

**CITY OF DALY CITY, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2005**



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

**Donald W. McVey  
Director**



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# City of Daly City

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

October 28, 2005

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, 2005. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

This report consists of management's representations concerning the finances of the City. 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. As management we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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 is presented as the first component of the financial section of this comprehensive annual financial report. 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 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.

## **PROFILE OF THE CITY OF DALY CITY**

The City of Daly City is located at the northern edge of San Mateo County. 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.

Incorporated on March 22, 1911, the City has a council-manager form of government. There are five council members who serve overlapping terms of four years, and the City Council, in turn, elects one of the council members to serve as Mayor each year. The City Council 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.

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.

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, and the North San Mateo County Sanitation District. 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 and of the North San Mateo County Sanitation District. The City Manager also serves as the Executive Director of the Redevelopment Agency and as the General Manager of the Sanitation District. The Sanitation District is included in the proprietary fund types as an enterprise fund.

The biennial budget serves as the foundation of the City of Daly City's system of financial planning and control. City departments are responsible for submitting draft budgets to the City Manger for review and development of the City-wide budget document. This preliminary budget is presented to the City Council by the City manager and reviewed with the City Council during public budget study sessions. Changes as directed by City Council are made and the budget is submitted for final adoption before July 1, the beginning of the next budget year. Appropriations for each of the two years covered by the biennial budget are appropriated separately. Departments are responsible for managing within the City Council appropriated budget. Midbudget amendments are normally necessary due to changes in economic conditions and other circumstances occurring during the first year of the biennial budget.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

As we looked forward to fiscal 2006 and the second year of our biennial budget, there are a number of positive developments to report. One of the most significant was the adoption of State Proposition 1A last November. This proposition will serve to protect local revenue sources from further taking by the State of California. We have faced a substantial burden in both fiscal years 2005 and 2006 from the loss of an additional \$1.8 million in local property taxes to the State in each of those fiscal years. Thanks to Prop 1A that will no longer be possible.

The voters of Daly City were also responsible for passing a local business license tax measure that will bring an estimated additional \$1.6 million in revenues to the City's General Fund in the coming year. Unfortunately, the companion measure on the local ballot that would have raised local sales tax by one-quarter percent did not pass. The two measures combined were structured to cover most of the on-going loss of revenue to the State that will now continue in perpetuity, part of the agreement reached to pass Prop 1A. The business license tax increase will at least allow us to continue the current level of service to the community.

The local economy has continued to hold steady, with total General Fund revenues growing by only a small amount for the fourth year in a row. In the coming year it is likely that the housing market in Daly City will slow, and with it the growth in local property tax growth. That growth has made up for other local revenues that have been relatively stagnant.

Fiscal uncertainty unfortunately continues. We are currently unable to predict the impact that national developments may have on the local economy over the next few years. For several months the interest rate yield curve has been close to going inverted. Each time in recent history this has happened the country has suffered a significant recession. Since California has yet to recover from the last recession, especially in Northern California, should this come to be it would be very difficult to maintain service levels.

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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, which somewhat mitigates the need for rate increases.

Further complicating the revenue picture of the water utility was one of the wettest winters on record in fiscal 2005. Usage was significantly down in the January to June time period, decreasing revenues and necessitating consideration of a rate increase. The Sanitation District will see the impact on revenues in fiscal 2006, as there is a one-year lag in calculating charges for the District.

## **Long-term Financial Planning**

Major capital projects continue to move forward in spite of the General Fund revenue picture, thanks to City Council's decision some years ago to set aside one-time revenues to fund a major capital program. The two major projects remaining, the new Bayshore Community Center and Library, and the replacement War Memorial Community Center and Library, should be complete within the next year.

The water utility has undertaken a major improvement project in the Bayshore district. A replacement reservoir with substantially increased capacity along with a new pump station and piping will increase the capability for delivery to the developments in the area. As part of the project new cross connections will be established allowing a redundant method of moving water from one side of the City to another in the case of a major event impacting water delivery.

## **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 primarily 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.

## **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 to 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 2004. 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 2004 reports received the Outstanding Award. It is our belief that the accompanying fiscal year 2005

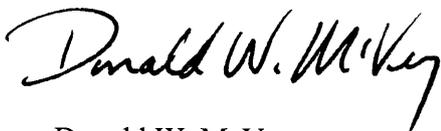
financial report meets the same high standards, and it will be submitted to both award programs for review.

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 2006 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 and Administrative Services sincerely appreciates the support, cooperation, and assistance of the City Council and City staff in addressing the financial concerns of fiscal year 2005. 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



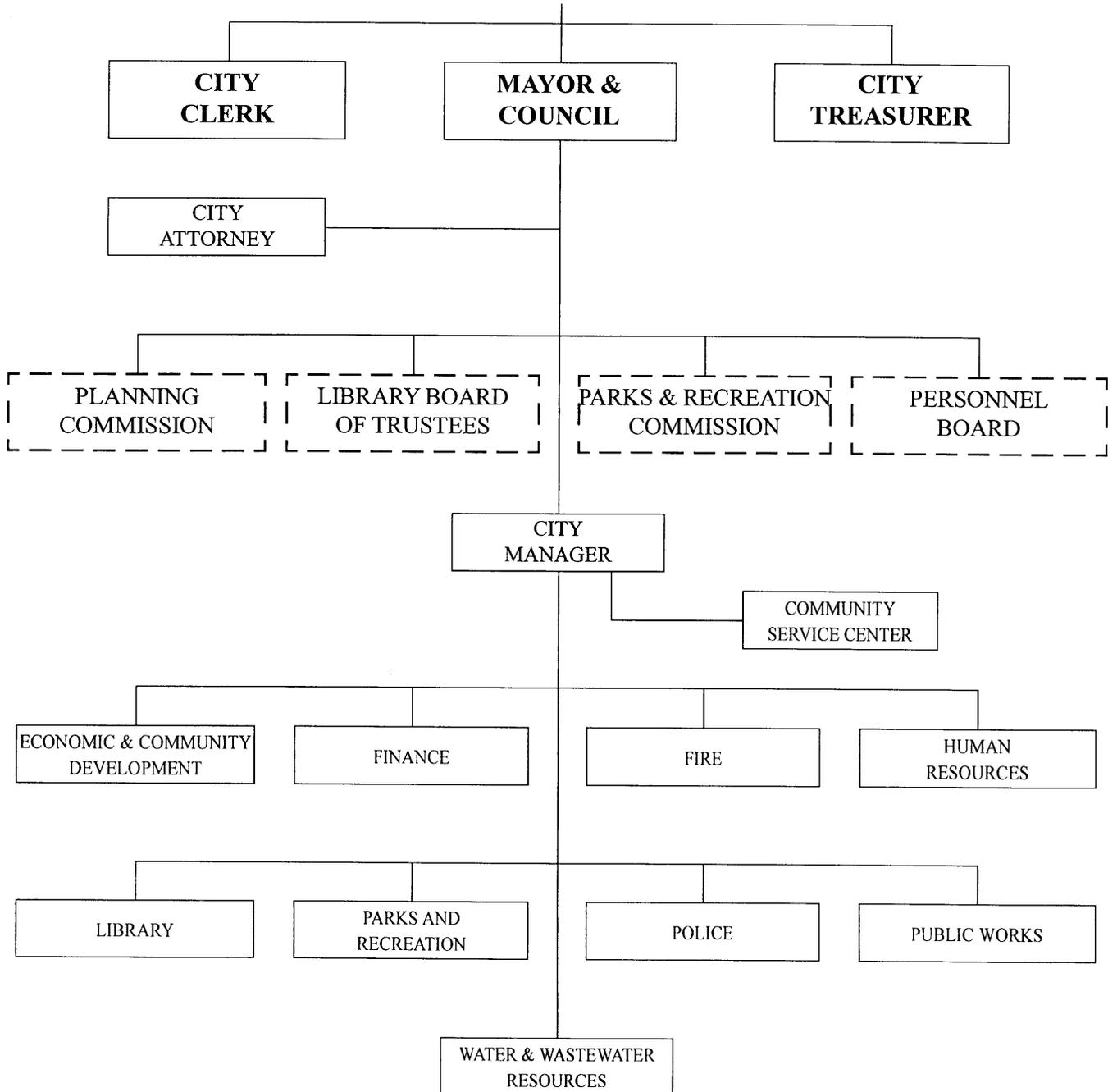
Patricia E. Martel

City Manager



# City of Daly City ORGANIZATION STRUCTURE Fiscal Year 2004-2005

## CITIZENS OF DALY CITY



----- ADVISORY BOARDS & COMMISSIONS

**CITY OF DALY CITY  
CITY COUNCIL**

Carol L. Klatt, Mayor

Michael P. Guingona, Vice Mayor

Judith Christensen

Maggie Gomez

Sal Torres

**ADMINISTRATION AND DEPARTMENT HEADS**

City Manager	Patricia E. Martel
City Attorney	Stan Gustavson
City Clerk	Maria Cortes
City Treasurer	Anthony J. Zidich
Fire Chief	Ron Myers
Police Chief	Gary S. McLane
Library Director	Carol Simmons
Director of Public Works	Peter Gleichenhaus
Director of Human Resources	Anne Larsen - Carella
Director of Parks & Recreation	Michael F. Stallings
Director of Finance and Administrative Services	Donald W. McVey
Director of Water & Wastewater Resources	Patrick Sweetland
Director of Economic & Community Development	Terry Sedik

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2003-04*

Presented to the

*City of Daly City*

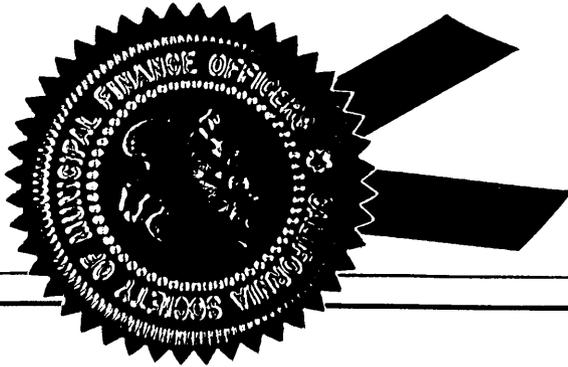
*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2005*

*William A. Shoop*

Bill Thomas, 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, 2004

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.



*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director





**ACCOUNTANCY CORPORATION**  
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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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

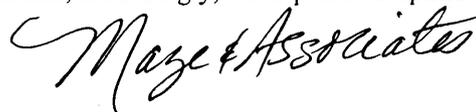
We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 as of June 30, 2005 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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



October 28, 2005



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

Fiscal 2005 is the third 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, 2005. 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 2005 (and 2004) 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 2005 FINANCIAL HIGHLIGHTS**

- The City's total net assets increased \$8.8 million during fiscal 2005. At June 30, 2005, net assets totaled \$233.0 million.
- Total City revenues, including program and general revenues, were \$108.6 million, while total expenses were \$99.8 million in fiscal 2005. Total capital assets increased \$9.7 million.
- Net assets in governmental funds were \$146.3 million, while net assets in business activities were \$86.7 million.
- Governmental program revenues were \$26.1 million compared with \$22.0 million in fiscal 2004.
- Governmental general revenues of \$50.3 million represent an increase of \$9.6 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Cash and investments	\$ 63,115	\$68,456	\$ 27,288	\$ 26,503	\$ 90,403	\$ 94,959
Other assets	55,565	54,064	4,654	4,216	60,219	58,280
Capital assets	<u>89,137</u>	<u>80,213</u>	<u>77,709</u>	<u>76,936</u>	<u>166,846</u>	<u>157,149</u>
Total assets	<u>207,817</u>	<u>202,733</u>	<u>109,651</u>	<u>107,655</u>	<u>317,468</u>	<u>310,388</u>
Long-term liabilities	49,913	49,938	18,620	19,431	68,533	69,369
Other liabilities	<u>11,622</u>	<u>12,076</u>	<u>4,317</u>	<u>4,738</u>	<u>15,939</u>	<u>16,814</u>
Total liabilities	<u>61,535</u>	<u>62,014</u>	<u>22,937</u>	<u>24,169</u>	<u>84,472</u>	<u>86,183</u>
Net assets:						
Invested in capital assets, net of related debt	83,777	79,115	57,054	64,625	140,831	143,740
Restricted	7,362	12,232	9,253	1,048	16,615	13,280
Unrestricted	<u>55,143</u>	<u>49,372</u>	<u>20,407</u>	<u>17,813</u>	<u>75,550</u>	<u>67,185</u>
Total net assets	<u>\$ 146,282</u>	<u>\$ 140,719</u>	<u>\$ 86,714</u>	<u>\$ 83,486</u>	<u>\$ 232,996</u>	<u>\$ 224,205</u>

### ***Governmental Activities***

The City's net assets from governmental activities increased \$5.6 million (3.95 percent) to \$146.3 million in 2005 from \$140.7 million in 2004. 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 decreased \$5.3 million principally as a result of payments made on major capital improvements. Other individual increases and decreases are not considered material.
- Other assets increased \$1.5 million primarily due to the acquisition by the Redevelopment Agency of additional property for future development. Other individual increases and decreases are not considered material.
- Capital assets increased \$8.9 million mainly due to the City's continued investment in infrastructure, including streets and roadways and major capital improvements, specifically a new fire station, a new community center, and major improvements on two City parks. This was accompanied by a \$4.7 million increase in net assets invested in capital assets.
- Restricted net assets decreased \$4.9 million as a result of the disbursement of funds from the \$4.5 million Section 108 loan from HUD that was restricted as of June 30, 2004. This was accompanied by a \$5.8 million increase in unrestricted net assets.
- 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 \$55.1 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 \$3.2 million in fiscal 2005 to a total of \$86.7 million from \$83.5 million in 2004. Increases and decreases of individual assets and liabilities are not considered material

- Cash and investments increased \$.8 million mainly due to increased revenues collected in the Sanitation District fund.
- Capital assets increased \$.8 million due to the City's continued investment in infrastructure and major capital improvements in its enterprise funds.
- Long-term liabilities decreased \$.8 million due to payments made on both the Water Utility and Sanitation District Certificates of Participation.

### **CHANGES IN NET ASSETS**

Table 2 shows that total revenues increased \$16.5 million in fiscal 2005. The increase is the result of a \$2.1 million increase in Property Tax, \$5.6 million received for Property Tax In-Lieu of Motor Vehicle License Fees, which decreased by \$4.1 million, \$2.6 million proceeds from the sale of three parcels of property to the Daly City Redevelopment Agency and to Habitat for Humanities, and \$1.2 million settlement from a contractor for default on the contract for the Bayshore Community Center project. Other individual increases and decreases are not considered material. Expenses increased \$8.8 million or 13.25 percent for governmental activities while business-type activity expenses increased \$1.7 million or 7.3 percent.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 14,896	\$ 12,944	\$ 27,929	\$ 26,691	\$ 42,825	\$ 39,635
Operating grants & contributions	10,036	8,504	-	-	10,036	8,504
Capital grants & contributions	<u>1,173</u>	<u>597</u>	<u>1,427</u>	<u>-</u>	<u>2,600</u>	<u>597</u>
Total program revenues	<u>26,105</u>	<u>22,045</u>	<u>29,356</u>	<u>26,691</u>	<u>55,461</u>	<u>48,736</u>
General revenues:						
Property tax	23,568	15,823	1,136	1,026	24,704	16,849
Sales tax	9,295	8,973			9,295	8,973
Motor vehicle in-lieu	682	4,803			682	4,803
Other taxes	10,412	10,007			10,412	10,007
Investment earnings	2,025	713	727	123	2,752	836
Other	<u>4,352</u>	<u>374</u>	<u>903</u>	<u>1,499</u>	<u>5,255</u>	<u>1,873</u>
Total general revenues	<u>50,334</u>	<u>40,693</u>	<u>2,766</u>	<u>2,648</u>	<u>53,100</u>	<u>43,341</u>
Total revenues	<u>76,439</u>	<u>62,738</u>	<u>32,122</u>	<u>29,339</u>	<u>108,561</u>	<u>92,077</u>
<b>Expenses:</b>						
General government	7,864	7,049			7,864	7,049
Public safety	36,824	31,706			36,824	31,706
Public works	6,455	5,809			6,455	5,809
Streets & infrastructures	2,648	2,296			2,648	2,296
Culture & recreation	12,239	12,119			12,239	12,119
Economic & community development	8,509	6,718			8,509	6,718
Nondepartmental	304	278			304	278
Debt service	627	668			627	668
Water utility			9,255	9,026	9,255	9,026
Sewer			13,079	11,672	13,079	11,672
Civic center			676	654	676	654
Transfer station	-	-	<u>1,290</u>	<u>1,292</u>	<u>1,290</u>	<u>1,292</u>
Total expenses	<u>75,470</u>	<u>66,643</u>	<u>24,300</u>	<u>22,644</u>	<u>99,770</u>	<u>89,287</u>
Increase(decrease) in net assets before transfers	969	(3,905)	7,822	6,695	8,791	2,790
Transfers	<u>4,594</u>	<u>4,209</u>	<u>(4,594)</u>	<u>(4,209)</u>	<u>-</u>	<u>-</u>
Increase in net assets	5,563	304	3,228	2,486	8,791	2,790
Net assets, July 1	<u>140,719</u>	<u>140,415</u>	<u>83,486</u>	<u>81,000</u>	<u>224,205</u>	<u>221,415</u>
Net assets, June 30	<u>\$ 146,282</u>	<u>\$ 140,719</u>	<u>\$ 86,714</u>	<u>\$ 83,486</u>	<u>\$ 232,996</u>	<u>\$ 224,205</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, 2005**  
**(in thousands)**

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue</u> <u>(Expense)</u>
General government	\$ 300	\$ 7,864	\$ (7,564)
Public safety	6,054	36,824	(30,770)
Public works	2,494	6,455	(3,961)
Streets & infrastructure	1,140	2,648	(1,508)
Culture & recreation	4,896	12,239	(7,343)
Economic & community development	6,450	8,509	(2,059)
All others	<u>4,771</u>	<u>931</u>	<u>3,840</u>
Total governmental activities	<u>\$ 26,105</u>	<u>\$ 75,470</u>	<u>\$ (49,365)</u>

## THE CITY'S FUND FINANCIAL STATEMENTS

### *Governmental Funds*

At June 30, 2005, 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 from \$11.8 million at June 30, 2004 to \$14.4 million at June 30, 2005, or 22 percent. General Fund revenues increased \$4.2 million mainly due to the \$1.4 million increase in Property Taxes, but this was offset by \$6.6 million increase in General Fund expenditures mainly due to \$4.0 million increase in the City's contribution towards employee retirement. Unreserved fund balance represents 24 percent of General Fund total expenditures for fiscal 2005, but only ten percent of total expenditures after allowance for a designation of cash flow working capital.

The Gas Tax Special Revenue Fund had \$3.9 million of unreserved fund balance as of June 30, 2005 compared to the \$4.7 million of unreserved fund balance as of June 30, 2004. This amount 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 \$28.2 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 \$13.5 million in unreserved fund balance at June 30, 2005 compared to the \$7.6 million in unreserved fund balance at June 30, 2004. The \$5.9 million decrease is mainly due to the \$7.4 million decrease in the fund balance reserved for encumbrances from \$16.5 million in June 2004 to \$9.1 million in June 2005 due to payments made during fiscal 2005 on the contracts for

the new Bayshore Community Center and the replacement of the War Memorial Community Center. The Capital Projects Fund fund balance is all designated for specific capital projects that will benefit the community as a whole.

### ***Proprietary Funds***

At June 30, 2005, the City had two major proprietary funds, the Water Utility fund and the Sanitation District fund.

Water Utility revenues are down approximately 4.6 percent compared to the previous year due to a \$0.9 million one-time refund on utility charges in fiscal 2004. Revenue from water sales grew about 2.7 percent compared to the previous year. This growth includes a 4.5 percent rate increase plus 9 percent increase in volume charges, showing a decrease in water usage due to record-setting heavy rains in the period from January to June 2005. At the same time, expenses decreased 1.9 percent, mostly from decreases in purchased water and utility costs.

Sanitation District revenues increased nine percent over the prior year mainly due to increase in sewer service charges, while expenses increased 12.1 percent, mainly as a result of State charges for ERAF to balance the State budget. Sewer service charges are billed based on the previous year's winter water usage. A 4.75 percent rate increase was adopted for fiscal 2006.

### **General Fund Budgetary Highlights**

The City of Daly City uses a biennial budgeting process, and fiscal 2005 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 2005 the City had \$166.8 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 20,689	\$ 21,016	\$ 2,863	\$ 2,863	\$ 23,552	\$ 23,879
Buildings & improvements	22,837	13,800	4,664	5,098	27,501	18,898
Streets & infrastructures	24,246	23,939			24,246	23,939
Sewage facilities			22,909	23,758	22,909	23,758
Wells & pump stations			3,966	2,447	3,966	2,447
Water reservoirs			4,458	4,636	4,458	4,636
Water mains			9,364	9,005	9,364	9,005
Sanitation subsurface lines			15,076	13,732	15,076	13,732
Equipment	5,394	5,409	3,759	3,847	9,153	9,256
Furniture & fixtures	51	47	21	13	72	60
Construction in progress	<u>15,920</u>	<u>16,002</u>	<u>10,629</u>	<u>11,537</u>	<u>26,549</u>	<u>27,539</u>
Total net capital assets	<u>\$ 89,137</u>	<u>\$ 80,213</u>	<u>\$ 77,709</u>	<u>\$ 76,936</u>	<u>\$166,846</u>	<u>\$157,149</u>

As of June 30, 2005, the Bayshore Community Center was under construction, with a total budget of \$10.5 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 \$13 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 2006 fiscal year of \$7.2 million.

Various water master plan projects were completed as part of the Water Utility enterprise fund's \$1.8 million investment in additional infrastructure in 2005. The Sanitation District contributed an additional \$2.0 million to add to the City's enterprise fund infrastructure.

## DEBT ADMINISTRATION

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

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

<u>Description</u>	<u>Interest</u>	<u>Original Principal</u>	<u>Balance at June 30, 2004</u>	<u>Balance at June 30, 2005</u>
<u>Sanitation District Capacity Expansion</u> Refinancing Certificates of Participation Issued Oct. 17, 2002 Final Maturity June 1, 2009	2.5%	\$10,475	\$7,740	\$6,070
<u>Sanitation District Recycled Water</u> <u>Project</u> State Water Resources Revolving Fund Issued March 1, 2005 Final Maturity March 1, 2024	2.5%	\$3,161	\$3,161	\$4,506
<u>Bayshore Community Center</u> HUD Sec 108 Loan Issued June 30, 2005 Final Maturity Aug. 1, 2022	5.41%	\$4,500	\$4,500	\$4,500
<u>Water System Improvements</u> Certificates of Participation Issued June 11, 2005 Final Maturity June 1, 2024	4.811775%	\$9,860	\$9,860	\$9,495
<u>Pension Obligation Bonds</u> Issued June 29, 2005 Final Maturity June 1, 2024	5.973% (taxable)	\$36,235	\$36,235	\$35,835

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Consumer Price Index-All Urban Consumers was 1.1 percent for the San Francisco-Oakland region, compared to 2.5 percent for the U.S. City Average as of June 2005. This is down slightly locally from the prior period, when the index was 1.4 percent locally and 3.3 percent nationally.

The Daly City annual average unemployment rate was 5.7 percent in December 2004, down from 6.5 percent from December of both 2003 and 2002, up from 3.6 percent in 2001 and 2.1 percent in 2000. This compares with 5.0, 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 2005.

Fiscal 2005 continues with the fourth year of a selective hiring freeze to aid in balancing the General Fund budget. With the successful passage of State Proposition 1A and a local measure increasing the business license tax, Daly City is in better financial shape than it could have been. We have one more year of State take-away of a portion of our local property tax, and the business license tax will add about \$1.6 million to the City's General Fund revenues.

Local revenues are likely to be impacted with a predicted slowdown in property sales over the coming year. With the continued increases in interest rates by the Federal Reserve, long-term mortgage rates are going to be impacted. The affordability index continues to climb because of increasing prices, and when

coupled with the anticipated long-term interest rate increases, there will be a leveling out of increases in local property tax revenues. Overall we are taking a cautionary approach to revenue forecasting in the coming year.

#### **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, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 1F)	\$63,093,333	\$18,035,522	\$81,128,855
Cash with fiscal agent (Note 1F)	21,563	9,252,661	9,274,224
Accounts receivable, net	2,960,136	2,558,994	5,519,130
Inventories Note 1G)	333,347	1,795,653	2,129,000
Prepays (Note 1G)	100,555	299,388	399,943
Deposits	5,000		5,000
Notes receivable (Note 12)	762,294		762,294
Property held for development (Note 1C)	16,196,713		16,196,713
Prepaid PERS pension contribution (Note 5)	35,207,010		35,207,010
Capital assets, (Note 4)			
Nondepreciable capital assets	36,609,354	13,491,742	50,101,096
Depreciable capital assets, net	52,527,738	64,217,051	116,744,789
	<u>207,817,043</u>	<u>109,651,011</u>	<u>317,468,054</u>
<b>LIABILITIES</b>			
Accounts payable	3,387,667	1,827,758	5,215,425
Accrued payroll	1,758,496	204,709	1,963,205
Deposits payable	479,562	50,265	529,827
Deferred revenue	3,760,143		3,760,143
Compensated absences (Note 1J)	7,239,531	782,940	8,022,471
Accrued claims payable (Note 9)			
Due within one year	1,540,200		1,540,200
Due in more than one year	2,175,009		2,175,009
Long-term debt (Note 5):			
Due within one year	696,522	2,234,309	2,930,831
Due in more than one year	40,498,247	17,837,078	58,335,325
	<u>61,535,377</u>	<u>22,937,059</u>	<u>84,472,436</u>
<b>NET ASSETS (Note 10)</b>			
Invested in capital assets, net of related debt	83,777,323	57,054,050	140,831,373
Restricted for:			
Debt service	21,563	1,048,250	1,069,813
Capital construction		8,204,411	8,204,411
Redevelopment projects	1,239,780		1,239,780
Special revenue projects	6,100,343		6,100,343
	<u>7,361,686</u>	<u>9,252,661</u>	<u>16,614,347</u>
Unrestricted	<u>55,142,657</u>	<u>20,407,241</u>	<u>75,549,898</u>
	<u>\$146,281,666</u>	<u>\$86,713,952</u>	<u>\$232,995,618</u>

See accompanying notes to financial statements

CITY OF DALY CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

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	\$7,864,080	\$166,527	\$133,961		(\$7,563,592)	(\$7,563,592)
Public safety	36,824,085	4,285,174	1,768,457		(30,770,454)	(30,770,454)
Public works	6,454,908	1,967,014	200,000	326,817	(3,961,077)	(3,961,077)
Streets and infrastructure	2,647,535	1,140,519			(1,507,016)	(1,507,016)
Culture and recreation	12,239,462	2,731,652	1,346,366	817,542	(7,343,902)	(7,343,902)
Economic and community development	8,509,016	2,459,591	3,990,845		(2,058,580)	(2,058,580)
Nondepartmental	304,420	2,145,568	2,596,746	28,867	4,466,761	4,466,761
Interest on long term debt	626,872				(626,872)	(626,872)
<b>Total Governmental Activities</b>	<b>75,470,378</b>	<b>14,896,045</b>	<b>10,036,375</b>	<b>1,173,226</b>	<b>(49,364,732)</b>	<b>(49,364,732)</b>
<b>Business-type Activities:</b>						
Water Utility	9,254,676	11,206,380			\$1,951,704	1,951,704
Civic Center	675,630	918,213			242,583	242,583
Transfer Station	1,290,494	1,613,410			322,916	322,916
Sanitation District	13,079,301	14,191,177		1,426,912	2,538,788	2,538,788
<b>Total Business-type Activities</b>	<b>24,300,101</b>	<b>27,929,180</b>		<b>1,426,912</b>	<b>5,055,991</b>	<b>5,055,991</b>
<b>Total</b>	<b>\$99,770,479</b>	<b>\$42,825,225</b>	<b>\$10,036,375</b>	<b>\$2,600,138</b>	<b>(49,364,732)</b>	<b>(44,308,741)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property tax					23,567,900	24,704,081
Sales tax					9,294,700	9,294,700
Utility users tax					5,644,684	5,644,684
Franchise fees					2,534,935	2,534,935
Other taxes					2,232,036	2,232,036
Motor vehicle in lieu, unrestricted					682,042	682,042
Investment earnings					2,024,600	2,751,999
Gain (loss) from disposal of capital assets					2,239,668	2,239,115
Miscellaneous					2,112,370	3,016,157
Transfers					4,594,355	(4,594,355)
<b>Total general revenues and transfers</b>					<b>54,927,290</b>	<b>53,099,749</b>
Change in Net Assets					5,562,558	8,791,008
Net Assets-Beginning					140,719,108	224,204,610
Net Assets-Ending					<b>\$146,281,666</b>	<b>\$232,995,618</b>

See accompanying notes to financial statements

CITY OF DALY CITY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments (Note 1F)	\$15,067,219	\$3,946,596	\$3,913,980	\$23,631,130	\$6,406,014	\$52,964,939
Accounts receivable, net	2,240,965	183,269	8,619	23,322	459,873	2,916,048
Due from other funds (Note 6)	9,068					9,068
Inventories Note IG)	158,433					158,433
Prepays	89,977		1,191		9,387	100,555
Deposits					5,000	5,000
Notes receivable (Note 12)					762,294	762,294
Long-term interfund receivables (Note 6)	30,552,707					30,552,707
Property held for development (Note 1C)			16,196,713			16,196,713
<b>Total Assets</b>	<b>\$48,118,369</b>	<b>\$4,129,865</b>	<b>\$20,120,503</b>	<b>\$23,654,452</b>	<b>\$7,642,568</b>	<b>\$103,665,757</b>
<b>LIABILITIES</b>						
Accounts payable	\$845,732	\$157,805	\$152,093	\$1,121,564	\$916,133	\$3,193,327
Accrued payroll	1,559,385		9,053		66,647	1,635,085
Due to other funds (Note 6)					9,068	9,068
Deposits payable	421,203		58,359			479,562
Deferred revenue	9,500,903				4,522,437	14,023,340
Long-term interfund payables (Note 6)			30,552,707			30,552,707
<b>Total Liabilities</b>	<b>12,327,223</b>	<b>157,805</b>	<b>30,772,212</b>	<b>1,121,564</b>	<b>5,514,285</b>	<b>49,893,089</b>
<b>FUND BALANCES</b>						
<b>Fund Balance (Note 1M)</b>						
Reserved for:						
Encumbrances	36,328	91,113	76,104	9,067,231	467,381	9,738,157
Inventories	158,433					158,433
Prepays and deposits	89,977		1,191		14,387	105,555
Long-term interfund receivables	21,051,804					21,051,804
Property held for development			16,196,713			16,196,713
Restricted purposes			1,239,780		1,698,906	2,938,686
Imprest cash funds	6,280				1,450	7,730
Unreserved:						
Designated for:						
Capital projects		2,024,628		13,465,657		15,490,285
Operating capital	8,000,000					8,000,000
Undesignated, reported in:						
General Fund	6,448,324					6,448,324
Special Revenue Funds		1,856,319	(28,165,497)		(53,841)	(26,363,019)
<b>Total Fund Balances (Deficits)</b>	<b>35,791,146</b>	<b>3,972,060</b>	<b>(10,651,709)</b>	<b>22,532,888</b>	<b>2,128,283</b>	<b>53,772,668</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$48,118,369</b>	<b>\$4,129,865</b>	<b>\$20,120,503</b>	<b>\$23,654,452</b>	<b>\$7,642,568</b>	<b>\$103,665,757</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, 2005

Total fund balances reported on the Governmental Funds Balance Sheet \$53,772,668

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. 84,229,445

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	10,149,957
Accounts receivable	44,088
Inventories	174,914
Capital assets	4,907,647
Prepaid PERS contribution	35,207,010
Accounts payable	(194,340)
Accrued payroll	(123,411)
Accrued claims payable	(3,715,209)
Compensated absences	(638,061)
Long-term debt - due within one year	(335,000)
Long-term debt - due in more than one year	(35,500,000)

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. 10,263,197

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	(5,359,769)
Long-term portion of compensated absences	(6,601,470)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$146,281,666

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, 2005

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property tax	\$18,711,718		\$4,856,183			\$23,567,901
Gas tax		\$2,024,957				2,024,957
Sales tax	8,540,846	1,209,997				9,750,843
Utility users tax	5,644,684					5,644,684
Franchise fees	2,534,935					2,534,935
Other taxes	2,914,078					2,914,078
Licenses and permits	1,840,586					1,840,586
Fines and forfeitures	2,584,993					2,584,993
Rents and interest	3,092,409	115,647	105,837	\$696,778	\$123,948	4,134,619
Federal programs and grants	12,153	317,700			4,999,372	5,329,225
Receipts from other agencies	787,727	9,117		212,058	996,751	2,005,653
Charges and fees	6,178,077		7,685	228,867	1,162,001	7,576,630
Miscellaneous	2,313,838	153,502	40,953	2,326,991	450,717	5,286,001
<b>Total Revenues</b>	<b>55,156,044</b>	<b>3,830,920</b>	<b>5,010,658</b>	<b>3,464,694</b>	<b>7,732,789</b>	<b>75,195,105</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	7,885,826					7,885,826
Public safety	33,277,067				1,322,904	34,599,971
Public works	5,822,990				15,209	5,838,199
Culture and recreation	9,119,068				1,931,144	11,050,212
Economic and community development	2,936,010		1,581,191		3,920,071	8,437,272
Capital projects		3,248,882		10,501,307		13,750,189
Debt service						
Principal				104,714		104,714
Interest	6,872		444,312	39,612	136,076	626,872
<b>Total Expenditures</b>	<b>59,047,833</b>	<b>3,248,882</b>	<b>2,025,503</b>	<b>10,645,633</b>	<b>7,325,404</b>	<b>82,293,255</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,891,789)</b>	<b>582,038</b>	<b>2,985,155</b>	<b>(7,180,939)</b>	<b>407,385</b>	<b>(7,098,150)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of property	2,566,369					2,566,369
Transfers in (Note 6)	5,967,867			5,619,992	536,894	12,124,753
Transfers out (Note 6)	(899,614)	(1,718,508)	(400,000)	(14,796)	(4,550,919)	(7,583,837)
<b>Total Other Financing Sources (Uses)</b>	<b>7,634,622</b>	<b>(1,718,508)</b>	<b>(400,000)</b>	<b>5,605,196</b>	<b>(4,014,025)</b>	<b>7,107,285</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,742,833</b>	<b>(1,136,470)</b>	<b>2,585,155</b>	<b>(1,575,743)</b>	<b>(3,606,640)</b>	<b>9,135</b>
<b>BEGINNING 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>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$35,791,146</b>	<b>\$3,972,060</b>	<b>(\$10,651,709)</b>	<b>\$22,532,888</b>	<b>\$2,128,283</b>	<b>\$53,772,668</b>

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, 2005

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 \$9,135

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.	12,281,417
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$930,336 which has already been allocated to serviced funds).	(2,532,340)
Retirements of capital assets	(354,713)

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	104,714
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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	(1,390,446)
Compensated absences	(27,920)

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	<u>(2,527,289)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$5,562,558</u></u>
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See accompanying notes to financial statements

CITY OF DALY CITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property tax	\$12,046,475	\$18,046,475	\$18,711,718	\$665,243
Sales tax	8,698,831	8,698,831	8,540,846	(157,985)
Utility users tax	5,683,773	5,683,773	5,644,684	(39,089)
Franchise fees	2,582,959	2,582,959	2,534,935	(48,024)
Other taxes	8,878,521	2,878,521	2,914,078	35,557
Licenses and permits	1,428,152	1,428,152	1,840,586	412,434
Fines and forfeitures	2,786,975	2,786,975	2,584,993	(201,982)
Rents and interest	3,774,180	3,774,180	3,092,409	(681,771)
Federal programs and grants		11,000	12,153	1,153
Receipts from other agencies	537,160	688,832	787,727	98,895
Charges and fees	6,821,574	6,821,574	6,178,077	(643,497)
Miscellaneous	468,460	498,958	2,313,838	1,814,880
<b>Total Revenues</b>	<b>53,707,060</b>	<b>53,900,230</b>	<b>55,156,044</b>	<b>1,255,814</b>
<b>EXPENDITURES:</b>				
Current Operations:				
General Government				
Legislative:				
Salaries and benefits	125,341	125,341	131,350	(6,009)
Services and supplies	59,429	59,429	59,248	181
Other charges	14,037	14,037	5,944	8,093
<b>Total Legislative</b>	<b>198,807</b>	<b>198,807</b>	<b>196,542</b>	<b>2,265</b>
Legal:				
Salaries and benefits	615,275	615,275	606,242	9,033
Services and supplies	88,979	88,979	74,185	14,794
Other charges	4,738	4,738	4,591	147
<b>Total Legal</b>	<b>708,992</b>	<b>708,992</b>	<b>685,018</b>	<b>23,974</b>
Administrative				
Salaries and benefits	4,355,313	4,355,313	4,667,322	(312,009)
Services and supplies	917,295	958,662	958,123	539
Capital outlay	11,543	13,818	10,346	3,472
Other charges	1,905,231	1,861,589	1,368,475	493,114
<b>Total Administrative</b>	<b>7,189,382</b>	<b>7,189,382</b>	<b>7,004,266</b>	<b>185,116</b>
<b>Total General Government</b>	<b>8,097,181</b>	<b>8,097,181</b>	<b>7,885,826</b>	<b>211,355</b>
Public Safety				
Police:				
Salaries and benefits	16,024,658	15,999,075	15,917,369	81,706
Services and supplies	3,256,026	3,289,592	3,278,653	10,939
Capital outlay	82,274	244,318	88,809	155,509
Other charges	171,926	171,926	183,341	(11,415)
<b>Total Police</b>	<b>19,534,884</b>	<b>19,704,911</b>	<b>19,468,172</b>	<b>236,739</b>
Fire:				
Salaries and benefits	10,656,517	10,656,517	11,108,053	(451,536)
Services and supplies	832,564	819,623	871,088	(51,465)
Capital outlay	24,384	27,983	25,230	2,753
Other charges	68,375	67,235	73,496	(6,261)
<b>Total Fire</b>	<b>11,581,840</b>	<b>11,571,358</b>	<b>12,077,867</b>	<b>(506,509)</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety Communications				
Salaries and benefits	1,281,026	1,281,026	1,352,384	(71,358)
Services and supplies	377,277	377,277	374,914	2,363
Capital outlay	1,560	1,560		1,560
Other charges	6,341	6,341	3,730	2,611
Total Public Safety Communications	1,666,204	1,666,204	1,731,028	(64,824)
Total Public Safety	32,782,928	32,942,473	33,277,067	(334,594)
Public Works				
Salaries and benefits	4,662,023	4,662,023	4,590,279	71,744
Services and supplies	1,256,813	1,250,582	1,161,051	89,531
Capital outlay	1,000	1,000		1,000
Other charges	74,638	71,638	71,660	(22)
Total Public Works	5,994,474	5,985,243	5,822,990	162,253
Culture and Recreation				
Library:				
Salaries and benefits	1,786,518	1,786,518	1,825,189	(38,671)
Services and supplies	761,036	774,710	751,053	23,657
Other charges	15,568	15,568	14,868	700
Total Library	2,563,122	2,576,796	2,591,110	(14,314)
Parks and Recreation:				
Salaries and benefits	4,244,673	4,244,673	3,943,361	301,312
Services and supplies	3,023,101	3,025,101	2,531,718	493,383
Capital outlay	7,947	7,947	7,545	402
Other charges	58,850	58,850	45,334	13,516
Total Parks and Recreation	7,334,571	7,336,571	6,527,958	808,613
Total Culture and Recreation	9,897,693	9,913,367	9,119,068	794,299
Economic and Community Development				
Salaries and benefits	2,295,145	2,286,533	2,450,964	(164,431)
Services and supplies	486,355	497,967	445,571	52,396
Capital outlay	10,428	10,428	711	9,717
Other charges	49,496	49,496	38,764	10,732
Total Economic and Community Development	2,841,424	2,844,424	2,936,010	(91,586)
Debt Service:				
Interest	7,000	7,000	6,872	128
Total Expenditures	59,620,700	59,789,688	59,047,833	741,855
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,913,640)	(5,889,458)	(3,891,789)	1,997,669
OTHER FINANCING SOURCES (USES)				
Sale of property	1,650	1,650	2,566,369	2,564,719
Transfers in	6,210,553	6,210,553	5,967,867	(242,686)
Transfers out	(944,138)	(974,031)	(899,614)	74,417
Total Other Financing Sources (Uses)	5,268,065	5,238,172	7,634,622	2,396,450
NET CHANGE IN FUND BALANCE	(\$645,575)	(\$651,286)	3,742,833	\$4,394,119
BEGINNING FUND BALANCE			32,048,313	
ENDING FUND BALANCE			\$35,791,146	

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Gas tax	\$2,010,836	\$2,010,836	\$2,024,957	\$14,121
Sales tax	1,238,779	1,238,779	1,209,997	(28,782)
Rents and interest	120,000	120,000	115,647	(4,353)
Federal programs and grants	456,870	456,870	317,700	(139,170)
Receipts from other agencies	9,117	9,117	9,117	
Miscellaneous		8,777	153,502	144,725
Total Revenues	<u>3,835,602</u>	<u>3,844,379</u>	<u>3,830,920</u>	<u>(13,459)</u>
EXPENDITURES:				
Capital projects	<u>5,530,240</u>	<u>5,539,021</u>	<u>3,248,882</u>	<u>2,290,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,694,638)</u>	<u>(1,694,642)</u>	<u>582,038</u>	<u>2,276,680</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,961,194)</u>	<u>(1,961,194)</u>	<u>(1,718,508)</u>	<u>242,686</u>
NET CHANGE IN FUND BALANCE	<u>(\$3,655,832)</u>	<u>(\$3,655,836)</u>	<u>(1,136,470)</u>	<u>\$2,519,366</u>
BEGINNING FUND BALANCE			<u>5,108,530</u>	
ENDING FUND BALANCE			<u><u>\$3,972,060</u></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, 2005

	<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	\$4,575,253	\$4,575,253	\$4,856,183	\$280,930
Rents and interest	73,624	73,624	105,837	32,213
Charges and fees	4,080	4,080	7,685	3,605
Miscellaneous	1,000	1,000	40,953	39,953
<b>Total Revenues</b>	<u>4,653,957</u>	<u>4,653,957</u>	<u>5,010,658</u>	<u>356,701</u>
<b>EXPENDITURES:</b>				
Economic and Community Development:				
Salaries and benefits	329,786	329,786	325,046	4,740
Services and supplies	575,257	166,267	65,503	100,764
ERAF payment		467,896	467,942	(46)
Pass thru payments	475,437	475,437	475,437	
Other charges	576,647	339,918	237,002	102,916
Capital outlay	1,558,669	1,806,304	10,261	1,796,043
<b>Total Economic and Community Development</b>	<u>3,515,796</u>	<u>3,585,608</u>	<u>1,581,191</u>	<u>2,004,417</u>
Debt Service:				
Interest	2,500,000	2,500,000	444,312	2,055,688
<b>Total Expenditures</b>	<u>6,015,796</u>	<u>6,085,608</u>	<u>2,025,503</u>	<u>4,060,105</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,361,839)</u>	<u>(1,431,651)</u>	<u>2,985,155</u>	<u>(3,703,404)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,732,291	2,946,291	2,945,693	(598)
Transfers out	(2,732,291)	(3,346,291)	(3,345,693)	598
<b>Total Other Financing Sources (Uses)</b>		<u>(400,000)</u>	<u>(400,000)</u>	
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$1,361,839)</u>	<u>(\$1,831,651)</u>	<u>2,585,155</u>	<u>\$4,416,806</u>
<b>BEGINNING FUND BALANCE (DEFICIT)</b>			<u>(13,236,864)</u>	
<b>ENDING FUND BALANCE (DEFICIT)</b>			<u>(\$10,651,709)</u>	

See accompanying notes to financial statements

CITY OF DALY CITY  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2005

	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 (Note 1F)	\$2,628,766	\$13,433,163	\$1,973,593	\$18,035,522	\$10,128,394
Cash with fiscal agent (Note 1F)	8,204,411	1,048,250		9,252,661	21,563
Accounts receivable, net (Note 1H)	1,597,866	665,138	251,393	2,514,397	44,088
Inventories (Note 1G)	494,305	1,301,348		1,795,653	174,914
Prepays (Note 1G)	249,500	49,888		299,388	
<b>Total Current Assets</b>	<b>13,174,848</b>	<b>16,497,787</b>	<b>2,224,986</b>	<b>31,897,621</b>	<b>10,368,959</b>
<b>Long-Term Assets:</b>					
Advances to others			44,597	44,597	
Long-term interfund receivables (Note 6)		583,356		583,356	
Prepaid PERS pension contribution (Note 5)					35,207,010
<b>Total Long-Term Assets</b>		<b>583,356</b>	<b>44,597</b>	<b>627,953</b>	<b>35,207,010</b>
<b>Capital Assets:</b>					
Land	839,856	233,547	1,789,146	2,862,549	333,343
Buildings	153,943	566,283	6,753,006	7,473,232	220,430
Sewage facilities		46,957,477		46,957,477	
Wells and pump stations	5,775,389			5,775,389	
Water reservoirs	7,308,827			7,308,827	
Mains & subsurface lines	11,283,132	19,181,124		30,464,256	
Equipment	3,917,391	2,316,697	676,168	6,910,256	14,364,817
Furniture and fixtures	22,864	61,034		83,898	16,633
Construction in progress	1,957,112	8,672,081		10,629,193	
<b>Total Capital Assets</b>	<b>31,258,514</b>	<b>77,988,243</b>	<b>9,218,320</b>	<b>118,465,077</b>	<b>14,935,223</b>
Less accumulated depreciation	8,236,417	29,315,940	3,203,927	40,756,284	10,027,576
<b>Net Capital Assets</b>	<b>23,022,097</b>	<b>48,672,303</b>	<b>6,014,393</b>	<b>77,708,793</b>	<b>4,907,647</b>
<b>Total Noncurrent Assets</b>	<b>23,022,097</b>	<b>49,255,659</b>	<b>6,058,990</b>	<b>78,336,746</b>	<b>40,114,657</b>
<b>Total Assets</b>	<b>36,196,945</b>	<b>65,753,446</b>	<b>8,283,976</b>	<b>110,234,367</b>	<b>50,483,616</b>
<b>Current Liabilities:</b>					
Accounts payable	472,852	468,330	744,799	1,685,981	194,340
Retentions payable	97,305	44,472		141,777	
Accrued payroll	68,024	136,685		204,709	123,411
Deposits payable	50,265			50,265	
Accrued claims payable					1,540,200
Long-term debt, current portion (Note 5)	350,000	1,884,309		2,234,309	335,000
<b>Total Current Liabilities</b>	<b>1,038,446</b>	<b>2,533,796</b>	<b>744,799</b>	<b>4,317,041</b>	<b>2,192,951</b>
<b>Long-Term Liabilities:</b>					
Compensated absences (Note 1J)	222,712	560,228		782,940	638,061
Accrued claims payable (Note 9)					2,175,009
Long-term interfund payable (Note 6)			583,356	583,356	
Long term debt (Note 5)	9,145,000	8,692,078		17,837,078	35,500,000
<b>Total Long-Term Liabilities</b>	<b>9,367,712</b>	<b>9,252,306</b>	<b>583,356</b>	<b>19,203,374</b>	<b>38,313,070</b>
<b>Total Liabilities</b>	<b>10,406,158</b>	<b>11,786,102</b>	<b>1,328,155</b>	<b>23,520,415</b>	<b>40,506,021</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	13,527,097	38,095,916	5,431,037	57,054,050	4,907,647
Restricted for:					
Debt service		1,048,250		1,048,250	21,563
Capital construction	8,204,411			8,204,411	
Unrestricted (Note 1M)	4,059,279	14,823,178	1,524,784	20,407,241	5,048,385
<b>Total Net Assets</b>	<b>\$25,790,787</b>	<b>\$53,967,344</b>	<b>\$6,955,821</b>	<b>\$86,713,952</b>	<b>\$9,977,595</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, 2005

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$11,206,380	\$68,028		\$11,274,408	
Sewer service charges		13,822,298		13,822,298	
Connection charges		300,851		300,851	
Rental income			\$918,213	918,213	
Lease revenue			375,000	375,000	
Recycling revenue			1,238,410	1,238,410	
Charges to City departments					\$12,335,862
Other revenues	261,436	498,635	143,716	903,787	684,244
<b>Total Operating Revenues</b>	<b>11,467,816</b>	<b>14,689,812</b>	<b>2,675,339</b>	<b>28,832,967</b>	<b>13,020,106</b>
OPERATING EXPENSES					
Salaries and benefits	2,261,908	4,893,747		7,155,655	4,491,402
Services and supplies	1,098,388	3,674,197	252,094	5,024,679	2,019,971
Water purchases	2,897,733			2,897,733	
Transfer station charges			1,238,410	1,238,410	
Utilities	737,637	794,382	119,166	1,651,185	361,620
Insurance	136,515	335,673	12,972	485,160	1,375,827
Claims and settlements					3,650,603
Depreciation (Note 4)	903,874	1,590,743	305,343	2,799,960	930,335
Other charges	816,550	1,553,829	4,696	2,375,075	175,050
<b>Total Operating Expenses</b>	<b>8,852,605</b>	<b>12,842,571</b>	<b>1,932,681</b>	<b>23,627,857</b>	<b>13,004,808</b>
<b>Operating Income</b>	<b>2,615,211</b>	<b>1,847,241</b>	<b>742,658</b>	<b>5,205,110</b>	<b>15,298</b>
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,136,181		1,136,181	
Gain (loss) on sale of capital assets		(553)		(553)	6,633
Storm damage repair expenses					(647,775)
Capital grants		1,426,912		1,426,912	
Amortization					(392,990)
Interest income	315,567	387,378	24,454	727,399	315,462
Interest expense	(402,071)	(236,730)	(33,443)	(672,244)	(1,877,356)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(86,504)</b>	<b>2,713,188</b>	<b>(8,989)</b>	<b>2,617,695</b>	<b>(2,596,026)</b>
<b>Income Before Transfers</b>	<b>2,528,707</b>	<b>4,560,429</b>	<b>733,669</b>	<b>7,822,805</b>	<b>(2,580,728)</b>
Transfers in (Note 6)		1,128,140		1,128,140	200,601
Transfers out (Note 6)	(2,895,260)	(2,105,151)	(722,084)	(5,722,495)	(147,162)
<b>Net transfers</b>	<b>(2,895,260)</b>	<b>(977,011)</b>	<b>(722,084)</b>	<b>(4,594,355)</b>	<b>53,439</b>
<b>Change in net assets</b>	<b>(366,553)</b>	<b>3,583,418</b>	<b>11,585</b>	<b>3,228,450</b>	<b>(2,527,289)</b>
<b>BEGINNING 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>
<b>ENDING NET ASSETS</b>	<b>\$25,790,787</b>	<b>\$53,967,344</b>	<b>\$6,955,821</b>	<b>\$86,713,952</b>	<b>\$9,977,595</b>

See accompanying notes to financial statements

CITY OF DALY CITY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2005

	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	\$11,276,673	\$14,731,103	\$2,554,489	\$28,562,265	\$13,027,558
Payments to suppliers	(5,907,798)	(7,088,122)	(1,430,492)	(14,426,412)	(3,874,726)
Payments to employees	(2,218,022)	(4,893,465)		(7,111,487)	(4,500,691)
Claims paid					(2,768,635)
<b>Cash Flows from Operating Activities</b>	<u>3,150,853</u>	<u>2,749,516</u>	<u>1,123,997</u>	<u>7,024,366</u>	<u>1,883,506</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Property tax		1,136,181		1,136,181	
Interfund receipts		128,146		128,146	
Interfund payments			(128,146)	(128,146)	
Principal paid on noncapital debt					(400,000)
Interest paid on noncapital debt					(1,877,356)
Transfers in		1,128,140		1,128,140	200,601
Transfers out	(2,895,260)	(2,105,151)	(722,084)	(5,722,495)	(147,162)
<b>Cash Flows from Noncapital Financing Activities</b>	<u>(2,895,260)</u>	<u>287,316</u>	<u>(850,230)</u>	<u>(3,458,174)</u>	<u>(2,223,917)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(1,777,657)	(1,987,996)		(3,765,653)	(460,730)
Proceeds from sale of capital assets	191,795			191,795	6,910
Capital grants		1,426,912		1,426,912	
Principal paid on capital debt	(365,000)	(1,670,000)		(2,035,000)	
Loan proceeds		1,345,654		1,345,654	
Interest paid on capital debt	(402,071)	(236,730)	(33,443)	(672,244)	
Storm damage repair expenses					(647,775)
<b>Cash Flows from Capital and Related Financing Activities</b>	<u>(2,352,933)</u>	<u>(1,122,160)</u>	<u>(33,443)</u>	<u>(3,508,536)</u>	<u>(1,101,595)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	315,567	387,378	24,454	727,399	315,462
<b>Net Cash Flows</b>	<u>(1,781,773)</u>	<u>2,302,050</u>	<u>264,778</u>	<u>785,055</u>	<u>(1,126,544)</u>
Cash and investments at beginning of period	12,614,950	12,179,363	1,708,815	26,503,128	11,276,501
Cash and investments at end of period	<u>\$10,833,177</u>	<u>\$14,481,413</u>	<u>\$1,973,593</u>	<u>\$27,288,183</u>	<u>\$10,149,957</u>
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities:</b>					
Operating income	\$2,615,211	\$1,847,241	\$742,658	\$5,205,110	\$15,298
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	903,874	1,590,743	305,343	2,799,960	930,335
Change in assets and liabilities:					
Accounts receivable, net	(191,143)	41,291	(120,850)	(270,702)	7,452
Inventories	(34,741)	(141,373)		(176,114)	(157,234)
Other assets	(2,959)	12,091		9,132	166,514
Accounts payable and other payables	(183,275)	(600,759)	196,846	(587,188)	48,462
Accrued payroll and compensated absences	43,886	282		44,168	(9,289)
Accrued claims payable					881,968
<b>Cash Flows from Operating Activities</b>	<u>\$3,150,853</u>	<u>\$2,749,516</u>	<u>\$1,123,997</u>	<u>\$7,024,366</u>	<u>\$1,883,506</u>

See accompanying notes to financial statements

CITY OF DALY CITY  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 1F)	\$3,833,678
Receivables	694,316
Other assets	<u>30,216</u>
Total Assets	<u><u>\$4,558,210</u></u>
LIABILITIES	
Accounts payable	\$574,256
Deposits payable	1,415,520
Due to bondholders	799,757
Due to others	<u>1,768,677</u>
Total Liabilities	<u><u>\$4,558,210</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

**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.

The City follows Statements and Interpretations of the Financial Accounting Standard Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type and Proprietary fund activities, 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 deemed necessary or feasible, as long as the total appropriations of the funds are not exceeded. Additional appropriations not included in the original budget resolutions require approval by the City Council. Budgeted amounts shown are as adopted and amended by the City Council. Individual amendments were not material in relation to the original appropriations. Budgets for the City's proprietary funds are considered as memorandum budgets used for the purpose of management control. These nonappropriated budgets are not included in the Basic Financial Statements.

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

***F. CASH AND INVESTMENTS***

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

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

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

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

Cash and investments	\$81,128,855
Restricted cash and investments	9,274,224
Cash and investments of the City	<u>90,403,079</u>
Cash and investments in Fiduciary Funds (separate statement)	3,833,678
Total cash and investments	<u><u>\$94,236,757</u></u>

**Investments Authorized by the California Government Code and the City’s Investment Policy**

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	270 Days	N/A	15%	No Limit
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$40,000,000 per account	\$40,000,000 per account
U. S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Government Agency Securities and U.S. Government Sponsored Enterprise	5 Years	N/A	No Limit	No Limit
Bankers Acceptances	180 Days	N/A	40%	30%
Commercial Paper	270 Days	Highest Rating Category	25%	10%
Negotiable Certificates of Deposit	5 Years	AA	30%	No Limit
Passbook Savings Account	5 Years	N/A	\$100,000	No Limit
Money Market Mutual Funds	Upon Demand	AAA	15%	No Limit
San Mateo County Investment Pool	Upon Demand	N/A	No Limit	No Limit
State of California Obligations	5 Years	N/A	No Limit	No Limit
Local Agency Obligations	5 Years	N/A	No Limit	No Limit

**Investments Authorized by Debt Agreements**

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute.

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	N/A	A	No Limit	No Limit
U. S. Treasury Bonds, Notes and Bills	N/A	N/A	No Limit	No Limit
U.S. Government Agency Securities and Government Sponsored Enterprise State Obligations	N/A	AAA Highest Rating Category	No Limit	No Limit
Commercial Paper	270 Days	A-1+	No Limit	No Limit
Negotiable Certificates of Deposit	365 days	A-1+	No Limit	No Limit
Guaranteed Investment Contract	N/A	A	No Limit	No Limit
Money Market Mutual Funds	N/A	Aam	No Limit	No Limit
Bankers Acceptances	180	A-1+	No Limit	No Limit
Local Obligations	N/A	Highest Rating Category	No Limit	No Limit
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$40,000,000 per account	\$40,000,000 per account
Municipal Obligations	N/A	AAA	No Limit	No Limit

### Interest Rate Risk

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

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

Investment Type	Less than One Year	One to Five Years	More than Ten Years	Total
U.S. Treasury Bonds, Notes, and Bills	\$1,799,172			\$1,799,172
U.S. Government-Sponsored Enterprise Agencies Callable			\$1,715,908	1,715,908
Guaranteed investment contracts		\$9,251,760		9,251,760
Certificates of deposit	15,897,000	300,000		16,197,000
Money Market Mutual Funds	22,463			22,463
California Local Agency Investment Fund	3,985,326			3,985,326
San Mateo County Investment Pool	58,550,303			58,550,303
Total Investments	\$80,254,264	\$9,551,760	\$1,715,908	\$91,521,932

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments have an average maturity of 151 days.

Mutual Funds investments are available for withdrawal on demand and at June 30, 2005 have an average maturity of less than 30 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2005 are provided by Standard and Poor's except as noted.

Investment Type	Not Rated/ Exempt	AAA	AAAm	Fitch AA/V1+	Total Investments
U.S. Government-Sponsored Enterprise Agencies					
Callable		\$1,715,908			\$1,715,908
Guaranteed Investment Contracts		9,251,760			9,251,760
Money Market Mutual Funds		21,713	\$750		22,463
San Mateo County Investment Pool				\$58,550,303	58,550,303
<i>Exempt:</i>					
U.S. Treasury Bonds, Notes, and Bills	\$1,799,172				1,799,172
<i>Not Rated:</i>					
Certificates of Deposit	16,197,000				16,197,000
California Local Agency Investment Fund	3,985,326				3,985,326
Total Investments	\$21,981,498	\$10,989,381	\$750	\$58,550,303	\$91,521,932

**Concentration of Credit Risk**

Included in the table above are the following significant investments held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools:

Reporting Unit	Issuer	Investment Type	Reported Amount
Major Proprietary Funds:			
Water Utility Fund	FSA Capital Management Services LLC	Guaranteed Investment Contract	\$8,204,260
Sanitation District Fund	FSA Capital Management Services LLC	Guaranteed Investment Contract	1,047,500

## **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.

## **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:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Balance July 1, 2004	\$7,448,521	\$760,555	\$8,209,076
Additions	5,482,155	687,989	6,170,144
Payments	<u>(5,691,145)</u>	<u>(665,604)</u>	<u>(6,356,749)</u>
Balance June 30, 2005	<u>\$7,239,531</u>	<u>\$782,940</u>	<u>\$8,022,471</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.

**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 activities of the District are reported in the Sanitation District Enterprise Fund.

The activity of the Daly City Public Facilities Financing Corporation (the Corporation) is included in the Basic financial statements within the 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, 2005, the City had made commitments of approximately \$11.4 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	25 years
Equipment, Furniture & Fixtures	5-20 years	Water Mains	25 years
Streets and Infrastructure	20-60 years	Sewage Collection Facilities	10-50 years
Wells and Pump Stations	40-50 years	Sewage Treatment Facilities	15-50 years
Water Reservoirs	40-99 years	Sewage Disposal Facilities	15-50 years

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, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$21,015,988		(\$326,701)		\$20,689,287
Construction in progress	16,002,341	\$9,100,199		(\$9,182,473)	15,920,067
Total capital assets not being depreciated	<u>37,018,329</u>	<u>9,100,199</u>	<u>(326,701)</u>	<u>(9,182,473)</u>	<u>36,609,354</u>
Capital assets being depreciated:					
Buildings & improvements	27,201,147	307,605	(1,340,947)	5,241,063	31,408,868
Streets & infrastructure	56,394,302	1,520,866		53,931	57,969,099
Vehicles, equipment, furniture and fixtures	17,191,917	1,056,943	(456,290)	132,328	17,924,898
Park structures and improvements	1,065,167	407,816		4,103,869	5,576,852
Total capital assets being depreciated	<u>101,852,533</u>	<u>3,293,230</u>	<u>(1,797,237)</u>	<u>9,531,191</u>	<u>112,879,717</u>
Less accumulated depreciation for:					
Buildings & improvements	14,150,828	777,726	(1,312,936)	156,923	13,772,541
Streets & infrastructure	32,455,573	1,267,767			33,723,340
Vehicles, equipment, furniture and fixtures	11,736,056	1,200,280	(456,014)		12,480,322
Park structures and improvements	315,795	59,981			375,776
Total accumulated depreciation	<u>58,658,252</u>	<u>3,305,754</u>	<u>(1,768,950)</u>	<u>156,923</u>	<u>60,351,979</u>
Net depreciable assets	<u>43,194,281</u>	<u>(12,524)</u>	<u>(28,287)</u>	<u>9,374,268</u>	<u>52,527,738</u>
Governmental activity capital assets, net	<u>\$80,212,610</u>	<u>\$9,087,675</u>	<u>(\$354,988)</u>	<u>\$191,795</u>	<u>\$89,137,092</u>

	Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
<b><i>Business-type activities:</i></b>					
Capital assets not being depreciated:					
Land	\$2,862,549				\$2,862,549
Construction in progress	11,537,286	\$2,676,328		(\$3,584,421)	10,629,193
Total capital assets not being depreciated	14,399,835	2,676,328		(3,584,421)	13,491,742
Capital assets being depreciated:					
Buildings	7,821,950			(348,718)	7,473,232
Sewage facilities	47,233,861		(\$133,160)	(143,224)	46,957,477
Wells & pump stations	4,147,914	84,959		1,542,517	5,775,390
Water reservoirs	7,308,827				7,308,827
Mains & subsurface lines	27,914,738	592,783		1,956,735	30,464,256
Equipment	6,313,449	395,995	(\$27,581)	228,393	6,910,256
Furniture and fixtures	68,310	15,588			83,898
Total capital assets being depreciated	100,809,049	1,089,325	(160,741)	3,235,703	104,973,336
Less accumulated depreciation for:					
Buildings	2,724,159	242,281		(156,923)	2,809,517
Sewage facilities	23,476,176	848,485	(133,160)	(143,224)	24,048,277
Wells & pump stations	1,701,131	107,819			1,808,950
Water reservoirs	2,672,997	177,924			2,850,921
Mains & subsurface lines	5,178,141	846,314			6,024,455
Equipment	2,466,083	568,905	(27,030)	143,224	3,151,182
Furniture and fixtures	54,751	8,232			62,983
Total accumulated depreciation	38,273,438	2,799,960	(160,190)	(156,923)	40,756,285
Net depreciable assets	62,535,611	(1,710,635)	(551)	3,392,626	64,217,051
Business-type activity capital assets, net	\$76,935,446	\$965,693	(\$551)	(\$191,795)	\$77,708,793

## ***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	\$12,962
Public safety	271,452
Public works	12,847
Culture and recreation	509,771
Economic and community development	10,842
Streets and infrastructure	1,281,135
Nondepartmental	276,409
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>930,336</u>
<b>Total Governmental Activities</b>	<u><u>\$3,305,754</u></u>
<b>Business-Type Activities</b>	
Water Utility	\$903,873
Civic Center	261,639
Transfer Station	43,704
Sanitation District	<u>1,590,744</u>
<b>Total Business-Type Activities</b>	<u><u>\$2,799,960</u></u>

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

Changes in Long-Term Debt for the fiscal year ended June 30, 2005, are as follows:

	Original Issue Amount	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005	Current Portion
<b><i>Governmental Activity Debt</i></b>						
2002 Capital Lease, 4.69%, due 2011	\$1,184,477	\$844,586		\$104,714	\$739,872	\$109,625
Line of Credit, 5.7%, due 2006	164,000	119,897			119,897	119,897
<b>Housing &amp; Urban Development Section 108 Loan</b>						
2.31%-6.01%, due semi-annually to 2023	4,500,000	4,500,000			4,500,000	132,000
<b>2004 Series A-1 Pension Obligation Bonds</b>						
2.650%-5.896% due 2024	36,235,000	36,235,000		400,000	35,835,000	335,000
<b>Total Governmental Activity</b>		<b>41,699,483</b>		<b>504,714</b>	<b>41,194,769</b>	<b>696,522</b>
<b><i>Business-Type Activity Debt</i></b>						
<b>2002 Certificates of Participation</b>						
2%-2.5%, due semi-annually to 2009	10,475,000	7,740,000		1,670,000	6,070,000	1,705,000
<b>State Water Resources Control Board Loan</b>						
2.5% annually to 2025	4,450,128	3,160,733	\$1,345,654		4,506,387	179,309
<b>2004 Certificates of Participation</b>						
3%-5%, due semi-annually to 2024	9,860,000	9,860,000		365,000	9,495,000	350,000
<b>Total Business-Type Activity</b>		<b>20,760,733</b>	<b>1,345,654</b>	<b>2,035,000</b>	<b>20,071,387</b>	<b>2,234,309</b>
<b>Total City Long-Term Obligations</b>		<b>\$62,460,216</b>	<b>\$1,345,654</b>	<b>\$2,539,714</b>	<b>\$61,266,156</b>	<b>\$2,930,831</b>

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, 2005 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. Debt service is payable from future Block Grant monies.

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 October 17, 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 payable from Sanitation District Enterprise Fund revenues.

On November 18, 2003 the City authorized a loan in the amount of \$4,450,128, plus accrued interest, from the California State Water Resources Control Board bearing interest at 2.5 percent. Proceeds from the loan were used for construction of tertiary treatment facilities and distribution pipelines in the City's Sanitation District. Principal and interest are due annually on December 1 through December 1, 2024. Debt service is payable from Sanitation District Enterprise Fund revenues. At June 30, 2005 the outstanding balance including accrued interest was \$4,506,387.

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 payable from Water Utility Enterprise Fund revenues.

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

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$696,522	\$2,297,266	\$2,234,309	\$648,628
2007	691,767	2,271,018	2,280,701	602,636
2008	817,150	2,244,465	2,325,219	552,518
2009	947,785	2,210,276	1,429,849	490,688
2010	1,095,684	2,167,612	589,596	451,092
2011-2015	7,520,861	9,885,446	3,268,430	1,942,630
2016-2020	13,227,000	7,221,736	3,916,202	1,299,995
2021-2025	16,198,000	2,430,421	4,027,081	441,630
	<u>\$41,194,769</u>	<u>\$30,728,240</u>	<u>\$20,071,387</u>	<u>\$6,429,817</u>

**Note 6.**

CURRENT INTERFUND BALANCES

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2005 the General Fund is owed \$9,068 by the Doelger Senior Center Special Revenue Fund.

LONG-TERM INTERFUND BALANCES

The Sanitation Enterprise Fund loaned \$1.2 million, (a balance of \$583,356 remained at June 30, 2005), 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 1.453 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 2005 additions to loans payable amounting to \$2,499,312 include \$2,055,000 of additional loans for property acquisition, and \$444,312 interest, as the terms of the agreement stipulate that any unpaid interest shall be added to the principal. During fiscal 2005, the Agency repaid the City \$1,696,550 of principal and \$803,450 in interest. At June 30, 2005, the total amount of loans payable from the Agency to the General Fund was \$30,552,707.

INTERFUND TRANSFERS

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

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	Amount
General Fund	Capital Projects Fund	\$284,215
	Nonmajor Governmental Funds	536,894
	Internal Service Funds	78,505
Gas Tax	General Fund	1,718,508
Capital Projects Fund	Internal Service Funds	14,796
Nonmajor Governmental Funds	Capital Projects Fund	4,941,451
	Internal Service Funds	9,468
Water Utility	General Fund	1,749,120
	Sanitation District Enterprise Fund	1,128,140
	Internal Service Funds	18,000
Sanitation District	General Fund	2,079,750
	Internal Service Funds	25,401
Nonmajor Enterprise Funds	General Fund	420,489
	Capital Projects Fund	250,000
	Internal Service Funds	51,595
Building Maintenance	Capital Projects Fund	144,326
	Internal Service Funds	2,836
		<u>\$13,453,494</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 fund’s 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, age at retirement, 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, 2005, 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%-3%	1.092%-2.418%
Required employee contribution rates	9%	8%	7%
Required employer contribution rates	14.137%	11.761%	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 amortized over a rolling 30 year period.

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:

	Safety	Miscellaneous	Redevelopment Agency Miscellaneous
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	9,972,224	7,647,417	35,742
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, 2005, 2004, and 2003 were \$5,437,617, \$3,041,371 and \$3,268,107 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	426,022	(320,242)	402.7%	-	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.

As required by new State law, effective July 1, 2005, the Miscellaneous Redevelopment Agency Plan's assets were required by CALPERS to be merged into new State-wide pool. One of the conditions of entry to this pool was that the Agency true-up any unfunded liabilities or overfunded assets in the former Plans, either by paying cash or by increasing or decreasing its future contribution rates through a Side Fund offered by CALPERS. The Agency satisfied its Miscellaneous Plan's overfunded asset of \$266,220 by agreeing to contribute that amount to the Side Fund through a reduction to its normal contribution rates over the next 99 years.

**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 \$100,000,000 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, 2005, the City contributed \$277,166 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, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Beginning balance of claims payable	\$2,833,241	\$2,505,100
Increase in estimated claims liability	3,650,603	1,922,882
Claims paid	<u>(2,768,635)</u>	<u>(1,594,741)</u>
Ending balance of claims payable	<u>\$3,715,209</u>	<u>\$2,833,241</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.

**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 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 Inventories, Prepaids, 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 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, 2005, 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	\$526,585
Operating capital		7,500,000		
Recycling				22,906
Capital projects	319,663	1,622,848		
Unrestricted, undesignated	<u>2,005,399</u>	<u>1,887,783</u>	<u>187,574</u>	
 Total unrestricted net assets	 <u><u>\$4,059,279</u></u>	 <u><u>\$14,823,178</u></u>	 <u><u>\$975,293</u></u>	 <u><u>\$549,491</u></u>

At June 30, 2005, the City had made the following Internal Service Funds fund equity designations:

	Motor Vehicles	Central Services	PBX	Information Services	Self- Insurance
Unrestricted, designated for:					
Equipment replacement	\$1,872,304	\$121,309	\$197,181	\$1,855,565	
Capital projects	760,615				
Possible future claims					\$101,189
Unrestricted, undesignated	332,201	5,367	358,034	158,037	
Total unrestricted net assets	<u>\$2,965,120</u>	<u>\$126,676</u>	<u>\$555,215</u>	<u>\$2,013,602</u>	<u>\$101,189</u>

**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 \$440,000 at June 30, 2005.

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 2005 the City made loans to four participants under this program. Fiscal 2005 CDBG loan program activity is as follows:

Beginning Balance	\$900,503
New loans	118,553
Loan repayments	<u>(256,762)</u>
Ending Balance	<u><u>\$762,294</u></u>

**Note 13.**

**DEVELOPMENT AGREEMENTS**

**Pacific Plaza**

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. 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. As of June 30, 2005, the Agency has not entered into an agreement for development of the hotel.

Currently, the developer has a \$50,000 irrevocable letter of credit in favor of the Agency as the performance deposit required under the Agreement for the successful completion of Phase III. Under the amended DDA the Agency has committed to sell several parcels of land to the developer for \$3.6 million for Phase III with inflation factors if the Phase III option is not exercised by February 2005. As of June 30, 2005, all the parcels in Phase III except one are owned by the Agency.

**Landmark**

During fiscal 2005, the Agency entered into a Disposition and Development Agreement with Landmark Daly City LLC. The developer is to construct, in Phase I of the project, a mixed-use retail and residential complex consisting of approximately 17,000 square feet ground floor retail and 95 residential condominiums; of which 15% are to be sold as affordable housing for low/moderate income households. In addition, Phase I will provide approximately 396 off-street parking spaces. The developer has first right of refusal (until July 1, 2009) to develop Phase II, which includes approximately 66,000 square feet of office space, 10,000 square feet of retail use and 40 additional off-street parking spaces. The estimated value of Phase I of the project is \$45 million and \$15 million for Phase II. Costs to the Agency include prior land purchased by the Agency of \$1.58 million and an estimated \$1.8 million of future land purchase costs. Phase I construction is projected to start in fall 2005 and be completed by spring 2007.

## **El Rancho Site**

During fiscal 2004, the Agency 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. 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 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.

## **ABHOW Senior Housing at Hillcrest**

During fiscal 2004-05, the Agency entered into a Disposition and Development Agreement (DDA) with American Baptist Homes of the West (ABHOW) to develop a senior housing project on property located on Hillcrest Drive near Mission Street. The site consists of six Agency-owned parcels totaling 17,500 square feet.

ABHOW proposes to build 39 one-bedroom apartment units, one 2-bedroom manager unit and 24 off-street parking spaces. All of these will be offered at rents affordable to households with incomes at or below 50 percent of the area median, as established by the U.S. Department of Housing and Urban Development (HUD). All of the units will be reserved for senior residents, meaning that at least one member of the household will be 62 years of age or older.

The primary funding source for the proposed project is HUD Section 202 funds. ABHOW submitted a complete application to HUD in July 2005 requesting \$4.8 million in funds for the project. Notification of applicants is expected by December 2005.

Under the terms of the DDA, the Agency will offer the site to ABHOW at a price of \$590,000, a value that is discounted substantially from the appraised market value of the \$1.785 million. In addition, the Agency will offer \$400,000 in housing set-aside funds to subsidize construction costs. An affordable housing covenant will be recorded requiring the units to remain affordable for 55 years.

In addition to Agency and HUD funds, the City of Daly City has committed \$1.73 million in federal HOME funds to the project, and the San Mateo County Housing Endowment and Regional Trust has committed \$510,000. Under the terms of the DDA, ABHOW will establish a Community Housing Development Organization (CHDO) that will own the proposed project.

If the project receives a Section 202 funding reservation, the developer will proceed with construction drawings. Construction is anticipated to begin in Spring 2007.

**Note 14.**

FUND DEFICIT

The Redevelopment Agency Special Revenue Fund had a deficit amounting to \$10,651,709, the Building Maintenance Internal Service Fund had a deficit amounting to \$265,635, and the PERS Contributions Internal Service Fund had a deficit amounting to \$398,069, at June 30, 2005. The deficits will be eliminated with future revenues.



**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, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Rents and interest	\$238,400	\$696,778	\$458,378
Receipts from other agencies	3,299,812	212,058	(3,087,754)
Charges and fees	466,750	228,867	(237,883)
Miscellaneous	3,444,718	2,326,991	(1,117,727)
Total Revenues	7,449,680	3,464,694	(3,984,986)
EXPENDITURES			
Capital projects	39,171,697	10,501,307	28,670,390
Debt Service			
Principal	104,714	104,714	
Interest	39,612	39,612	
Total Expenditures	39,316,023	10,645,633	28,670,390
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,866,343)	(7,180,939)	24,685,404
OTHER FINANCING SOURCES (USES)			
Transfers in	6,166,479	5,619,992	(546,487)
Transfers out	(14,796)	(14,796)	
Total Other Financing Sources (Uses)	6,151,683	5,605,196	(546,487)
NET CHANGE IN FUND BALANCES	(\$25,714,660)	(1,575,743)	\$24,138,917
BEGINNING FUND BALANCE		24,108,631	
ENDING FUND BALANCE		\$22,532,888	

## 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, 2005

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	\$950	\$1,276,677	\$178,150	\$806,760	\$125,401
Accounts receivable, net	64,047	184,445		437	28
Prepays	9,387				
Deposits					5,000
Notes receivable		762,294			
Total Assets	<u>\$74,384</u>	<u>\$2,223,416</u>	<u>\$178,150</u>	<u>\$807,197</u>	<u>\$130,429</u>
<b>LIABILITIES</b>					
Accounts payable	\$40,577	\$832,187	\$15		\$358
Accrued payroll	15,819	16,427			
Due to other funds	9,068				
Deferred revenue		827,530			
Total Liabilities	<u>65,464</u>	<u>1,676,144</u>	<u>15</u>		<u>358</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances		75,200			
Prepays and deposits	9,387				5,000
Restricted purposes		472,072	178,135	807,197	130,071
Imprest cash funds	950				
Unreserved, undesignated	(1,417)				(5,000)
Total Fund Balances	<u>8,920</u>	<u>547,272</u>	<u>178,135</u>	<u>807,197</u>	<u>130,071</u>
Total Liabilities and Fund Balances	<u>\$74,384</u>	<u>\$2,223,416</u>	<u>\$178,150</u>	<u>\$807,197</u>	<u>\$130,429</u>

Federal Grants	Peninsula Partnership	Total Nonmajor Governmental Funds
\$3,877,999	\$140,077	\$6,406,014
208,058	2,858	459,873
		9,387
		5,000
		762,294
<u>\$4,086,057</u>	<u>\$142,935</u>	<u>\$7,642,568</u>
\$39,313	\$3,683	\$916,133
7,080	27,321	66,647
		9,068
3,694,907		4,522,437
<u>3,741,300</u>	<u>31,004</u>	<u>5,514,285</u>
392,181		467,381
		14,387
	111,431	1,698,906
	500	1,450
(47,424)		(53,841)
<u>344,757</u>	<u>111,931</u>	<u>2,128,283</u>
<u>\$4,086,057</u>	<u>\$142,935</u>	<u>\$7,642,568</u>

CITY OF DALY CITY  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
REVENUES					
Rents and interest			\$4,807	\$15,979	
Federal programs and grants	\$206,946	\$1,328,899			
Receipts from other agencies					
Charges and fees	315,032		29,703	739,466	\$77,800
Miscellaneous	142,399	287,656			20,300
	664,377	1,616,555	34,510	755,445	98,100
EXPENDITURES					
Public safety					59,916
Public works			15,209		
Culture and recreation	1,048,278				
Economic and community development		1,236,097			
Debt service:					
Interest		136,076			
	1,048,278	1,372,173	15,209		59,916
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(383,901)	244,382	19,301	755,445	38,184
OTHER FINANCING SOURCES (USES)					
Transfers in	387,901				
Transfers out	(4,000)	(4,064,110)		(461,700)	(1,201)
	383,901	(4,064,110)		(461,700)	(1,201)
NET CHANGE IN FUND BALANCES					
		(3,819,728)	19,301	293,745	36,983
BEGINNING FUND BALANCES					
	8,920	4,367,000	158,834	513,452	93,088
ENDING FUND BALANCES					
	\$8,920	\$547,272	\$178,135	\$807,197	\$130,071

Federal Grants	Peninsula Partnership	Total Nonmajor Governmental Funds
\$103,162		\$123,948
3,463,527		4,999,372
266,672	\$730,079	996,751
		1,162,001
	362	450,717
<u>3,833,361</u>	<u>730,441</u>	<u>7,732,789</u>
1,262,988		1,322,904
		15,209
	882,866	1,931,144
2,683,974		3,920,071
		136,076
<u>3,946,962</u>	<u>882,866</u>	<u>7,325,404</u>
<u>(113,601)</u>	<u>(152,425)</u>	<u>407,385</u>
79,379	69,614	536,894
(19,908)		(4,550,919)
<u>59,471</u>	<u>69,614</u>	<u>(4,014,025)</u>
(54,130)	(82,811)	(3,606,640)
<u>398,887</u>	<u>194,742</u>	<u>5,734,923</u>
<u>\$344,757</u>	<u>\$111,931</u>	<u>\$2,128,283</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, 2005

	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	\$227,262	\$206,946	(\$20,316)	\$2,614,376	\$1,328,899	(\$1,285,477)
Receipts from other agencies						
Charges and fees	332,286	315,032	(17,254)			
Miscellaneous	138,500	142,399	3,899	150,000	287,656	137,656
<b>Total Revenues</b>	<b>698,048</b>	<b>664,377</b>	<b>(33,671)</b>	<b>2,764,376</b>	<b>1,616,555</b>	<b>(1,147,821)</b>
<b>EXPENDITURES</b>						
<b>Public Safety</b>						
Salaries and benefits						
Services and supplies						
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	562,972	510,923	52,049			
Services and supplies	558,800	519,542	39,258			
Other charges	28,818	17,813	11,005			
<b>Total Culture and Recreation</b>	<b>1,150,590</b>	<b>1,048,278</b>	<b>102,312</b>			
<b>Economic and Community Development</b>						
Salaries and benefits				617,460	554,978	62,482
Services and supplies				1,010,370	537,935	472,435
Capital outlay				110,421	5,936	104,485
Other charges				415,341	137,248	278,093
<b>Debt Service</b>						
Principal				130,924		130,924
Interest				235,478	136,076	99,402
<b>Total Economic and Community Development</b>				<b>2,519,994</b>	<b>1,372,173</b>	<b>1,147,821</b>
<b>Total Expenditures</b>	<b>1,150,590</b>	<b>1,048,278</b>	<b>102,312</b>	<b>2,519,994</b>	<b>1,372,173</b>	<b>1,147,821</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(452,542)</b>	<b>(383,901)</b>	<b>68,641</b>	<b>244,382</b>	<b>244,382</b>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	455,341	387,901	(67,440)			
Transfers out	(4,000)	(4,000)		(4,611,382)	(4,064,110)	547,272
<b>Total Other Financing Sources (Uses)</b>	<b>451,341</b>	<b>383,901</b>	<b>(67,440)</b>	<b>(\$4,611,382)</b>	<b>(4,064,110)</b>	<b>547,272</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$1,201)</b>		<b>\$1,201</b>	<b>(\$4,367,000)</b>	<b>(3,819,728)</b>	<b>\$547,272</b>
<b>BEGINNING FUND BALANCES</b>		<b>8,920</b>			<b>4,367,000</b>	
<b>ENDING FUND BALANCES</b>		<b>\$8,920</b>			<b>\$547,272</b>	



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, 2005

	FEDERAL GRANTS			PENINSULA PARTNERSHIP		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest	\$100,000	\$103,162	\$3,162			
Federal programs and grants	5,662,241	3,463,527	(2,198,714)	\$71,653		(\$71,653)
Receipts from other agencies	3,961,578	266,672	(3,694,906)	693,703	\$730,079	36,376
Charges and fees						
Miscellaneous				25,000	362	(24,638)
<b>Total Revenues</b>	<b>9,723,819</b>	<b>3,833,361</b>	<b>(5,890,458)</b>	<b>790,356</b>	<b>730,441</b>	<b>(59,915)</b>
EXPENDITURES						
Public Safety						
Salaries and benefits	336,535	204,956	131,579			
Services and supplies	1,284,090	807,099	476,991			
Capital outlay	415,394	242,864	172,530			
Other charges	19,816	8,069	11,747			
<b>Total Public Safety</b>	<b>2,055,835</b>	<b>1,262,988</b>	<b>792,847</b>			
Public Works						
Services and supplies						
Capital outlay						
Other charges						
<b>Total Public Works</b>						
Culture and Recreation						
Salaries and benefits				845,983	766,279	79,704
Services and supplies				144,512	111,789	32,723
Other charges				13,129	4,798	8,331
<b>Total Culture and Recreation</b>				<b>1,003,624</b>	<b>882,866</b>	<b>120,758</b>
Economic and Community Development						
Salaries and benefits	57,058	57,058				
Services and supplies	671,428	295,437	375,991			
Capital outlay	1,374,642	27,788	1,346,854			
Other charges	5,991,675	2,303,691	3,687,984			
Debt Service						
Principal						
Interest						
<b>Total Economic and Community Development</b>	<b>8,094,803</b>	<b>2,683,974</b>	<b>5,410,829</b>			
<b>Total Expenditures</b>	<b>10,150,638</b>	<b>3,946,962</b>	<b>6,203,676</b>	<b>1,003,624</b>	<b>882,866</b>	<b>120,758</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(426,819)	(113,601)	313,218	(213,268)	(152,425)	60,843
OTHER FINANCING SOURCES (USES)						
Transfers in	87,141	79,379	(7,762)	69,614	69,614	
Transfers out	(20,036)	(19,908)	128			
<b>Total Other Financing Sources (Uses)</b>	<b>67,105</b>	<b>59,471</b>	<b>(7,634)</b>	<b>69,614</b>	<b>69,614</b>	
NET CHANGE IN FUND BALANCES	<u>(\$359,714)</u>	<u>(54,130)</u>	<u>\$305,584</u>	<u>(\$143,654)</u>	<u>(82,811)</u>	<u>\$60,843</u>
BEGINNING FUND BALANCES		398,887			194,742	
ENDING FUND BALANCES		<u>\$344,757</u>			<u>\$111,931</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, 2005

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$919,855	\$1,053,738	\$1,973,593
Accounts receivable, net	<u>70,843</u>	<u>180,550</u>	<u>251,393</u>
Total Current Assets	<u>990,698</u>	<u>1,234,288</u>	<u>2,224,986</u>
Long-Term Assets:			
Advances to others		<u>44,597</u>	<u>44,597</u>
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	<u>443,801</u>	<u>232,367</u>	<u>676,168</u>
Total Capital Assets	<u>7,708,291</u>	<u>1,510,029</u>	<u>9,218,320</u>
Less accumulated depreciation	<u>2,339,107</u>	<u>864,820</u>	<u>3,203,927</u>
Net Capital Assets	<u>5,369,184</u>	<u>645,209</u>	<u>6,014,393</u>
Total Assets	<u>6,359,882</u>	<u>1,924,094</u>	<u>8,283,976</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	<u>15,405</u>	<u>729,394</u>	<u>744,799</u>
Long-Term Liabilities:			
Long-term interfund payable	<u>583,356</u>		<u>583,356</u>
Total Liabilities	<u>598,761</u>	<u>729,394</u>	<u>1,328,155</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,785,828	645,209	5,431,037
Unrestricted	<u>975,293</u>	<u>549,491</u>	<u>1,524,784</u>
Total Net Assets	<u>\$5,761,121</u>	<u>\$1,194,700</u>	<u>\$6,955,821</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, 2005

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$918,213		\$918,213
Lease revenue		\$375,000	375,000
Recycling revenue		1,238,410	1,238,410
Other revenues	88,639	55,077	143,716
	<u>1,006,852</u>	<u>1,668,487</u>	<u>2,675,339</u>
OPERATING EXPENSES			
Services and supplies	252,094		252,094
Transfer station charges		1,238,410	1,238,410
Utilities	119,166		119,166
Insurance	9,288	3,684	12,972
Depreciation	261,639	43,704	305,343
Other charges		4,696	4,696
	<u>642,187</u>	<u>1,290,494</u>	<u>1,932,681</u>
Operating Income	<u>364,665</u>	<u>377,993</u>	<u>742,658</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	24,454		24,454
Interest expense	(33,443)		(33,443)
	<u>(8,989)</u>		<u>(8,989)</u>
Income Before Transfers	355,676	377,993	733,669
Transfers out	(301,595)	(420,489)	(722,084)
Change in Net Assets	54,081	(42,496)	11,585
BEGINNING NET ASSETS	<u>5,707,040</u>	<u>1,237,196</u>	<u>6,944,236</u>
ENDING NET ASSETS	<u><u>\$5,761,121</u></u>	<u><u>\$1,194,700</u></u>	<u><u>\$6,955,821</u></u>

CITY OF DALY CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005

	Civic Center	Transfer Station	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$943,539	\$1,610,950	\$2,554,489
Payments to suppliers	(385,958)	(1,044,534)	(1,430,492)
<b>Cash Flows from Operating Activities</b>	<b>557,581</b>	<b>566,416</b>	<b>1,123,997</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund payments	(128,146)		(128,146)
Transfers out	(301,595)	(420,489)	(722,084)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(429,741)</b>	<b>(420,489)</b>	<b>(850,230)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Interest paid on capital debt	(33,443)		(33,443)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	24,454		24,454
<b>Net Cash Flows</b>	<b>118,851</b>	<b>145,927</b>	<b>264,778</b>
Cash and investments at beginning of period	801,004	907,811	1,708,815
Cash and investments at end of period	<u>\$919,855</u>	<u>\$1,053,738</u>	<u>\$1,973,593</u>
<b>Reconciliation of operating income to net cash flows from operating activities:</b>			
Operating income	\$364,665	\$377,993	\$742,658
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>			
Depreciation	261,639	43,704	305,343
<b>Change in assets and liabilities:</b>			
Accounts receivable	(63,313)	(57,537)	(120,850)
Accounts payable and other payables	(5,410)	202,256	196,846
<b>Cash Flows from Operating Activities</b>	<b><u>\$557,581</u></b>	<b><u>\$566,416</u></b>	<b><u>\$1,123,997</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 and mail messenger services for City departments.
- PBX - to account for services provided for the operation and maintenance of the City's telephone system.
- Building Maintenance - to account for services provided for the maintenance of City facilities.
- Information Services - to account for the distribution of computer hardware, software and operating costs to various City departments.
- Self-Insurance - to account for the costs of workers compensation, automotive, and general liability claims against the City.
- PERS 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, 2005

	Motor Vehicles	Central Services	PBX	Building Maintenance
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$3,123,346	\$159,711	\$558,003	\$103,863
Cash with fiscal agent				
Accounts receivable, net	6,953	29		
Inventories	107,939	41,985		24,990
<b>Total Current Assets</b>	<b>3,238,238</b>	<b>201,725</b>	<b>558,003</b>	<b>128,853</b>
Long-Term Assets				
Prepaid PERS contribution				
Capital Assets:				
Land				
Buildings	40,430			
Equipment	9,658,958	319,119	370,477	76,259
Furniture and fixtures				6,093
<b>Total Capital Assets</b>	<b>9,699,388</b>	<b>319,119</b>	<b>370,477</b>	<b>82,352</b>
Less Accumulated Depreciation	6,719,999	267,572	265,928	54,202
<b>Net Capital Assets</b>	<b>2,979,389</b>	<b>51,547</b>	<b>104,549</b>	<b>28,150</b>
<b>Total Assets</b>	<b>6,217,627</b>	<b>253,272</b>	<b>662,552</b>	<b>157,003</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	73,641	8,215	2,788	31,819
Accrued payroll	28,748	7,478		54,914
Accrued claims payable				
PERS obligation bonds				
<b>Total Current Liabilities</b>	<b>102,389</b>	<b>15,693</b>	<b>2,788</b>	<b>86,733</b>
Long-Term Liabilities:				
Compensated absences	170,729	59,356		335,905
Accrued claims payable				
PERS obligation bonds				
<b>Total Long-Term Liabilities</b>	<b>170,729</b>	<b>59,356</b>		<b>335,905</b>
<b>Total Liabilities</b>	<b>273,118</b>	<b>75,049</b>	<b>2,788</b>	<b>422,638</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,979,389	51,547	104,549	28,150
Restricted for debt service				
Unrestricted	2,965,120	126,676	555,215	(293,785)
<b>Total Net Assets (Deficit)</b>	<b>\$5,944,509</b>	<b>\$178,223</b>	<b>\$659,764</b>	<b>(\$265,635)</b>

Information Services	Self-Insurance	PERS Contributions	Total
\$2,162,936	\$3,812,177	\$208,358	\$10,128,394
	37,106	21,563	21,563
			44,088
			174,914
<u>2,162,936</u>	<u>3,849,283</u>	<u>229,921</u>	<u>10,368,959</u>
		<u>35,207,010</u>	<u>35,207,010</u>
	333,343		333,343
	180,000		220,430
3,938,552	1,452		14,364,817
<u>10,540</u>			<u>16,633</u>
<u>3,949,092</u>	<u>514,795</u>		<u>14,935,223</u>
<u>2,673,641</u>	<u>46,234</u>		<u>10,027,576</u>
<u>1,275,451</u>	<u>468,561</u>		<u>4,907,647</u>
<u>3,438,387</u>	<u>4,317,844</u>	<u>35,436,931</u>	<u>50,483,616</u>
47,440	30,437		194,340
29,823	2,448		123,411
	1,540,200		1,540,200
		335,000	335,000
<u>77,263</u>	<u>1,573,085</u>	<u>335,000</u>	<u>2,192,951</u>
72,071			638,061
	2,175,009		2,175,009
		35,500,000	35,500,000
<u>72,071</u>	<u>2,175,009</u>	<u>35,500,000</u>	<u>38,313,070</u>
<u>149,334</u>	<u>3,748,094</u>	<u>35,835,000</u>	<u>40,506,021</u>
1,275,451	468,561		4,907,647
		21,563	21,563
<u>2,013,602</u>	<u>101,189</u>	<u>(419,632)</u>	<u>5,048,385</u>
<u>\$3,289,053</u>	<u>\$569,750</u>	<u>(\$398,069)</u>	<u>\$9,977,595</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, 2005

	Motor Vehicles	Central Services	PBX	Building Maintenance
<b>OPERATING REVENUES</b>				
Charges to City departments	\$2,672,444	\$441,985	\$234,170	\$2,410,316
Other revenues	132,841		1,749	324,930
<b>Total Operating Revenues</b>	<b>2,805,285</b>	<b>441,985</b>	<b>235,919</b>	<b>2,735,246</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	1,144,765	260,285		2,016,719
Services and supplies	871,769	215,235	41,548	458,645
Utilities	22,255	711	153,400	156,458
Insurance	303,030	805		3,717
Claims and settlements				
Depreciation	575,562	27,566	68,747	6,385
Other charges	17,660	3,772	386	2,067
<b>Total Operating Expenses</b>	<b>2,935,041</b>	<b>508,374</b>	<b>264,081</b>	<b>2,643,991</b>
<b>Operating Income (Loss)</b>	<b>(129,756)</b>	<b>(66,389)</b>	<b>(28,162)</b>	<b>91,255</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain (loss) on sale of capital assets	6,699	(266)		
Storm damage repair expenses				
Amortization				
Interest income	84,763	4,405	15,465	3,830
Interest expense				
<b>Total Nonoperating Revenues (Expenses)</b>	<b>91,462</b>	<b>4,139</b>	<b>15,465</b>	<b>3,830</b>
<b>Income (Loss) Before Transfers</b>	<b>(38,294)</b>	<b>(62,250)</b>	<b>(12,697)</b>	<b>95,085</b>
Transfers in	26,602	59,544		66,391
Transfers out				(147,162)
<b>Net Transfers</b>	<b>26,602</b>	<b>59,544</b>		<b>(80,771)</b>
<b>Change in Net Assets</b>	<b>(11,692)</b>	<b>(2,706)</b>	<b>(12,697)</b>	<b>14,314</b>
<b>BEGINNING NET ASSETS (DEFICITS)</b>	<b>5,956,201</b>	<b>180,929</b>	<b>672,461</b>	<b>(279,949)</b>
<b>ENDING NET ASSETS (DEFICITS)</b>	<b>\$5,944,509</b>	<b>\$178,223</b>	<b>\$659,764</b>	<b>(\$265,635)</b>

<u>Information Services</u>	<u>Self-Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$1,533,645	\$2,557,588	\$2,485,714	\$12,335,862
5,493	219,231		684,244
<u>1,539,138</u>	<u>2,776,819</u>	<u>2,485,714</u>	<u>13,020,106</u>
962,305	107,328		4,491,402
244,109	188,665		2,019,971
28,296	500		361,620
1,512	1,066,763		1,375,827
	3,650,603		3,650,603
242,785	9,290		930,335
147,898	3,267		175,050
<u>1,626,905</u>	<u>5,026,416</u>		<u>13,004,808</u>
(87,767)	(2,249,597)	2,485,714	15,298
200			6,633
	(647,775)		(647,775)
		(392,990)	(392,990)
59,432	126,004	21,563	315,462
		(\$1,877,356)	(1,877,356)
<u>59,632</u>	<u>(521,771)</u>	<u>(2,248,783)</u>	<u>(2,596,026)</u>
(28,135)	(2,771,368)	236,931	(2,580,728)
48,064			200,601
			(147,162)
<u>48,064</u>			<u>53,439</u>
19,929	(2,771,368)	236,931	(2,527,289)
<u>3,269,124</u>	<u>3,341,118</u>	<u>(635,000)</u>	<u>12,504,884</u>
<u>\$3,289,053</u>	<u>\$569,750</u>	<u>(\$398,069)</u>	<u>\$9,977,595</u>

CITY OF DALY CITY  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005

	Motor Vehicles	Central Services	PBX	Building Maintenance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$2,832,920	\$441,956	\$235,919	\$2,751,079
Payments to suppliers	(1,173,412)	(209,130)	(208,382)	(638,682)
Payments to employees	(1,121,050)	(256,597)		(2,062,429)
Claims paid				
Cash Flows from Operating Activities	<u>538,458</u>	<u>(23,771)</u>	<u>27,537</u>	<u>49,968</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Transfers in	26,602	59,544		66,391
Transfers out				(147,162)
Cash Flows from Noncapital Financing Activities	<u>26,602</u>	<u>59,544</u>		<u>(80,771)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(328,512)	(9,918)		(17,284)
Proceeds from sale of capital assets	6,699	11		
Storm damage repair expenses				
Cash Flows from Capital and Related Financing Activities	<u>(321,813)</u>	<u>(9,907)</u>		<u>(17,284)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	84,763	4,405	15,465	3,830
Net Cash Flows	328,010	30,271	43,002	(44,257)
Cash and investments at beginning of period	2,795,336	129,440	515,001	148,120
Cash and investments at end of period	<u>\$3,123,346</u>	<u>\$159,711</u>	<u>\$558,003</u>	<u>\$103,863</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	(\$129,756)	(\$66,389)	(\$28,162)	\$91,255
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	575,562	27,566	68,747	6,385
Change in assets and liabilities:				
Receivables, net	27,635	(29)		15,833
Inventories	(107,939)	(41,985)	17,680	(24,990)
Other assets	99,226	46,747		20,541
Accounts and other payables	50,015	6,631	(30,728)	(13,346)
Accrued claims payable				
Accrued payroll	23,715	3,688		(45,710)
Cash Flows from Operating Activities	<u>\$538,458</u>	<u>(\$23,771)</u>	<u>\$27,537</u>	<u>\$49,968</u>

<u>Information Services</u>	<u>Self- Insurance</u>	<u>PERS Contribution</u>	<u>Total</u>
\$1,539,138	\$2,740,832	\$2,485,714	\$13,027,558
(376,043)	(1,269,077)		(3,874,726)
(953,056)	(107,559)		(4,500,691)
	(2,768,635)		(2,768,635)
<u>210,039</u>	<u>(1,404,439)</u>	<u>2,485,714</u>	<u>1,883,506</u>
		(400,000)	(400,000)
		(1,877,356)	(1,877,356)
48,064			200,601
			(147,162)
<u>48,064</u>		<u>(2,277,356)</u>	<u>(2,223,917)</u>
(105,016)			(460,730)
200			6,910
	(647,775)		(647,775)
<u>(104,816)</u>	<u>(647,775)</u>		<u>(1,101,595)</u>
<u>59,432</u>	<u>126,004</u>	<u>21,563</u>	<u>315,462</u>
212,719	(1,926,210)	229,921	(1,126,544)
<u>1,950,217</u>	<u>5,738,387</u>		<u>11,276,501</u>
<u>\$2,162,936</u>	<u>\$3,812,177</u>	<u>\$229,921</u>	<u>\$10,149,957</u>
(\$87,767)	(\$2,249,597)	\$2,485,714	\$15,298
242,785	9,290		930,335
	(35,987)		7,452
			(157,234)
			166,514
45,772	(9,882)		48,462
	881,968		881,968
9,249	(231)		(9,289)
<u>\$210,039</u>	<u>(\$1,404,439)</u>	<u>\$2,485,714</u>	<u>\$1,883,506</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, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<u>BFI</u>				
<u>Assets</u>				
Cash and investments	\$793,044	\$8,493,276	\$8,558,167	\$728,153
Receivables	657,901	2,022,492	1,993,026	687,367
Total Assets	<u>\$1,450,945</u>	<u>\$10,515,768</u>	<u>\$10,551,193</u>	<u>\$1,415,520</u>
<u>Liabilities</u>				
Deposits payable	<u>\$1,450,945</u>	<u>\$10,515,768</u>	<u>\$10,551,193</u>	<u>\$1,415,520</u>
<u>PTCRA</u>				
<u>Assets</u>				
Cash and investments	\$481,675	\$2,404,626	\$2,036,746	\$849,555
Grants receivable	361,849	6,949	361,849	6,949
Other assets	7,444	13,471	4,050	16,865
Total Assets	<u>\$850,968</u>	<u>\$2,425,046</u>	<u>\$2,402,645</u>	<u>\$873,369</u>
<u>Liabilities</u>				
Accounts payable	\$213,539	\$1,699,349	\$1,372,946	\$539,942
Due to others	637,429	725,697	1,029,699	333,427
Total Liabilities	<u>\$850,968</u>	<u>\$2,425,046</u>	<u>\$2,402,645</u>	<u>\$873,369</u>
<u>SMPHESG</u>				
<u>Assets</u>				
Cash and investments	<u>\$1,380,637</u>	<u>\$4,122,843</u>	<u>\$4,087,317</u>	<u>\$1,416,163</u>
<u>Liabilities</u>				
Accounts payable	\$80,498	\$3,979,595	\$4,056,936	\$3,157
Due to others	1,300,139	143,248	30,381	1,413,006
Total Liabilities	<u>\$1,380,637</u>	<u>\$4,122,843</u>	<u>\$4,087,317</u>	<u>\$1,416,163</u>

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<u>Carter/Martin</u>				
<u>Assets</u>				
Cash and investments	\$1,219,885	\$35,349	\$455,477	\$799,757
Receivables	1,503		1,503	
Total Assets	<u>\$1,221,388</u>	<u>\$35,349</u>	<u>\$456,980</u>	<u>\$799,757</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$1,221,388</u>	<u>35,349</u>	<u>456,980</u>	<u>\$799,757</u>
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	\$70,778	\$261,868	\$292,596	\$40,050
Accounts receivable	5,012		5,012	
Other assets	6,526	6,825		13,351
Total Assets	<u>\$82,316</u>	<u>\$268,693</u>	<u>\$297,608</u>	<u>\$53,401</u>
<u>Liabilities</u>				
Accounts payable	\$13,131	\$115,027	\$97,001	\$31,157
Due to others	69,185	153,666	200,607	22,244
Total Liabilities	<u>\$82,316</u>	<u>\$268,693</u>	<u>\$297,608</u>	<u>\$53,401</u>
 <u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,946,019	\$15,317,962	\$15,430,303	\$3,833,678
Receivables	1,026,265	2,029,441	2,361,390	694,316
Other assets	13,970	20,296	4,050	30,216
Total Assets	<u>\$4,986,254</u>	<u>\$17,367,699</u>	<u>\$17,795,743</u>	<u>\$4,558,210</u>
<u>Liabilities</u>				
Accounts payable	\$307,168	\$5,793,971	\$5,526,883	\$574,256
Deposits payable	1,450,945	10,515,768	10,551,193	1,415,520
Due to bondholders	1,221,388	35,349	456,980	799,757
Due to others	2,006,753	1,022,611	1,260,687	1,768,677
Total Liabilities	<u>\$4,986,254</u>	<u>\$17,367,699</u>	<u>\$17,795,743</u>	<u>\$4,558,210</u>

CITY OF DALY CITY  
 SCHEDULE OF MEASURE A FUNDS  
 FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
COMPARATIVE BALANCE SHEETS		
Assets - Cash	\$1,209,021	\$1,992,017
Fund Balance - Reserved for Restricted Purposes	\$1,209,021	\$1,992,017

COMPARATIVE SCHEDULES OF CHANGES IN FUND BALANCES		
Fund Balance - July 1	\$1,992,017	\$2,403,765
Revenues		
Measure A	1,209,997	1,140,970
Expenditures:		
Traffic Signal Upgrades	2,153	
Cooperative Project Development	37,554	11,294
Street Resurfacing	1,546,486	595,448
Geneva Avenue Resurfacing	104,188	15,004
Street Slurry Seal	216,083	242,954
Series Circuit Streetlights		49
Lighted Street Sign Conversion	51,861	
John Daly/I280 Bridge Widening	9,013	53,931
Junipero Serra Boulevard Pedestrian Improvement		316,025
Westlake District Exit Landscape	547	318,013
Undergrounding - Hillside Boulevard	25,108	
Total Expenditures	1,992,993	1,552,718
Fund Balance - June 30	\$1,209,021	\$1,992,017



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>
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
2005	7,886	34,600	8,437	5,838	11,051	67,812

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)

<u>Year Ended June 30</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Gas Tax</u>	<u>Utility Users Tax</u>	<u>Franchise Fees</u>	<u>Other Taxes</u>	<u>Licenses &amp; Permits</u>
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
2005	23,568	9,751	2,025	5,645	2,535	2,914	1,841

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>
\$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
2,585	3,438	7,123	7,348	2,959	71,732

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	Total Tax Collection	
						Amount	Percent of Levy
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%
2005	6,212,371	0.255	12,866	12,866	100.0%	12,866	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, Homeowners Property Tax Exemptions Tax In-lieu. 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>
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
2005	1.00	0.6060	1.6060

- (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>
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
2005	7.60	104,661	1,392	1.33%	3.336	5.7

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	
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
2005			3	15,347,657	27	12,085,621	5,474	35,786,097	1,839,081

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, 2005  
(Dollars in thousands)

Total Assessed Valuation	<u>\$6,782,916</u>
Debt Limit - 15 percent of Total Assessed Value	<u>\$1,017,437</u>
Amount of Debt Applicable to Limit	<u>\$0</u>
Legal Debt Margin	<u>\$1,017,437</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, 2005

2004-05 Assessed Valuation:	\$6,782,916,116
Redevelopment Incremental Valuation:	<u>461,375,561</u>
Adjusted Assessed Valuation:	<u><u>\$6,321,540,555</u></u>

<u>OVERLAPPING TAX &amp; ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/05</u>
San Mateo Community College District	6.567 %	\$10,578,173
South San Francisco Unified School District	12.237	4,209,148
Jefferson Union High School District	50.880	12,814,128
Brisbane School District	23.954	1,916,425
Jefferson School District	85.486	28,680,553
City of Daly City 1915 Act Bonds	100.000	440,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<u><u>\$58,638,427</u></u>

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
San Mateo County General Fund Obligations	6.567 %	\$27,357,130
San Mateo County Board of Education Certificates of Participation	6.567	301,097
San Mateo County Flood Control District Certificates of Participation	33.396	4,837,411
San Mateo Community College District Certificates of Participation	6.567	2,028,218
South San Francisco Unified School District Certificates of Participation	12.237	291,852
City of Daly City Pension Obligations	100.000	35,835,000
<b>TOTAL DIRECT &amp; OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<u><u>\$70,650,708</u></u>

**COMBINED TOTAL DEBT** \$129,289,135 (1)

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

Ratios to 2004-05 Assessed Valuation:  
Total Overlapping Tax and Assessment Debt 0.86%

Ratios to Adjusted Assessed Valuation:  
Combined Direct Debt \$35,835,000 0.57%  
Combined Total Debt 2.05%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

Source: California Municipal Statistics, Inc.

CITY OF DALY CITY

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2005

<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	\$170,198,844	2.6%
Daly City Serramonte Center LLC	Commercial	\$139,110,502	2.1%
HPMC Pacific Plaza LLC	Commercial	\$124,659,822	1.9%
Westlake Kimco	Commercial	\$78,502,762	1.2%
John Daly Blvd Associates LP	Apartments	\$57,602,064	0.9%
LINC Franciscan Mobile Home Pk	MH Park	\$43,629,304	0.7%
Serramonte Corporate Center	Commercial	\$34,494,021	0.5%
Met Life (Skyline Heights Apartments)	Apartments	\$33,324,106	0.5%
Lavaca Portfolio Investors	Apartments	\$30,244,217	0.5%
Daly City Partners (Serramonte Plaza)	Commercial	\$28,613,913	0.4%
Serramonte Medical Lessee	Commercial	\$18,782,027	0.3%
Bay Apartment Communities (501 King)	Apartments	\$15,586,002	0.2%
American Stores Properties, Inc.	Commercial	\$13,231,691	0.2%
Daly City Land (Serramonte Plaza)	Commercial	\$11,248,014	0.2%
JS Group LLC (2171 Junipero Serra)	Commercial	\$10,100,000	0.2%
MAAS Commons	Apartments	\$9,995,343	0.2%
SUBTOTAL		<u>\$819,322,632</u>	<u>12.6%</u>
TOTAL DALY CITY ASSESSED VALUATION		<u>\$6,497,074,020</u>	

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

CITY OF DALY CITY

PRINCIPAL EMPLOYERS

June 2005

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	PART TIME EMPLOYEES	FULL TIME EMPLOYEES	TOTAL EMPLOYEES
Seton Medial Center	1,069 <sup>1</sup>	642	1,711
City of Daly City	241	534	775
Jefferson Elementary School District	235	483	718
Genesys Telecommunications Laboratories	2	712	714
Jefferson High School District	300	400	700
U.S. Postal Service – Including Int'l Mail Facility	44 <sup>2,3</sup>	540 <sup>2,3</sup>	584
St. Francis Convalescent Pavilion/Heights	122	228	350
Cow Palace	23	322	345
Target Serramonte	231	99	330
Macy's	211	85	296
McDonald's (4 stores)	50 <sup>3</sup>	190 <sup>3</sup>	240
Walgreen's (3 stores)	141 <sup>3</sup>	17 <sup>3</sup>	158
Century Theaters	125	25	150
Digidesign	0	150	150
Safeway	102	46	148
Mervyn's	126	16	142
Joe's of Westlake	64	48	112
Starbucks Coffee (5 stores)	96	11	107
Westlake Village Apartments	5	93	98
Albertson's/Save-On Drugs	70	14	84
Pacific Gas & Electric	0	81	81

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

Notes:

- <sup>1</sup> Includes 400 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> Estimate from 2004 or earlier data, current statistic not available

CITY OF DALY CITY  
INSURANCE IN FORCE  
JUNE 30, 2005

Types and Details of Coverage	Coverage Limits
1. MUNICIPAL (GENERAL) AND AUTOMOBILE LIABILITY	
a. Self-insured bodily injury, property damage, errors & omissions	\$250,000
b. Liability excess bodily injury, property damage, errors and omissions, excess of \$250,000 self-insured retention	19,750,000
2. AUTO PHYSICAL DAMAGE	
Comprehensive coverage \$10,000 deductible per occurrence.	Fleet Replacement
Loss limit - total insured values	Value
3. PROPERTY COVERAGE	
Blanket coverage on all owned buildings and contents at replacement cost for all risks including fire, lightning, windstorm, theft, riot, vandalism, etc. Also includes boiler & machinery coverage.	
Total insured values	124,012,339
Loss of rental income	2,500,000
Course of construction	25,000,000
Extra expense	25,000,000
4. PUBLIC OFFICIAL BONDS	
Faithful Performance bonds for:	
City Clerk	50,000
City Treasurer	200,000
Finance Director	100,000
5. WORKERS' COMPENSATION	
a. Self-insured retention on-the-job injuries	350,000
b. Workers' compensation excess on-the-job injuries	100,000,000
6. OTHER	
a. Employees dishonesty and faithful performance coverage per loss	1,000,000
b. Travel accident bodily injuries of Class I employees traveling	100,000/500,000
c. Special events general liability for tenants and permittees	1,000,000
d. Volunteer worker coverage	
Accidental death/dismemberment/ medical	25,000

Source: City of Daly City Risk Management

CITY OF DALY CITY

MISCELLANEOUS STATISTICAL INFORMATION

As of June 30, 2005

City Type	General Law, founded March 22, 1911
Form of Government	Council - Manager
Population	104,661 as of January 1, 2005 per State Department of Finance
Land Area	7.60 Square miles
Municipal Water System	11 Reservoirs with 23,000,000 gallons storage capacity 7,740,000 Gallons daily average distribution 205 Miles of mains 23,200 Services connections
Sanitary Sewer System	1 Treatment Plant 187 Miles of mains 24,900 Service connections
Police Protection	1 Station 120 Officers 20 Crossing guards 38 Patrol vehicles
Fire Protection	5 Stations 78 Firefighters 12 Fire apparatus 1,472 Fire hydrants
Assessed Valuation	\$6,673,746,916
Parks and Recreation	6 Community centers 5 Clubhouses 2 Gymnasiums 14 Parks 2 Pools (with school district) 11 Tot lots 13 Tennis courts 200+ Acres of parklands 1 Senior center 1 Performing Arts Center

Source: City of Daly City

