apartments	\$58,143,120	1.0%
Franciscan LP Linc	MH Park	\$42,804,712	0.7%
Met Life (Skyline Heights Apartments)	Apartments	\$32,734,830	0.6%
Lavaca Portfolio Investors	Apartments	\$29,689,907	0.5%
Daly City Partners (Serramonte Plaza)	Commercial	\$28,089,485	0.5%
Serramonte Corporate Center	Commercial	\$21,100,000	0.4%
Serramonte Medical Lessee	Commercial	\$18,437,795	0.3%
Seagate Buchanan Associates LLC	Commercial	\$16,441,293	0.3%
Bay Apartment Communities (501 King)	Apartments	\$15,300,346	0.3%
American Stores Properties, Inc.	Commercial	\$12,989,184	0.2%
Mercy Housing California	Apartments	\$12,958,689	0.2%
Daly City Land (Serramonte Plaza)	Commercial	\$11,041,865	0.2%
JS Group LLC (2171 Junipero Serra)	Commercial	\$10,949,612	0.2%
MAAS Commons	Apartments	\$9,812,151	0.2%
<b>SUBTOTAL</b>		<u><u>\$822,787,857</u></u>	<u><u>14.0%</u></u>
<b>TOTAL DALY CITY ASSESSED VALUATION</b>		<u><u>\$5,879,649,574</u></u>	

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

CITY OF DALY CITY

PRINCIPAL EMPLOYERS

June 2004

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	FULL TIME EMPLOYEES	PART TIME EMPLOYEES	TOTAL EMPLOYEES
Seton Medial Center	539	1,041 <sup>1</sup>	1,580
City of Daly City	525	250	775
Jefferson Elementary School District	483	235	718
Jefferson High School District	400	300	700
Target Serramonte	342	268	610
U.S. Postal Service – Including Int'l Mail Facility	540 <sup>2</sup>	44 <sup>2</sup>	584
Cow Palace	525	23	548
Genesys Telecommunications Laboratories	375	0	375
St. Francis Convalescent Pavilion/Heights	228	122	350
Macy's	85	215	300
McDonald's (4 stores)	190 <sup>3</sup>	50 <sup>3</sup>	240
Century Theaters	5	186	191
Pacific Gas & Electric	184	0	184
Mervyn's	16	147	163
Walgreen's (3 stores)	17 <sup>3</sup>	141 <sup>3</sup>	158
Digidesign	150	0	150
Safeway	46	102	148
Albertson's/Save-On Drugs (2 stores)	43 <sup>4</sup>	85 <sup>4</sup>	128
Joe's of Westlake	44	62	106
Starbucks Coffee (5 stores)	10	86	96
Westlake Village Apartments	6	88	94

**Source:** Department of Economic and Community Development

Notes:

- <sup>1</sup> Includes 422 employees that are classified as Per-diem or ON-Call.
- <sup>2</sup> Includes 450 employees that work at the International Service Facility
- <sup>3</sup> Current Data Not Available (previous year used or estimate made)
- <sup>4</sup> San Pedro store has 44 total (29 PT & 15 FT).

CITY OF DALY CITY  
INSURANCE IN FORCE  
JUNE 30, 2004

Types and Details of Coverage	Coverage Limits
<b>1. MUNICIPAL (GENERAL) AND AUTOMOBILE LIABILITY</b>	
a. Self-insured bodily injury, property damage, errors & omissions	\$250,000
b. Liability excess bodily injury, property damage, errors and omissions, excess of \$250,000 self-insured retention	19,750,000
<b>2. AUTO PHYSICAL DAMAGE</b>	
Comprehensive coverage \$10,000 deductible per occurrence.	Fleet Replacement
Loss limit - total insured values	Value
<b>3. PROPERTY COVERAGE</b>	
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
Course of construction	25,000,000
Extra expense	25,000,000
<b>4. PUBLIC OFFICIAL BONDS</b>	
Faithful Performance bonds for:	
City Clerk	50,000
City Treasurer	200,000
Finance Director	100,000
<b>5. WORKERS' COMPENSATION</b>	
a. Self-insured retention on-the-job injuries	350,000
b. Workers' compensation excess on-the-job injuries	50,000,000
<b>6. OTHER</b>	
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, 2004

City Type	General Law, founded March 22, 1911
Form of Government	Council - Manager
Population	103,269 as of January 1, 2004 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 Service 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	\$5,879,649,574
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

