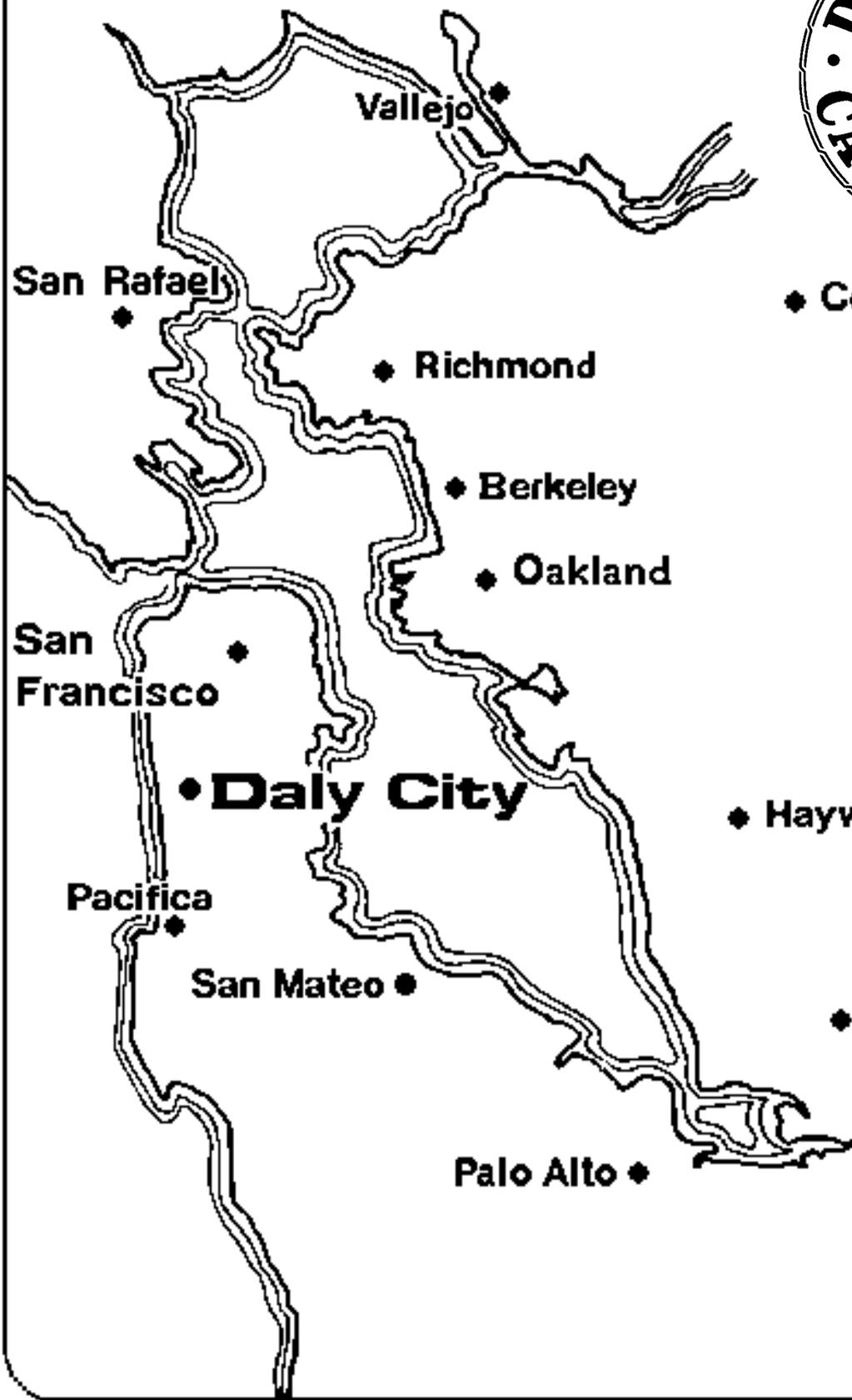


COMPREHENSIVE

**ANNUAL
FINANCIAL
REPORT**

**GATEWAY
of the
PENINSULA
CITY OF DALY CITY
CALIFORNIA**

for the FISCAL YEAR ended June 30, 2008



◆ Concord

◆ Hayward

◆ Fremont

Palo Alto ◆

San Jose



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

JUNE 30, 2008



Prepared by
DEPARTMENT OF FINANCE
AND
ADMINISTRATIVE SERVICES

Donald W. McVey
Director



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF DALY CITY

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CITY OF DALY CITY

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

October 24, 2008

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, 2008. 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 106,000 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 accounts 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 Manager 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. Individual budgets for each of the two years covered by the biennial budget are appropriated separately. Departments are responsible for managing within the City Council appropriated budget. 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

When the City's CAFR was published a year ago, we were cautiously optimistic about the coming year. Now, a year later, what has come to pass is unlike what was anticipated. Daly City normally does better than other California cities in economic downturns because of a broad revenue base grounded in local property tax. With the housing market meltdown, the City's otherwise stable base revenue source will be affected. Although during the first quarter of fiscal 2009 housing sales are actually greater than in 2008, sales prices have declined significantly and this will definitely reduce total assessed values. Since the City's revenues lag the market by more than a year, it will be some time before we are able to assess the full impact of the global financial crisis on Daly City.

Sales tax has already declined by three percent in the first quarter of fiscal 2009 over the same period in 2008. There is no good news in the retail sector and this does not bode well for holiday 2008 results. Where as in 2008 much of the decline in general retail sales was made up for in the increased sales tax on fuel, the rapid drop in prices in the beginning of fiscal 2009 will mean an overall decline in sales tax revenues.

As a result of tightening credit markets, building-related revenues are also declining. Permit fees for new construction including remodels have dropped and are expected to be low throughout fiscal 2009. The City will also be negatively impacted in the Gas Tax special revenue fund because in California gas tax is based on volume sold, which has also declined along with the price.

As of the first quarter of fiscal 2009 management has begun reducing expenditures in all areas. A soft hiring freeze, prior authorization for all travel and training and a suspension of all noncritical General Fund capital expenditures will help to soften the blow of what the declining economy will surely hold for the City of Daly City. At this point the goal is to be as proactive as possible while trying not to overreact so that the City can maintain the highest level of service to the community that available revenues will allow.

The City's two major enterprise funds, the Water Utility and Sanitation District, have experienced continually increasing costs. This is due to additional regulatory requirements, along with State fees not previously levied 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 every year, resulting in increasing rates to our residents. On the plus side, we continue

to pump local well water for about half of the community's needs, which somewhat mitigates the need for rate increases.

Both the water utility and the Sanitation District, whose charges are based on winter water usage, are dependent on how much water is consumed. In turn, consumption level is dependent on water availability (both how much it rains, or if not, whether we experience drought conditions), and conservation measures. The Sanitation District sees the impact on revenues in the following fiscal year, as there is a one-year lag in calculating charges for the District.

Long-term Financial Planning

The Major Capital Plan, which has been a foremost focus for the last 10 years, is now effectively complete. For the first time we have extended the planning horizon to 20 years in the Capital Plan that was just adopted along with the Biennial Budget for fiscal years 2009 and 2010. The next five year period will be one of relatively low activity, more typical of the time before our major capital effort began. We anticipate using this period to reflect on our major upcoming capital needs and the methods that might be available to fund them.

The water utility is moving forward with a major improvement project in the Bayshore District. A replacement reservoir with substantially increased capacity along with a new pump station and piping is under construction and will increase the capability for delivery to the developments in the area. These improvements to water delivery capacity will allow for future development in this area of the City when the economy inevitably recovers.

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

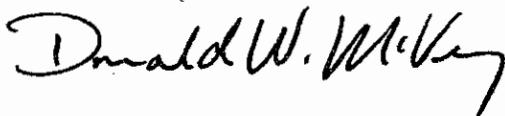
The Government Finance Officers Association awards a Certificate of Achievement for Excellence in Financial Reporting to those entities whose annual financial reports are judged to conform substantially to high standards of public financial reporting, including generally accepted accounting principles 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 2007. 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 2005 reports received the Outstanding Award. Beginning with the 2006 fiscal year the CSMFO has chosen to discontinue its awards program for those cities who participate in the national program, so Daly City is no longer eligible to participate in the state program. It is our belief that the accompanying fiscal year 2008 financial report meets the same high standards, and it will be submitted 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 2007 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 2008. 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



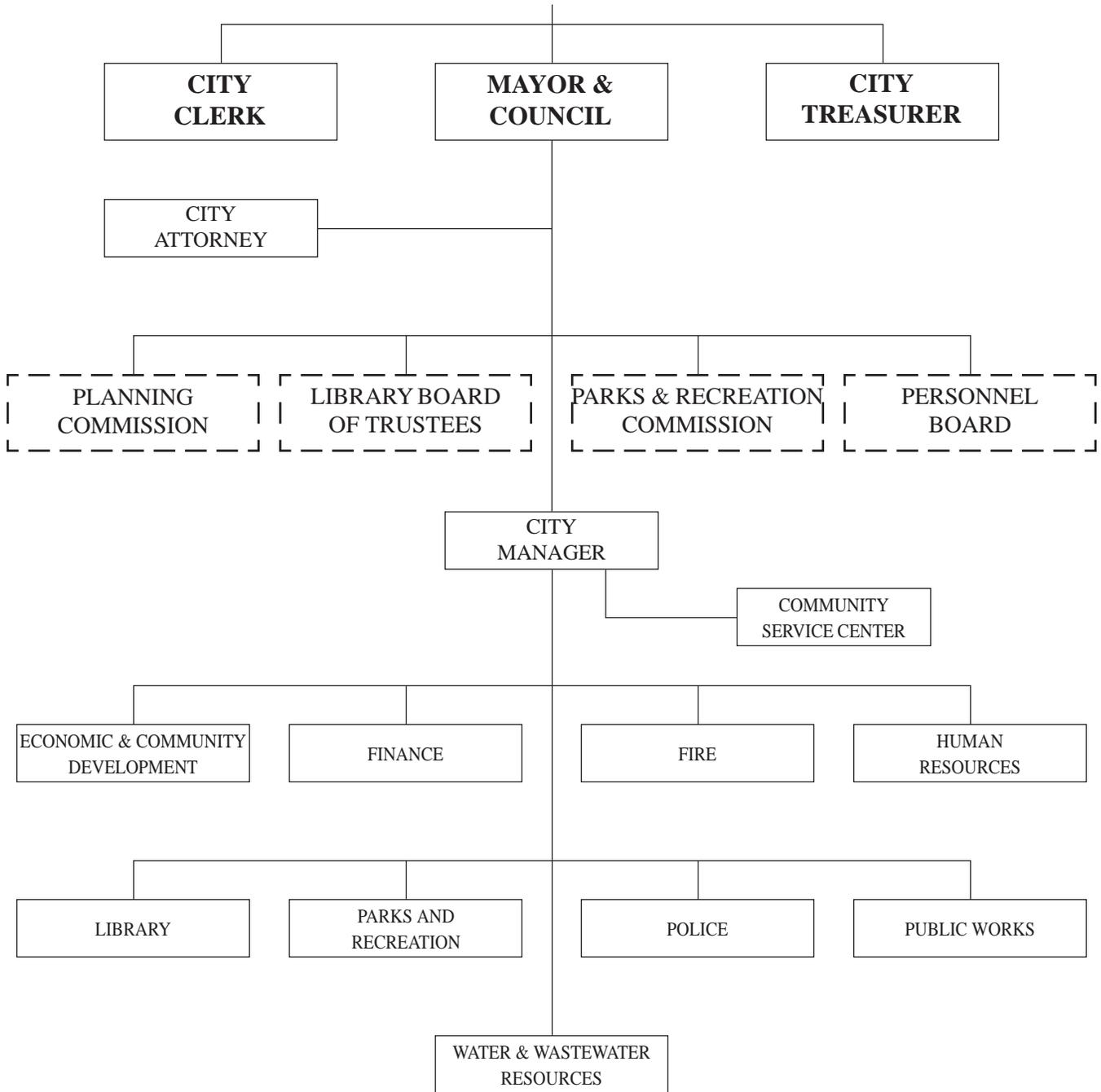
Patricia E. Martel
City Manager



City of Daly City ORGANIZATION STRUCTURE

Fiscal Years 2008-2009 and 2009-2010

CITIZENS OF DALY CITY



----- ADVISORY BOARDS & COMMISSIONS

**CITY OF DALY CITY
CITY COUNCIL
JUNE 30, 2008**

Carol L. Klatt, Mayor

Maggie Gomez, Vice Mayor

Judith Christensen

Michael P. Guingona

Sal Torres

ADMINISTRATION AND DEPARTMENT HEADS

Patricia E. Martel	City Manager
Rose Zimmerman	City Attorney
Maria Cortes	City Clerk
Anthony J. Zidich	City Treasurer
Ron Myers	Fire Chief
Gary S. McLane	Police Chief
Carol Simmons	Library Director
Patrick Sweetland	Acting Director of Public Works
Shawna Marques-Maltbie	Director of Human Resources
Michael F. Stallings	Director of Parks & Recreation
Patrick Sweetland	Director of Water & Wastewater Resources
Donald W. McVey	Director of Finance and Administrative Services
Richard Berger	Director of Economic & Community Development

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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emmer

Executive Director

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, 2008, 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 in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to 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, 2008 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of the City of Daly City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Maze & Associates

October 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Daly City's financial results provides an overview of the City's financial activities for the year ended June 30, 2008.

FISCAL 2008 FINANCIAL HIGHLIGHTS

- At June 30, 2008, net assets totaled \$258.2 million, an increase of \$7.6 million from the prior year total of \$250.6 million.
- Total City revenues, including program and general revenues, were \$122.1 million, while total expenses were \$114.5 million in fiscal 2008. Total capital assets decreased \$3.6 million.
- Net assets in governmental funds were \$161.3 million, while net assets in business-type funds were \$96.9 million.
- Governmental program revenues were \$23.5 million compared with \$24.2 million in fiscal 2007. Business-type program revenues were \$32.9 million compared with \$29.9 million in fiscal 2007.
- Governmental general revenues of \$62.6 million represent an increase of \$3.9 million over the prior year. Business-type general revenues were \$3.0 million, a decrease of \$0.1 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 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 in its capacity 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 fiscal agent for 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 62,920	\$ 59,074	\$ 32,157	\$ 27,261	\$ 95,077	\$ 86,335
Other assets	60,356	58,338	5,010	4,719	65,366	63,057
Capital assets	<u>97,353</u>	<u>99,026</u>	<u>75,632</u>	<u>77,539</u>	<u>172,985</u>	<u>176,565</u>
Total assets	<u>220,629</u>	<u>216,438</u>	<u>112,799</u>	<u>109,519</u>	<u>333,428</u>	<u>325,957</u>
Long-term liabilities	42,374	40,711	13,231	15,556	55,605	56,267
Other liabilities	<u>17,000</u>	<u>16,055</u>	<u>2,643</u>	<u>3,067</u>	<u>19,643</u>	<u>19,122</u>
Total liabilities	<u>59,374</u>	<u>56,766</u>	<u>15,874</u>	<u>18,623</u>	<u>75,248</u>	<u>75,389</u>
Net assets:						
Invested in capital assets, net of related debt	92,883	93,380	62,401	61,675	155,284	155,055
Restricted	13,869	9,032	4,219	4,372	18,088	13,404
Unrestricted	<u>54,503</u>	<u>57,260</u>	<u>30,305</u>	<u>24,849</u>	<u>84,808</u>	<u>82,109</u>
Total net assets	<u>\$ 161,255</u>	<u>\$ 159,672</u>	<u>\$ 96,925</u>	<u>\$ 90,896</u>	<u>\$ 258,180</u>	<u>\$ 250,568</u>

Governmental Activities

The City's net assets from governmental activities increased \$1.6 million (1.0 percent) to \$161.3 million in 2008 from \$159.7 million in 2007. This increase is the Change in Net Assets reflected in the Statement of Activities, as shown in Table 2, and is explained below.

- Cash and investments increased \$3.8 million principally as a result of increases in property tax, sales tax and utility users tax revenues, and the receipt in 2008 of \$1.0 million federal grants that were accrued in June 2007. These increases were offset by \$2.2 million cash transfer from the Redevelopment Agency to the Water Utility enterprise fund for water system improvements in the Bayshore area. Other individual increases and decreases are not considered material.
- Other assets increased \$2.0 million primarily due to the \$4.0 million increase in property held for redevelopment offset by the \$1.5 million amortization of prepaid PERS contributions and the receipt in 2008 of \$1.0 million federal grants that were accrued in June 2007. Other individual increases and decreases are not considered material.
- Capital assets decreased \$1.7 million mainly due to depreciation. This decrease in capital assets was accompanied by a \$0.5 million decrease in net assets invested in capital assets.

- Restricted net assets increased \$4.8 million while unrestricted net assets decreased \$2.8 million. Unrestricted net assets of \$54.5 million are available to finance on-going operations, before allowance for such things as cash flow requirements and other planned but not legally committed expenditures.

Business-type Activities

The net assets of business-type activities increased \$6.0 million (6.6 percent) to a total of \$96.9 million in fiscal 2008 from \$90.9 million in 2007. Increases and decreases of individual assets and liabilities are not considered material.

- Cash and investments increased \$4.9 million due to higher enterprise fund revenues, particularly water sales & sewer service charges plus the \$2.2 million cash transfer from the Redevelopment Agency to the Water Utility enterprise fund for water system improvements in the Bayshore area.
- Long-term liabilities decreased \$2.3 million due to payments made on both the Water Utility and Sanitation District Certificates of Participation.
- The City continues to invest in infrastructure and major capital improvements in its enterprise funds including replacing reservoir 2B, installing a generator at reservoir 5, improving the tertiary treatment system, and the installation of a second emergency generator in the plant. The excess of the 2008 depreciation expense over the additions resulted in the \$1.9 million net decrease in net capital assets during 2008. This was accompanied by a \$0.7 million increase in net assets invested in capital assets net of related debt.
- Restricted net assets decreased \$0.2 million due to lower cash held by the trustee for the Sanitation District Certificates of Participation which will be paid off in fiscal 2009. Unrestricted net assets increased \$5.5 million.

CHANGES IN NET ASSETS

Table 2 shows that total revenues increased \$6.1 million in fiscal 2008. The increase is the result of a \$2.5 million increase in property tax due to increased assessed values of properties in Daly City, \$0.7 million increase in sales tax resulting mainly from the renovations in the Westlake Shopping Center with better new stores and restaurants, the move of City Toyota to a much bigger location, and the increases in water sales and sewer service charges as a result of 10 percent increases in both water and sewer rates. Other individual increases and decreases are not considered material. Expenses increased \$5.1 million or 6.2 percent for governmental activities while business-type activity expenses increased \$2.6 million or 10 percent.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 11,461	\$ 12,557	\$ 32,891	\$ 29,886	\$ 44,352	\$ 42,443
Operating grants & contributions	9,780	10,128	-	-	9,780	10,128
Capital grants & contributions	<u>2,307</u>	<u>1,504</u>	<u>-</u>	<u>-</u>	<u>2,307</u>	<u>1,504</u>
Total program revenues	<u>23,548</u>	<u>24,189</u>	<u>32,891</u>	<u>29,886</u>	<u>56,439</u>	<u>54,075</u>
General revenues:						
Property tax	30,647	28,284	1,390	1,301	32,037	29,585
Sales tax	11,411	10,678			11,411	10,678
Motor vehicle in-lieu	471	570			471	570
Other taxes	13,583	12,967			13,583	12,967
Investment earnings	4,014	4,259	1,139	1,224	5,153	5,483
Other	<u>2,515</u>	<u>2,029</u>	<u>465</u>	<u>621</u>	<u>2,980</u>	<u>2,650</u>
Total general revenues	<u>62,641</u>	<u>58,787</u>	<u>2,994</u>	<u>3,146</u>	<u>65,635</u>	<u>61,933</u>
Total revenues	<u>86,189</u>	<u>82,976</u>	<u>35,885</u>	<u>33,032</u>	<u>122,074</u>	<u>116,008</u>
Expenses:						
General government	8,370	7,444			8,370	7,444
Public safety	41,516	39,270			41,516	39,270
Public works	6,278	6,430			6,278	6,430
Streets & infrastructures	4,496	3,567			4,496	3,567
Culture & recreation	17,185	14,817			17,185	14,817
Economic & community development	6,802	8,034			6,802	8,034
Nondepartmental		287				287
Debt service	1,927	1,641			1,927	1,641
Water utility			10,778	9,288	10,778	9,288
Sewer			15,506	14,084	15,506	14,084
Civic center			599	615	599	615
Transfer station	<u>-</u>	<u>-</u>	<u>1,005</u>	<u>1,322</u>	<u>1,005</u>	<u>1,322</u>
Total expenses	<u>86,574</u>	<u>81,490</u>	<u>27,888</u>	<u>25,309</u>	<u>114,462</u>	<u>106,799</u>
Increase(decrease) in net assets before transfers	(385)	1,486	7,997	7,723	7,612	9,209
Transfers	<u>1,968</u>	<u>4,109</u>	<u>(1,968)</u>	<u>(4,109)</u>	<u>-</u>	<u>-</u>
Increase in net assets	1,583	5,595	6,029	3,614	7,612	9,209
Net assets, July 1	<u>159,672</u>	<u>154,077</u>	<u>90,896</u>	<u>87,282</u>	<u>250,568</u>	<u>241,359</u>
Net assets, June 30	<u>\$ 161,255</u>	<u>\$ 159,672</u>	<u>\$ 96,925</u>	<u>\$ 90,896</u>	<u>\$ 258,180</u>	<u>\$ 250,568</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, 2008
(in thousands)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue</u> <u>(Expense)</u>
General government	\$ 388	\$ 8,370	\$ (7,982)
Public safety	4,789	41,516	(36,727)
Public works	1,209	6,278	(5,069)
Streets & infrastructure	4,442	4,496	(54)
Culture & recreation	5,102	17,185	(12,083)
Economic & community development	4,404	6,802	(2,398)
All others	<u>3,214</u>	<u>1,927</u>	<u>1,287</u>
Total governmental activities	<u>\$ 23,548</u>	<u>\$ 86,574</u>	<u>\$ (63,026)</u>

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2008, 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 \$20.0 million at June 30, 2007 to \$21.8 million at June 30, 2008, or 9 percent. General Fund revenues increased \$2.7 million mainly due to the \$1.5 million increase in property taxes, \$0.7 million increase in sales tax, and \$0.6 million increase in utility users taxes. This increase in revenues was offset by \$3.5 million increase in General Fund expenditures mainly due to \$3.1 million increase in total salaries and benefits.

The Gas Tax Special Revenue Fund had \$3.5 million of unreserved fund balance as of June 30, 2008 compared to the \$2.7 million of unreserved fund balance as of June 30, 2007. 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 \$27.2 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 \$16.1 million in unreserved fund balance at June 30, 2008 compared to the \$16.2 million in unreserved fund balance at June 30, 2007. 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, 2008, the City had two major proprietary funds, the Water Utility fund and the Sanitation District fund.

Water Utility revenues increased \$1.0 million compared to the previous year. Revenue from water sales increased \$0.9 million or 8 percent compared to the previous year mainly due to the 10 percent water rate increase in fiscal 2008. At the same time, expenses increased \$1.5 million or 17 percent, mostly from increases in salaries and benefits and purchased water.

Sanitation District revenues increased \$1.4 million or 9 percent over the prior year. A 10 percent sewer rate increase was adopted in fiscal 2008. Sewer service charges are billed based on the previous year's winter water usage. Expenses increased \$1.5 million or 11 percent mostly from increases in salaries and benefits and increases in capital expenses.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process, and fiscal 2008 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 savings in some expenditure items realized from holding the line on services and supplies and other charges. Differences between original and final budget occur primarily due to the impact of new revenues, often from small grants or reimbursements, or the need to reallocate resources during the fiscal year. Changes to budget in fiscal 2008 are not considered material.

CAPITAL ASSETS

At the end of fiscal 2008 the City had \$173.0 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 20,706	\$ 20,706	\$ 2,863	\$ 2,863	\$ 23,569	\$ 23,569
Buildings & improvements	42,712	30,270	3,937	4,179	46,649	34,449
Streets & infrastructures	25,002	24,526			25,002	24,526
Sewage facilities			27,899	28,544	27,899	28,544
Wells & pump stations			4,649	4,825	4,649	4,825
Water reservoirs			4,015	4,149	4,015	4,149
Water mains			12,825	13,375	12,825	13,375
Sanitation subsurface lines			14,121	14,722	14,121	14,722
Equipment	6,974	6,791	3,490	3,860	10,464	10,651
Furniture & fixtures	78	44	3	6	81	50
Construction in progress	<u>1,881</u>	<u>16,689</u>	<u>1,830</u>	<u>1,016</u>	<u>3,711</u>	<u>17,705</u>
Total net capital assets	<u>\$ 97,353</u>	<u>\$ 99,026</u>	<u>\$ 75,632</u>	<u>\$ 77,539</u>	<u>\$172,985</u>	<u>\$176,565</u>

The War Memorial rebuild was completed in fiscal 2008. With a total project cost of \$14.2 million, this is the single most significant project in the entire major capital plan. This facility also includes 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 2009 fiscal year of \$11.4 million.

Various water master plan projects were completed as part of the Water Utility enterprise fund's \$0.3 million investment in additional infrastructure in 2008. The Sanitation District contributed an additional \$1.0 million 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, 2007</u>	<u>Balance at June 30, 2008</u>
<u>Capital Lease for Civic Center Energy Management Project</u> Issued August 13, 2001 Final Maturity August 13, 2010	4.69%	\$1,184	\$515	\$395
<u>HUD Section 108 Loan for Bayshore Community Center</u> Issued January 29, 2004 Final Maturity Aug. 1, 2022	2.31% to 6.01%	\$4,500	\$4,226	\$4,074
<u>Pension Obligation Bonds</u> Issued June 1, 2004 Final Maturity June 1, 2024	2.65% to 5.896%	\$36,235	\$35,065	\$34,520
<u>Refinancing Certificates of Participation for Sanitation District Capacity Expansion</u> Issued Oct. 17, 2002 Final Maturity June 1, 2009	2.0% to 2.5%	\$10,475	\$2,625	\$855
<u>State Water Resources Control Board Revolving Fund Loan for Sanitation District Recycled Water Project</u> Issued November 18, 2003 Final Maturity December 1, 2024	2.5%	\$4,450	\$4,146	\$3,961
<u>Certificates of Participation for Bayshore Water Utility Master Plan Project</u> Issued June 24, 2004 Final Maturity June 1, 2024	3.0% to 5.0%	\$9,860	\$8,785	\$8,415
<u>Redevelopment Agency HELP Loan from California Housing Finance Agency</u> Issued January 30, 2007 Final Maturity January 30, 2017	3%	\$905	\$905	\$905
<u>Redevelopment Agency Promissory Note for Gigli Property</u> Issued October 2, 2007 Final Maturity November 1, 2011	5.5%	\$2,480	\$0	\$2,480

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Consumer Price Index-All Urban Consumers was 4.2 percent for the San Francisco-Oakland-San Jose region, compared to 5.0 percent for the U.S. City Average for the year ended June 2008. This is up from the prior period, when the index was 3.4 percent locally and 2.7 percent nationally.

The Daly City annual average unemployment rate was 4.8 percent in December 2007, up from 4.6 percent in December 2006. This compares with 3.8 and 3.7 percent respectively, for San Mateo County as a whole. California, and especially Northern California, remained in an economic downturn during fiscal 2008.

Local revenues continue to be impacted with the slowdown in property sales and now the dramatic decrease in average home value. Although affected less than other areas of California, San Mateo County cannot avoid the spill-over effect from national trends. Sales tax is decreasing as a result of overall contraction in the local, State and national economy. 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 – 90th Street, Daly City California 94015. Additional information about the City of Daly City, including our biennial budget document, can be found at www.dalycity.org.



CITY OF DALY CITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 1F)	\$62,869,427	\$27,938,078	\$90,807,505
Cash with fiscal agent (Note 1F)	50,401	4,218,833	4,269,234
Accounts receivable, net	4,726,820	2,926,886	7,653,706
Inventories (Note 1G)	380,981	1,861,250	2,242,231
Prepays (Note 1G)	122,047	221,605	343,652
Notes receivable (Note 1I)	655,588		655,588
Property held for development (Note 1C)	22,561,918		22,561,918
Prepaid PERS pension contribution (Note 7)	31,909,425		31,909,425
Capital assets (Note 4)			
Nondepreciable capital assets	22,586,178	4,692,845	27,279,023
Depreciable capital assets, net	74,766,680	70,939,730	145,706,410
Total Assets	220,629,465	112,799,227	333,428,692
LIABILITIES			
Accounts payable	2,840,088	1,100,979	3,941,067
Accrued payroll	2,716,908	266,340	2,983,248
Deposits payable	1,254,411	44,890	1,299,301
Interest payable	306,345	90,405	396,750
Compensated absences (Note 1J)			
Due within one year	6,133,000	899,000	7,032,000
Due in more than one year	2,044,441	241,006	2,285,447
Accrued-claims payable (Note 9)			
Due within one year	931,640		931,640
Due in more than one year	773,293		773,293
Long-term debt (Note 5):			
Due within one year	947,785	1,429,849	2,377,634
Due in more than one year	41,426,215	11,801,308	53,227,523
Total Liabilities	59,374,126	15,873,777	75,247,903
NET ASSETS (Note 10)			
Invested in capital assets, net of related debt	92,883,528	62,401,418	155,284,946
Restricted for:			
Debt service	50,401	877,138	927,539
Capital construction		3,341,695	3,341,695
Redevelopment projects	7,093,859		7,093,859
Highways and streets	4,300,898		4,300,898
Infrastructure	1,691,951		1,691,951
Other	732,155		732,155
Total Restricted Net Assets	13,869,264	4,218,833	18,088,097
Unrestricted	54,502,547	30,305,199	84,807,746
Total Net Assets	\$161,255,339	\$96,925,450	\$258,180,789

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

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	
Governmental Activities:						
General government	\$8,370,140	\$111,829	\$180,050	\$95,918	(\$7,982,343)	(\$7,982,343)
Public safety	41,515,902	3,676,585	1,112,400		(36,726,917)	(36,726,917)
Public works	6,277,793	959,193	250,006		(5,068,594)	(5,068,594)
Streets and infrastructure	4,496,272	1,076,212	1,801,773	1,563,763	(54,524)	(54,524)
Culture and recreation	17,185,257	2,848,327	1,774,080	480,000	(12,082,850)	(12,082,850)
Economic and community development	6,802,421	2,333,758	2,070,377		(2,398,286)	(2,398,286)
Nondepartmental		454,839	2,591,702	167,284	3,213,825	3,213,825
Interest on long-term debt	1,926,468				(1,926,468)	(1,926,468)
Total Governmental Activities	86,574,253	11,460,743	9,780,388	2,306,965	(63,026,157)	(63,026,157)
Business-type Activities:						
Water Utility	10,777,580	12,960,840			\$2,183,260	2,183,260
Civic Center	598,634	985,189			386,555	386,555
Transfer Station	1,005,081	2,086,047			1,080,966	1,080,966
Sanitation District	15,506,062	16,858,914			1,352,852	1,352,852
Total Business-type Activities	27,887,357	32,890,990			5,003,633	5,003,633
Total	\$114,461,610	\$44,351,733	\$9,780,388	\$2,306,965	(63,026,157)	5,003,633
General revenues:						
Taxes:						
Property tax					30,646,825	32,036,618
Sales tax					11,411,106	11,411,106
Utility users tax					6,875,368	6,875,368
Franchise fees					2,788,859	2,788,859
Other taxes					3,919,957	3,919,957
Motor vehicle in lieu, unrestricted					470,726	470,726
Investment earnings					4,013,587	5,152,435
Miscellaneous					2,514,957	2,980,050
Transfers (Note 6)					1,967,892	(1,967,892)
Total general revenues and transfers					64,609,277	65,635,119
Change in Net Assets					1,583,120	7,612,595
Net Assets-Beginning					159,672,219	250,568,194
Net Assets-Ending					\$161,255,339	\$258,180,789

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 1F)	\$23,733,508	\$3,655,228	\$3,743,374	\$17,278,566	\$2,149,863	\$50,560,539
Accounts receivable, net	3,216,837	773,579	74,561	23,855	569,605	4,658,437
Due from other funds (Note 6)	78,083					78,083
Inventories (Note 1G)	146,068					146,068
Prepays (Note 1G)	120,847				1,200	122,047
Notes receivable (Note 11)					655,588	655,588
Long-term interfund receivables (Note 6)	29,597,471					29,597,471
Property held for development (Note 1C)			22,561,918			22,561,918
Total Assets	\$56,892,814	\$4,428,807	\$26,379,853	\$17,302,421	\$3,376,256	\$108,380,151
LIABILITIES						
Accounts payable	\$1,357,069	\$127,909	\$130,615	\$688,307	\$177,717	\$2,481,617
Accrued payroll	2,493,010		8,421		40,762	2,542,193
Due to other funds (Note 6)					78,083	78,083
Deposits payable	1,241,049		13,362			1,254,411
Deferred revenue	8,390,377				655,588	9,045,965
Long-term interfund payables (Note 6)			29,597,471			29,597,471
Total Liabilities	13,481,505	127,909	29,749,869	688,307	952,150	44,999,740
FUND BALANCES						
Fund Balance (Note 10)						
Reserved for:						
Encumbrances	85,182	780,124	48,334	538,522	22,901	1,475,063
Inventories	146,068					146,068
Prepays	120,847				1,200	122,047
Long-term interfund receivables	21,207,094					21,207,094
Property held for development (Note 10)			22,561,918			22,561,918
Restricted purposes			1,220,236		2,401,273	3,621,509
Imprest cash funds	6,684				1,600	8,284
Unreserved:						
Designated for:						
Capital projects		3,520,774		16,075,592		19,596,366
Operating capital	12,000,000					12,000,000
Undesignated, reported in:						
General Fund	9,845,434					9,845,434
Special Revenue Funds			(27,200,504)		(2,868)	(27,203,372)
Total Fund Balances (Deficits)	43,411,309	4,300,898	(3,370,016)	16,614,114	2,424,106	63,380,411
Total Liabilities and Fund Balances	\$56,892,814	\$4,428,807	\$26,379,853	\$17,302,421	\$3,376,256	\$108,380,151

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, 2008

Total fund balances reported on the Governmental Funds Balance Sheet \$63,380,411

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. 90,752,381

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	12,359,289
Accounts receivable	68,383
Inventories	234,913
Capital assets	6,600,477
Prepaid PERS pension contribution	31,909,425
Accounts payable	(358,471)
Accrued payroll	(174,715)
Interest payable	(164,646)
Accrued claims payable	(1,704,933)
Compensated absences	(688,061)
Long-term debt - due within one year	(660,000)
Long-term debt - due in more than one year	(33,860,000)

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. 9,045,965

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	(7,995,699)
Compensated absences	(7,489,380)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$161,255,339

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, 2008

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$23,406,646		\$7,240,179			\$30,646,825
Gas tax		\$1,932,708				1,932,708
Sales tax	10,414,565	1,454,206				11,868,771
Utility users tax	6,875,368					6,875,368
Franchise fees	2,788,859					2,788,859
Other taxes	4,390,683					4,390,683
Licenses and permits	1,558,126					1,558,126
Fines and forfeitures	1,986,902					1,986,902
Rents and interest	4,605,800	107,082	297,341	\$756,267	\$71,150	5,837,640
Federal programs and grants	2,067	861,554			2,934,842	3,798,463
Receipts from other agencies	779,934	2,503,972		507,858	1,145,902	4,937,666
Charges and fees	5,345,878		8,333	417,290	1,081,837	6,853,338
Miscellaneous	2,647,242		2,509	192,434	360,319	3,202,504
Total Revenues	64,802,070	6,859,522	7,548,362	1,873,849	5,594,050	86,677,853
EXPENDITURES						
Current:						
General government	7,664,184					7,664,184
Public safety	39,365,227				784,824	40,150,051
Public works	5,771,504				19,011	5,790,515
Culture and recreation	11,795,893				2,393,563	14,189,456
Economic and community development	3,256,326		2,084,900		1,513,770	6,854,996
Capital projects		4,249,355		1,960,384		6,209,739
Debt service						
Principal				120,150	152,000	272,150
Interest			1,660,396	24,176	221,980	1,906,552
Total Expenditures	67,853,134	4,249,355	3,745,296	2,104,710	5,085,148	83,037,643
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,051,064)	2,610,167	3,803,066	(230,861)	508,902	3,640,210
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt			2,480,000			2,480,000
Transfers in (Note 6)	6,222,093		55,067	510,085	626,489	7,413,734
Transfers out (Note 6)	(1,396,438)	(2,353,234)	(2,196,000)	(132,126)	(1,678)	(6,079,476)
Total Other Financing Sources (Uses)	4,825,655	(2,353,234)	339,067	377,959	624,811	3,814,258
NET CHANGE IN FUND BALANCES	1,774,591	256,933	4,142,133	147,098	1,133,713	7,454,468
BEGINNING FUND BALANCES (DEFICITS)	41,636,718	4,043,965	(7,512,149)	16,467,016	1,290,393	55,925,943
ENDING FUND BALANCES (DEFICITS)	\$43,411,309	\$4,300,898	(\$3,370,016)	\$16,614,114	\$2,424,106	\$63,380,411

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, 2008

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 \$7,454,468

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.	1,763,023
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$1,021,275, which has already been allocated to serviced funds).	(3,617,732)
Capital assets retirement is deducted from fund balance	(582,029)

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	272,150
Proceeds from the issuance of debt are deducted from fund balance	(2,480,000)
Interest accrued is deducted from fund balance	(19,916)

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	(965,754)
Compensated absences	(421,747)

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>180,657</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$1,583,120</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$21,966,941	\$21,966,941	\$23,406,646	\$1,439,705
Sales tax	9,522,041	9,522,041	10,414,565	892,524
Utility users tax	6,425,956	6,425,956	6,875,368	449,412
Franchise fees	2,908,503	2,908,503	2,788,859	(119,644)
Other taxes	4,681,887	4,681,887	4,390,683	(291,204)
Licenses and permits	1,622,141	1,622,141	1,558,126	(64,015)
Fines and forfeitures	2,686,594	2,366,594	1,986,902	(379,692)
Rents and interest	4,205,955	4,191,955	4,605,800	413,845
Federal programs and grants	3,000	3,000	2,067	(933)
Receipts from other agencies	614,033	820,206	779,934	(40,272)
Charges and fees	5,888,421	5,941,453	5,345,878	(595,575)
Miscellaneous	2,136,896	2,250,803	2,647,242	396,439
Total Revenues	62,662,368	62,701,480	64,802,070	2,100,590
EXPENDITURES:				
Current Operations:				
General Government				
Legislative:				
Salaries and benefits	164,697	164,697	163,033	1,664
Services and supplies	62,328	55,092	34,854	20,238
Other charges	19,103	19,103	25,834	(6,731)
Total Legislative	246,128	238,892	223,721	15,171
Legal:				
Salaries and benefits	755,429	755,429	644,192	111,237
Services and supplies	91,584	88,561	93,132	(4,571)
Other charges	7,536	57,536	41,385	16,151
Total Legal	854,549	901,526	778,709	122,817
Administrative				
Salaries and benefits	5,201,606	5,201,606	5,102,902	98,704
Services and supplies	1,002,221	1,017,874	1,047,403	(29,529)
Capital outlay	4,074	7,197	14,728	(7,531)
Other charges	1,627,110	1,217,644	496,721	720,923
Total Administrative	7,835,011	7,444,321	6,661,754	782,567
Total General Government	8,935,688	8,584,739	7,664,184	920,555
Public Safety				
Police:				
Salaries and benefits	18,582,595	18,723,425	19,701,426	(978,001)
Services and supplies	3,463,393	3,381,855	3,343,186	38,669
Capital outlay	64,414	66,514	52,480	14,034
Other charges	192,875	259,764	243,378	16,386
Total Police	22,303,277	22,431,558	23,340,470	(908,912)
Fire:				
Salaries and benefits	12,145,747	12,145,747	12,600,905	(455,158)
Services and supplies	1,175,729	1,249,911	1,305,418	(55,507)
Capital outlay	40,493	40,493	42,024	(1,531)
Other charges	79,031	79,031	88,287	(9,256)
Total Fire	13,441,000	13,515,182	14,036,634	(521,452)

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety Communications				
Salaries and benefits	1,706,898	1,706,898	1,732,236	(25,338)
Services and supplies	228,667	228,667	241,766	(13,099)
Capital outlay	4,000	4,000	2,858	1,142
Other charges	11,263	11,263	11,263	
Total Public Safety Communications	1,950,828	1,950,828	1,988,123	(37,295)
Total Public Safety	37,695,105	37,897,568	39,365,227	(1,467,659)
Public Works				
Salaries and benefits	4,777,353	4,777,353	4,383,107	394,246
Services and supplies	1,331,266	1,365,949	1,285,364	80,585
Capital outlay	1,000	20,510		20,510
Other charges	84,178	73,843	103,033	(29,190)
Total Public Works	6,193,797	6,237,655	5,771,504	466,151
Culture and Recreation				
Library:				
Salaries and benefits	2,408,178	2,408,178	2,436,879	(28,701)
Services and supplies	968,661	977,598	963,803	13,795
Other charges	18,897	20,934	20,324	610
Total Library	3,395,736	3,406,710	3,421,006	(14,296)
Parks and Recreation:				
Salaries and benefits	4,842,359	4,804,502	4,973,305	(168,803)
Services and supplies	3,575,897	3,644,443	3,335,068	309,375
Capital outlay	8,950	11,250	10,754	496
Other charges	69,703	67,403	55,760	11,643
Total Parks and Recreation	8,496,909	8,527,598	8,374,887	152,711
Total Culture and Recreation	11,892,645	11,934,308	11,795,893	138,415
Economic and Community Development				
Salaries and benefits	2,797,421	2,797,421	2,664,440	132,981
Services and supplies	563,424	637,406	546,223	91,183
Capital outlay	2,344	2,344	1,986	358
Other charges	52,876	48,876	43,677	5,199
Total Economic and Community Development	3,416,065	3,486,047	3,256,326	229,721
Total Expenditures	68,133,300	68,140,317	67,853,134	287,183
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,470,932)	(5,438,837)	(3,051,064)	2,387,773
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,500	2,500		(2,500)
Transfers in	6,222,093	6,222,093	6,222,093	
Transfers out	(1,096,238)	(1,374,685)	(1,396,438)	(21,753)
Total Other Financing Sources (Uses)	5,128,355	4,849,908	4,825,655	(24,253)
NET CHANGE IN FUND BALANCE	(\$342,577)	(\$588,929)	1,774,591	\$2,363,520
BEGINNING FUND BALANCE			41,636,718	
ENDING FUND BALANCE			\$43,411,309	

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gas tax	\$2,108,631	\$2,108,631	\$1,932,708	(\$175,923)
Sales tax	1,321,825	1,321,825	1,454,206	132,381
Rents and interest	120,366	120,366	107,082	(13,284)
Federal programs and grants	1,487,298	1,487,298	861,554	(625,744)
Receipts from other agencies	705,464	2,912,976	2,503,972	(409,004)
Total Revenues	<u>5,743,584</u>	<u>7,951,096</u>	<u>6,859,522</u>	<u>(1,091,574)</u>
EXPENDITURES:				
Capital projects	<u>7,184,229</u>	<u>9,172,410</u>	<u>4,249,355</u>	<u>4,923,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,440,645)</u>	<u>(1,221,314)</u>	<u>2,610,167</u>	<u>3,831,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,133,934)</u>	<u>(2,353,234)</u>	<u>(2,353,234)</u>	
NET CHANGE IN FUND BALANCES	<u>(\$3,574,579)</u>	<u>(\$3,574,548)</u>	256,933	<u>\$3,831,481</u>
BEGINNING FUND BALANCE			<u>4,043,965</u>	
ENDING FUND BALANCE			<u>\$4,300,898</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Property tax	\$5,424,321	\$5,424,321	\$7,240,179	\$1,815,858
Rents and interest	143,436	143,436	297,341	153,905
Charges and fees	6,360	6,360	8,333	1,973
Miscellaneous	200	200	2,509	2,309
	<u>5,574,317</u>	<u>5,574,317</u>	<u>7,548,362</u>	<u>1,974,045</u>
Total Revenues				
EXPENDITURES:				
Economic and Community Development:				
Salaries and benefits	445,420	445,420	393,184	52,236
Services and supplies	2,150,870	1,814,823	635,284	1,179,539
Pass thru payments	648,854	648,854	787,372	(138,518)
Other charges	511,059	847,409	269,060	578,349
	<u>3,756,203</u>	<u>3,756,506</u>	<u>2,084,900</u>	<u>1,671,606</u>
Total Economic and Community Development				
Debt Service:				
Interest	2,900,000	2,900,000	1,660,396	1,239,604
	<u>6,656,203</u>	<u>6,656,506</u>	<u>3,745,296</u>	<u>2,911,210</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,081,886)</u>	<u>(1,082,189)</u>	<u>3,803,066</u>	<u>4,885,255</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt			2,480,000	2,480,000
Transfers in			55,067	55,067
Transfers out		(2,196,000)	(2,196,000)	
		<u>(2,196,000)</u>	<u>339,067</u>	<u>2,535,067</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE	<u>(\$1,081,886)</u>	<u>(\$3,278,189)</u>	4,142,133	<u>\$7,420,322</u>
BEGINNING FUND BALANCE (DEFICIT)			<u>(7,512,149)</u>	
ENDING FUND BALANCE (DEFICIT)			<u>(\$3,370,016)</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
ASSETS					
Current Assets:					
Cash and investments (Note 1F)	\$5,731,091	\$18,735,348	\$3,471,639	\$27,938,078	\$12,308,888
Cash with fiscal agent (Note 1F)	3,341,695	877,138		4,218,833	50,401
Accounts receivable, net (Note 1H)	1,866,124	965,446	95,316	2,926,886	68,383
Inventories (Note 1G)	450,683	1,410,567		1,861,250	234,913
Prepays (Note 1G)	210,105	11,500		221,605	
Total Current Assets	11,599,698	21,999,999	3,566,955	37,166,652	12,662,585
Noncurrent Assets:					
Prepaid PERS pension contribution (Note 7)					31,909,425
Capital Assets (Note 4):					
Land	839,856	233,547	1,789,146	2,862,549	378,343
Buildings	153,943	564,546	6,753,006	7,471,495	35,817
Sewage facilities		54,527,090		54,527,090	
Wells and pump stations	6,940,874			6,940,874	
Water reservoirs	7,308,827			7,308,827	
Mains & subsurface lines	16,147,012	20,022,439		36,169,451	
Equipment	4,516,427	2,392,916	676,168	7,585,511	14,317,234
Furniture and fixtures	21,824	28,694		50,518	16,633
Construction in progress	898,255	932,041		1,830,296	622,257
Total Capital Assets	36,827,018	78,701,273	9,218,320	124,746,611	15,370,284
Less accumulated depreciation	(11,199,409)	(34,016,131)	(3,898,496)	(49,114,036)	(8,769,807)
Net Capital Assets	25,627,609	44,685,142	5,319,824	75,632,575	6,600,477
Total Noncurrent Assets	25,627,609	44,685,142	5,319,824	75,632,575	38,509,902
Total Assets	37,227,307	66,685,141	8,886,779	112,799,227	51,172,487
Current Liabilities:					
Accounts payable	451,590	574,121	15,553	1,041,264	358,471
Retentions payable	8,739	50,976		59,715	
Accrued payroll	106,754	159,586		266,340	174,715
Deposits payable	44,890			44,890	
Interest payable	30,857	59,548		90,405	164,646
Accrued claims payable (Note 9)					931,640
Compensated absences (Note 1J)	265,000	634,000		899,000	
Long-term debt (Note 5)	385,000	1,044,849		1,429,849	660,000
Total Current Liabilities	1,292,830	2,523,080	15,553	3,831,463	2,289,472
Noncurrent Liabilities:					
Compensated absences (Note 1J)	29,841	211,165		241,006	688,061
Accrued claims payable (Note 9)					773,293
Long-term debt (Note 5)	8,030,000	3,771,308		11,801,308	33,860,000
Total Noncurrent Liabilities	8,059,841	3,982,473		12,042,314	35,321,354
Total Liabilities	9,352,671	6,505,553	15,553	15,873,777	37,610,826
NET ASSETS (Note 10)					
Invested in capital assets, net of related debt	17,212,609	39,868,985	5,319,824	62,401,418	6,600,477
Restricted for:					
Debt service		877,138		877,138	50,401
Capital construction	3,341,695			3,341,695	
Unrestricted	7,320,332	19,433,465	3,551,402	30,305,199	6,910,783
Total Net Assets	\$27,874,636	\$60,179,588	\$8,871,226	\$96,925,450	\$13,561,661

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, 2008

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$12,960,840	\$152,569		\$13,113,409	
Sewer service charges		16,136,268		16,136,268	
Connection charges		570,077		570,077	
Rental income			\$985,189	985,189	
Lease revenue			375,000	375,000	
Recycling revenue			1,711,047	1,711,047	
Charges to City departments					\$14,657,853
Other revenues	228,731	86,307	150,055	465,093	513,477
Total Operating Revenues	13,189,571	16,945,221	3,221,291	33,356,083	15,171,330
OPERATING EXPENSES					
Salaries and benefits	2,839,506	6,112,283		8,951,789	5,214,666
Services and supplies	1,495,571	4,945,268	263,912	6,704,751	2,691,961
Water purchases	3,106,446			3,106,446	
Transfer station charges			957,544	957,544	
Utilities	924,121	726,571	131,222	1,781,914	394,028
Insurance	142,030	349,235	13,496	504,761	1,304,381
Claims and settlements					1,553,693
Depreciation (Note 4)	1,142,717	1,826,317	231,523	3,200,557	1,021,275
Other charges	731,903	1,370,947		2,102,850	441,932
Total Operating Expenses	10,382,294	15,330,621	1,597,697	27,310,612	12,621,936
Operating Income	2,807,277	1,614,600	1,623,594	6,045,471	2,549,394
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,389,793		1,389,793	
Gain (loss) on disposal of capital assets					(1,295)
Amortization					(1,503,585)
Interest income	258,450	788,998	91,400	1,138,848	498,938
Interest expense	(395,286)	(175,441)	(6,018)	(576,745)	(1,996,429)
Total Nonoperating Revenues (Expenses)	(136,836)	2,003,350	85,382	1,951,896	(3,002,371)
Income (Loss) Before Transfers	2,670,441	3,617,950	1,708,976	7,997,367	(452,977)
Transfers in (Note 6)	2,196,000	1,561,300		3,757,300	780,409
Transfers out (Note 6)	(3,078,501)	(2,224,618)	(422,073)	(5,725,192)	(146,775)
Net transfers	(882,501)	(663,318)	(422,073)	(1,967,892)	633,634
Change in net assets	1,787,940	2,954,632	1,286,903	6,029,475	180,657
BEGINNING NET ASSETS	26,086,696	57,224,956	7,584,323	90,895,975	13,381,004
ENDING NET ASSETS	\$27,874,636	\$60,179,588	\$8,871,226	\$96,925,450	\$13,561,661

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$13,002,139	\$16,685,174	\$3,271,158	\$32,958,471	\$15,222,408
Payments to suppliers	(6,411,267)	(7,353,452)	(2,103,390)	(15,868,109)	(4,777,006)
Payments to employees	(2,680,240)	(5,871,203)		(8,551,443)	(5,022,452)
Claims paid					(1,971,104)
Cash Flows from Operating Activities	3,910,632	3,460,519	1,167,768	8,538,919	3,451,846
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax		1,389,793		1,389,793	
Interfund receipts		306,565		306,565	
Interfund payments			(306,565)	(306,565)	
Principal paid on noncapital debt					(545,000)
Interest paid on noncapital debt					(1,998,309)
Transfers in	2,196,000	1,561,300		3,757,300	780,409
Transfers out	(3,078,501)	(2,224,618)	(422,073)	(5,725,192)	(146,775)
Cash Flows from Noncapital Financing Activities	(882,501)	1,033,040	(728,638)	(578,099)	(1,909,675)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(297,148)	(997,544)		(1,294,692)	(1,795,138)
Proceeds from sale of capital assets					8,700
Principal paid on capital debt	(370,000)	(1,955,219)		(2,325,219)	
Interest paid on capital debt	(396,365)	(181,830)	(6,018)	(584,213)	
Cash Flows from Capital and Related Financing Activities	(1,063,513)	(3,134,593)	(6,018)	(4,204,124)	(1,786,438)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	258,450	788,998	91,400	1,138,848	498,938
Net Cash Flows	2,223,068	2,147,964	524,512	4,895,544	254,671
Cash and investments at beginning of period	6,849,718	17,464,522	2,947,127	27,261,367	12,104,618
Cash and investments at end of period	\$9,072,786	\$19,612,486	\$3,471,639	\$32,156,911	\$12,359,289
Reconciliation of Operating Income to Cash Flows					
from Operating Activities:					
Operating income	\$2,807,277	\$1,614,600	\$1,623,594	\$6,045,471	\$2,549,394
Adjustments to reconcile operating income to cash flows					
from operating activities:					
Depreciation	1,142,717	1,826,317	231,523	3,200,557	1,021,275
Change in assets and liabilities:					
Accounts receivable, net	(184,886)	(260,047)	49,867	(395,066)	51,078
Inventories	65,836	12,728		78,564	(91,876)
Other assets	13,131	12,546		25,677	
Accounts payable	(97,215)	21,636	(737,216)	(812,795)	147,172
Retentions payable	7,052	(8,341)		(1,289)	
Accrued payroll	100,699	154,739		255,438	166,838
Deposits payable	(2,546)			(2,546)	
Accrued claims payable					(417,411)
Compensated absences	58,567	86,341		144,908	25,376
Cash Flows from Operating Activities	\$3,910,632	\$3,460,519	\$1,167,768	\$8,538,919	\$3,451,846

See accompanying notes to financial statements

CITY OF DALY CITY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 1F)	\$2,610,711
Receivables	1,488,960
Other assets	<u>11,593</u>
Total Assets	<u><u>\$4,111,264</u></u>
LIABILITIES	
Accounts payable	\$2,619,113
Due to others	<u>1,492,151</u>
Total Liabilities	<u><u>\$4,111,264</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

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 are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

B. MAJOR FUNDS

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

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

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

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

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 Allied Waste Services, Peninsula Traffic Congestion Relief Alliance, San Mateo Pre-Hospital Emergency Medical Services Group, Supporters of Senior Center, and Peninsula Partnership. 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 Standards 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 uses a biennial budget process whereby two individual annual budgets are adopted by City Council for all funds and component units other than the Agency Funds. Budgets are subject to public hearing before they are adopted by the City Council. Budgets are prepared on the basis of generally accepted accounting principles (GAAP basis).

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

The Doelger Senior Center Special Revenue Fund incurred expenditures in excess of its budget in the amount of \$36,233 as the result of unanticipated disbursements for the year ended June 30, 2008. Sufficient funds were available to fund these expenditures.

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	\$90,807,505
Restricted cash and investments	4,269,234
Cash and investments of the City	<u>95,076,739</u>
Cash and investments in Fiduciary Funds (separate statement)	<u>2,610,711</u>
Total cash and investments	<u><u>\$97,687,450</u></u>

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$40,000,000	\$40,000,000
San Mateo County Investment Pool	Upon Demand	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	5 Years	AA	30%	No Limit
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 Agencies	5 Years	N/A	No Limit	No Limit
Bankers Acceptances	180 Days	N/A	40%	30%
Commercial Paper	180 Days	Highest Rating Category	25%	10%
Passbook Savings Account	5 Years	N/A	\$100,000	No Limit
Money Market Mutual Funds	Upon Demand	AAA	15%	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
Repurchase Agreements	1 year	N/A	15%	No Limit
Reverse Repurchase Agreements	92 Days	N/A	15%	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
U. S. Treasury Bonds, Notes and Bills	N/A	N/A	No Limit	No Limit
U.S. Government Agency Securities and U.S. Government Sponsored Enterprise Agencies	N/A	AAA	No Limit	No Limit
State Obligations	N/A	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 Contracts	N/A	N/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	\$40,000,000
Municipal Obligations	N/A	AAA	No Limit	No Limit
Repurchase Agreements	N/A	A	No Limit	No Limit

Interest Rate Risk

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

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

Investment Type	Less than One Year	More than Ten Years	Total
U.S. Government-Sponsored Enterprise Agencies		\$2,883,632	\$2,883,632
Guaranteed Investment Contracts	\$876,375		876,375
Certificates of Deposit	32,897,000		32,897,000
Money Market Mutual Funds	3,392,859		3,392,859
California Local Agency Investment Fund	21,978,773		21,978,773
San Mateo County Investment Pool	35,271,429		35,271,429
Total Investments	\$94,416,436	\$2,883,632	97,300,068
Cash in Bank and on Hand			387,382
Total Cash and Investments			\$97,687,450

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, 2008, these investments have an average maturity of 212 days.

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2008, these investments matured in an average of 1.2 years.

Mutual Funds investments are available for withdrawal on demand and at June 30, 2008 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, 2008 are provided by Standard and Poor's except as noted.

Investment Type	AAAm	AAA	Fitch AA/V1+	Total Investments
Money Market Mutual Funds	\$3,342,458	\$50,401		\$3,392,859
San Mateo County Investment Pool			\$35,271,429	35,271,429
Total	\$3,342,458	\$50,401	\$35,271,429	38,664,288
<i>Not rated:</i>				
Certificates of Deposit				32,897,000
Guaranteed Investment Contracts				876,375
California Local Agency Investment Fund				21,978,773
<i>Exempt from rating requirement:</i>				
U.S. Government-Sponsored Enterprise Agencies				2,883,632
Total Investments				\$97,300,068

Subsequent Event

Subsequent to June 30, 2008, the City was informed that management of the San Mateo County Investment Pool removed certain investments issued by Lehman Brothers Holdings, Inc. (Lehman Brothers) from the Pool and classified them as non-performing assets due to the bankruptcy filed by Lehman Brothers. The City's proportional share of these investment loss totals \$1,745,696 as of September 30, 2008, and this unrealized loss will be distributed to the various funds in proportion to their share of interest earnings during the first quarter of fiscal 2009. This write down reflects concerns that those investments may not be collectable. Ultimate recovery, if any, is not determinable at this time.

Concentration of Credit Risk

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual City Funds in the securities of issuers other than U.S. Treasury securities, mutual funds and external investment pools. At June 30, 2008, those investments consisted of (dollars in thousands):

Reporting Unit	Issuer	Investment Type	Reported Amount
Major Proprietary Funds:			
Sanitation District Fund	FSA Capital Management Services LLC	Guaranteed Investment Contract	\$876,375

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 in arrears. At any given time, an average of one month's usage is unread and unbilled. These unbilled estimated usages have been recognized as revenue and receivables in the financial statements of the Water Utility enterprise fund.

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 of vacation each year.

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

The City's liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, compensated absences are reported only if they are still outstanding following an employee's resignation or retirement.

The changes in liability for compensated absences were as follows:

	Governmental Activities	Business Type Activities	Total
Balance July 1, 2007	\$7,730,318	\$995,098	\$8,725,416
Additions	6,296,983	960,540	7,257,523
Payments	(5,849,860)	(815,632)	(6,665,492)
Balance June 30, 2008	<u>\$8,177,441</u>	<u>\$1,140,006</u>	<u>\$9,317,447</u>
Due within one year	<u>\$6,133,000</u>	<u>\$899,000</u>	<u>\$7,032,000</u>

Compensated absences are liquidated by the fund that has recorded the liability. Governmental activities compensated absences are 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, 2008, the City had made commitments of approximately \$2.7 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, \$5,000 for all other classes of capital assets, and with useful lives exceeding two years.

The City depreciates capital assets over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is 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
Vehicle, Equipment, Furniture & Fixtures	5-20 years	Water Mains	25 years
Streets and Infrastructure	20-60 years	Sewage Collection Facilities	10-50 years
Wells and Pump Stations	40-50 years	Sewage Treatment Facilities	15-50 years
Water Reservoirs	40-99 years	Sewage Disposal Facilities	15-50 years
Park Structures & Improvements	20-30 years		

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

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

A. CAPITAL ASSET ADDITIONS AND RETIREMENTS

Capital assets at June 30 comprise:

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$20,705,468				\$20,705,468
Construction in progress	16,689,346	\$314,924	(\$582,029)	(\$14,541,531)	1,880,710
Total capital assets not being depreciated	<u>37,394,814</u>	<u>314,924</u>	<u>(582,029)</u>	<u>(14,541,531)</u>	<u>22,586,178</u>
Capital assets being depreciated:					
Buildings & improvements	41,154,941			14,169,523	55,324,464
Streets & infrastructure	61,058,970	1,201,414		777,647	63,038,031
Vehicles, equipment, furniture and fixtures	17,398,349	2,041,823	(1,032,109)	(405,639)	18,002,424
Park structures and improvements	5,611,852				5,611,852
Total capital assets being depreciated	<u>125,224,112</u>	<u>3,243,237</u>	<u>(1,032,109)</u>	<u>14,541,531</u>	<u>141,976,771</u>
Less accumulated depreciation for:					
Buildings & improvements	15,658,526	1,496,272			17,154,798
Streets & infrastructure	36,533,515	1,502,805			38,036,320
Vehicles, equipment, furniture and fixtures	10,563,252	1,409,116	(1,022,114)		10,950,254
Park structures and improvements	837,904	230,815			1,068,719
Total accumulated depreciation	<u>63,593,197</u>	<u>4,639,008</u>	<u>(1,022,114)</u>		<u>67,210,091</u>
Net depreciable assets	<u>61,630,915</u>	<u>(1,395,771)</u>	<u>(9,995)</u>	<u>14,541,531</u>	<u>74,766,680</u>
Governmental activity capital assets, net	<u>\$99,025,729</u>	<u>(\$1,080,847)</u>	<u>(\$592,024)</u>		<u>\$97,352,858</u>

The gross cost of the capital assets acquired through capital leases are as follows:

Building & improvements	\$1,184,477
Equipment and fixtures	253,422

	Balance June 30, 2007	Additions	Transfers	Balance June 30, 2008
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$2,862,549			\$2,862,549
Construction in progress	1,015,873	\$861,501	(\$47,078)	1,830,296
Total capital assets not being depreciated	<u>3,878,422</u>	<u>861,501</u>	<u>(47,078)</u>	<u>4,692,845</u>
Capital assets being depreciated:				
Buildings	7,471,495			7,471,495
Sewage facilities	54,169,930	357,160		54,527,090
Wells & pump stations	6,940,874			6,940,874
Water reservoirs	7,308,827			7,308,827
Mains & subsurface lines	36,169,451			36,169,451
Equipment	7,462,402	76,031	47,078	7,585,511
Furniture and fixtures	50,518			50,518
Total capital assets being depreciated	<u>119,573,497</u>	<u>433,191</u>	<u>47,078</u>	<u>120,053,766</u>
Less accumulated depreciation for:				
Buildings	3,292,342	242,281		3,534,623
Sewage facilities	25,625,992	1,002,006		26,627,998
Wells & pump stations	2,116,179	175,270		2,291,449
Water reservoirs	3,159,646	134,426		3,294,072
Mains & subsurface lines	8,072,448	1,150,497		9,222,945
Equipment	3,602,850	492,958		4,095,808
Furniture and fixtures	44,023	3,118		47,141
Total accumulated depreciation	<u>45,913,480</u>	<u>3,200,556</u>		<u>49,114,036</u>
Net depreciable assets	<u>73,660,017</u>	<u>(2,767,365)</u>	<u>47,078</u>	<u>70,939,730</u>
Business-type activity capital assets, net	<u>\$77,538,439</u>	<u>(\$1,905,864)</u>		<u>\$75,632,575</u>

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 programs are as follows:

Governmental Activities	
General government	\$444,285
Public safety	281,556
Public works	4,722
Culture and recreation	1,367,278
Economic and community development	2,748
Streets and infrastructure	1,517,144
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,021,275</u>
Total Governmental Activities	<u><u>\$4,639,008</u></u>
Business-Type Activities	
Water Utility	\$1,142,717
Civic Center	187,819
Transfer Station	43,704
Sanitation District	<u>1,826,317</u>
Total Business-Type Activities	<u><u>\$3,200,557</u></u>

Note 5.
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2008, are as follows:

	Original Issue Amount	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
<i>Governmental Activity Debt</i>						
2002 Capital Lease, 4.69%, due fiscal year 2011	\$1,184,477	\$515,480		\$120,150	\$395,330	\$125,785
Housing & Urban Development Section 108 Loan 2.31%-6.01%, due 2023	4,500,000	4,226,000		152,000	4,074,000	162,000
2004 Series A-1 Pension Obligation Bonds 2.650%-5.896%, due 2024	36,235,000	35,065,000		545,000	34,520,000	660,000
Redevelopment Agency:						
2007 California Housing Finance Agency Loan 3%, due 2017	1,500,000	904,670			904,670	
Promissory Note - Gigli Property 5.5%, due 2011	2,480,000		\$2,480,000		2,480,000	
Total Governmental Activity		40,711,150	2,480,000	817,150	42,374,000	947,785
<i>Business-Type Activity Debt</i>						
2002 Certificates of Participation 2%-2.5%, due 2009	10,475,000	2,625,000		1,770,000	855,000	855,000
State Water Resources Control Board Loan 2.5%, due 2025	4,450,128	4,146,376		185,219	3,961,157	189,849
2004 Certificates of Participation 3%-5%, due 2024	9,860,000	8,785,000		370,000	8,415,000	385,000
Total Business-Type Activity		15,556,376		2,325,219	13,231,157	1,429,849
Total City Long-Term Obligations		\$56,267,526	\$2,480,000	\$3,142,369	\$55,605,157	\$2,377,634

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 fiscal year 2011. Debt service is repayable from Capital Project Fund resources. As of June 30, 2008 total principal and interest remaining on the capital lease is \$432,979.

During fiscal 2004 the City entered into a \$4,500,000 note payable agreement guaranteed under the Department of Housing and Urban Development's (HUD) Section 108 Loan Guarantee Program. Proceeds from the note were used to finance the design and construction of the Bayshore Community Center. Principal payments are due annually on August 1; interest payments are due semi-annually on August 1 and February 1. Debt service is payable from future Block Grant monies. The City has pledged certain future grants revenue under Section 106 and Section 108(q) for which the City may become available and program income generated directly from the use of the loan funds to repay the note. As of June 30, 2008 total principal and interest remaining on the note is \$6,077,993. For fiscal year 2008, principal and interest paid were \$373,980 and total block grant revenues were \$1,323,983.

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

On January 30, 2007, the City's Redevelopment Agency entered into a loan agreement with California Housing Finance Agency in amount of \$1,500,000 to assist the Agency in operating a local revolving loan program which provides short-term financing for the development of homeownership and multifamily rental projects. The loan bears a simple interest rate of 3% per annum. All principal and interest payments are deferred for ten years. The balance of the loan as of June 30, 2008 is \$938,800, which consists of \$904,670 principal and \$34,130 accrued interest.

On October 2, 2007, the City's Redevelopment Agency entered into loan payable agreement with the Estate of Frank Gigli in the amount of \$2,480,000 for the acquisition of a property. The loan bears a simple interest rate of 5.5% per annum. Interest payments of \$11,367 are due monthly until November 1, 2011. The total principal in the amount of \$2,480,000 is due on November 1, 2011.

On October 17, 2002, the City, through the Daly City Public Facilities Financing Corporation, issued \$10,475,000 of 2002 Certificates of Participation 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. Proceeds from the loan were used for construction of tertiary treatment facilities and distribution pipelines in the City's Sanitation District. Principal and interest are due annually on December 1 through December 1, 2024. As long as the loan is outstanding, the City has pledged the Sanitation District Enterprise Fund revenues net of the operations and maintenance expenses but excluding depreciation and amortization, as defined in the loan agreement. As of June 30, 2008 total principal and interest remaining on the note is \$4,910,933. For fiscal year 2008, principal and interest paid were \$288,878 and total Sanitation District Enterprise net revenues were \$4,780,949.

On June 24, 2004 the City, through the Daly City Public Facilities Financing Corporation, issued \$9,860,000 of 2004 Certificates of Participation 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. The City has pledged the Water Utility Enterprise Fund revenues net of the operations and maintenance expenses but excluding depreciation and amortization, as defined in the indenture. As of June 30, 2008 total principal and interest remaining on the certificates is \$12,069,884. For fiscal year 2008, principal and interest paid were \$753,234 and total net revenues were \$2,930,657.

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

<u>Year ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$947,785	\$2,346,680	\$1,429,849	\$490,688
2010	1,095,684	2,304,016	589,596	451,092
2011	1,253,861	2,251,754	609,461	431,414
2012	3,759,000	2,110,017	629,447	411,052
2013	1,462,000	1,987,214	654,557	390,004
2014-2018	11,502,670	8,775,884	3,634,044	1,580,366
2019-2023	18,028,000	4,618,053	4,407,411	814,451
2024-2026	4,325,000	255,002	1,276,792	56,968
	<u>\$42,374,000</u>	<u>\$24,648,620</u>	<u>\$13,231,157</u>	<u>\$4,626,035</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, 2008 the amounts of current interfund balances were as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	
General Fund	Community Block Grant Special Revenue Fund	<u>\$78,083</u>

LONG-TERM INTERFUND BALANCES

The Sanitation Enterprise Fund loaned \$1.2 million 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. The loan was fully repaid during fiscal 2008.

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 5.206 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 2008 additions to loans payable amounted to \$1,580,826 of interest, as the terms of the agreement stipulate that any unpaid interest shall be added to the principal. During fiscal 2008, the Agency repaid the City \$2,500,000 in interest. At June 30, 2008, the total amount of loans payable from the Agency to the General Fund was \$29,597,471.

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

Fund Making Transfer	Fund Receiving Transfer	Transfer Amount
General Fund	Capital Projects Fund	\$365,759
	Nonmajor Governmental Funds	626,489
	Internal Service Funds	404,190
Gas Tax Special Revenue Fund	General Fund	2,133,934
	Sanitation District Enterprise Fund	219,300
Redevelopment Agency Fund	Water Utility Enterprise Fund	2,196,000
Capital Projects Fund	Internal Service Funds	77,059
	Redevelopment Agency	55,067
Water Utility Enterprise Fund	General Fund	1,624,205
	Sanitation District Enterprise Fund	1,342,000
	Internal Service Funds	112,296
Sanitation District Enterprise Fund	General Fund	2,041,881
	Internal Service Funds	182,737
Nonmajor Governmental Funds	Internal Service Funds	1,678
Nonmajor Enterprise Funds	General Fund	422,073
Internal Service Funds	Capital Projects Fund	144,326
	Internal Service Funds	<u>2,449</u>
		<u>\$11,951,443</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

All employees meeting PERS membership requirements must participate in pension plans offered by the California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees, and their beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under the Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the 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, 2008, are summarized as follows:

	<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	15.33%	15.498%	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 uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS.

The City prepaid its pension contributions with proceeds from the 2004 Series A-1 Pension Obligation Bonds (See Note 5). These prepaid contributions are reflected in the accompanying financial statements as Prepaid PERS Pension Contributions which amounted to \$31,909,425 at June 30, 2008. During fiscal 2007-2008, the amortization of the prepayment amounted to \$1,503,585. Annual Pension Costs, representing the amortization of Prepaid PERS Pension Contribution and payment of all contributions required by CALPERS, for the years ended June 30, 2008, 2007 and 2006 amounted to \$8,408,187, \$8,191,809 and \$6,861,301 respectively. The City uses an internal service fund to accumulate the debt service payments required for the Pension Obligation Bonds, charging an internal contribution rate as a percent of payroll in addition to the required contribution rates shown above.

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 payrolls on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

Three-year historical trend information is presented below:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$6,861,301	100%	---
2007	8,191,809	100%	---
2008	8,408,187	100%	---

The Plans' actuarial value (which differs from market value) and funding progress over the past three years 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
2004	\$151,480,654	\$147,379,164	\$4,101,490	97.3%	\$16,626,468	24.7%
2005	161,905,563	156,740,636	5,164,927	96.8%	17,273,192	29.9%
2006	171,284,562	166,908,479	4,376,083	97.4%	17,534,165	25.0%

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
2004	\$132,097,074	\$121,442,248	\$10,654,826	91.9%	\$25,138,773	42.4%
2005	144,665,255	132,624,755	12,040,500	91.7%	25,187,952	47.8%
2006	155,204,623	144,596,957	10,607,666	93.2%	25,793,494	41.1%

As required by new State law, effective July 1, 2005, the City's Miscellaneous Redevelopment Agency Plan was terminated, and the plan was required by CALPERS to join a new State-wide pool. One of the conditions of entry was that the City true-up any unfunded liabilities or overfunded assets in the former Plan, either by paying cash or by increasing or decreasing its future contribution rates through a Side Fund offered by CALPERS.

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

Note 8.

DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Internal Revenue Service.

The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

Note 9.

SELF-INSURANCE

The Self-Insurance Internal Service Fund was established as of January 1, 1979, to provide for payment of workers' compensation claims. At July 1, 1979, the Fund was expanded to consolidate essentially all of the City's risk management programs. Fund revenues consist of interest earnings, reimbursements of claims paid by the fund and charges to other funds. The latter is intended to match the charges for insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, operating expenses and the provision of reserves for pending and possible future claims.

The City has a self-insured retention for the first \$250,000 of general and automobile liability claims and maintains a \$10,000 deductible for property losses. Losses in excess of the retention up to \$19,750,000 on general and automobile liability are covered by purchased excess insurance. The City purchases combined property, boiler and machinery and automobile comprehensive insurance covering all but the deductible on the full value of City property. Settlements have never exceeded insurance coverage. The City expenses the incurred liabilities for claims in cases where such amounts are reasonably determinable and where the likelihood of liability exists. Included are estimates for incurred but not reported claims, which are calculated based on claims experience. In addition, the City has reserved remaining net 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 (JPA) which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$350,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$350,000,000 limit. CPEIA was established for the purpose of creating a risk management pool for all California public entities. In 2008, CPEIA merged with its parent JPA, California State Association of Counties' Excess Insurance Authority (CSAC-EIA) which is governed by a Board of Directors consisting of representatives of its member public entities. During the fiscal year ended June 30, 2008, the City contributed \$288,460 to CSAC-EIA for current year coverage. Audited financial statements for CSAC-EIA are available from CSAC-EIA 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Beginning balance of claims payable	\$2,122,344	\$2,172,692
Increase in estimated claims liability	1,553,693	2,074,074
Claims paid	<u>(1,971,104)</u>	<u>(2,124,422)</u>
Ending balance of claims payable	<u>\$1,704,933</u>	<u>\$2,122,344</u>
Current Portion	<u>\$931,640</u>	<u>\$1,876,187</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, Prepays, Notes Receivable, Long-term Interfund Receivables and Property Held for Redevelopment - 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 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, 2008, the City had made the following Enterprise Funds fund equity designations:

	Water Utility	Civic Center	Transfer Station	Sanitation District
Unrestricted, designated for:				
Equipment replacement	\$3,619,794	\$2,362,406	\$455,643	\$7,270,731
Operating capital				7,500,000
Capital projects	2,383,574			4,265,700
Unrestricted, undesignated	1,316,964		733,353	397,034
Total unrestricted net assets	<u>\$7,320,332</u>	<u>\$2,362,406</u>	<u>\$1,188,996</u>	<u>\$19,433,465</u>

At June 30, 2008, the City had made the following Internal Service Funds fund equity designations:

	Motor Vehicles	PBX	Information Services	Self- Insurance
Unrestricted, designated for:				
Equipment replacement	\$694,431	\$644,270	\$1,679,893	
Capital projects	31,114		498,427	
Possible future claims				\$4,418,565
Unrestricted, undesignated	302,440			
Total unrestricted net assets	<u>\$1,027,985</u>	<u>\$644,270</u>	<u>\$2,178,320</u>	<u>\$4,418,565</u>

Note 11.

LOANS AND NOTES RECEIVABLE

The City administers a housing rehabilitation program using Housing and Community Development Block Grant (CDBG) 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 2008 the City made loans to 2 participants under this program. Fiscal 2008 CDBG loan program activity is as follows:

Beginning Balance	\$702,169
New loans	21,556
Loan repayments	<u>(68,137)</u>
Ending Balance	<u>\$655,588</u>

Note 12.

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 construction of the first two phases, which consist of a nine-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, have been completed.

Phase III is proposed for an additional 270,000 s.f. of Class A office with some ground level retail. Phase IV (hotel site) is proposed to be a full service hotel with banquet facilities. As of June 30, 2008, all DDA's relating to the remaining Phase III and Phase IV have expired.

Landmark Site - Mission Street

This is a two-phase office, retail and residential development. The first phase consists of approximately 17,000 s.f. of retail space along Mission Street and 95 residential condominiums. At least 15% of the residential units will be provided as affordable housing units. The first phase also includes 395 off-street parking spaces to serve employees, customers, residents and visitors of the War Memorial Community Center. A portion of the parking spaces will be available for the second phase of the project. The second phase is proposed for 76,000 s.f. +/- of office and retail space when supported by the market.

During fiscal 2008, due to declining home sales prices as well as a dramatic increase in construction costs, the project fell into financial difficulty. Under the existing terms of the DDA, the developer was required to share with the Agency any increase in gross sales proceeds over a fixed price threshold negotiated many years earlier. This price threshold was based on pricing associated with anticipated housing sale prices in 2004-2006 and was so low in today's housing sales market that, even with declining sales prices, the Agency's participation, if realized, would have eliminated any return to the developer and, in fact, cause it to go negative. This was unacceptable to the developer as well as lenders considering refinancing the project for the additional \$12M +/- in cost increases. In an attempt to save this project from foreclosure, the Agency and developer renegotiated the participation clause in DDA to give both parties a modest return, assuming housing prices stabilized in the near term. The Agency's participation also had to be fully subordinated to the construction lender (the same as the original DDA) and partially subordinated to any supplemental lenders approved by the Agency.

Over the last fiscal year, construction has slowed somewhat, but is anticipated to be completed by the end of calendar year 2008.

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 committed to \$300,000 in low/moderate income housing set-aside funds to assist in the predevelopment costs for affordable senior housing of the project, of which \$150,000 has been paid by the Agency. As a part of the agreement, the developer agreed to 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 would 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 would be reimbursed to the Agency.

During fiscal 2006, the developer, upon determining the economic infeasibility of the affordable senior project, redesigned the project to include 72 condominiums, of which 15% would be affordable, and 14,750 square feet of ground floor commercial spaces. This change requires the repayment of \$150,000 to the Agency. The developer has secured the necessary planning entitlements and has secured an additional partner to finance and complete the project. Construction of the project began in 2007 and is anticipated to be completed in 2009.

In fiscal 2008 construction was well underway; however, existing primary transmission power lines impeded completion of development. The Agency assisted in relocation of these power lines by negotiating an easement with the Cow Palace and the State of California. This insured the ability of the project to proceed and be completed including the provision of 11 BMR for-sale housing units. In the latter portion of fiscal 2008, the Agency informed the developers that they were in default of the Development Agreement (DA) for failing to repay the \$150,000 in affordable housing funds that were disbursed under the DA.

ABHOW Senior Housing at Hillcrest

In fiscal 2005 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 is building 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. HUD notified ABHOW in December 2005 that a total of \$5 million has been reserved for the Hillcrest Senior project.

Under the terms of the DDA, the Agency sold the site to ABHOW at a price of \$590,000, a value that is discounted substantially from the appraised market value of \$1.785 million. In addition, the Agency is providing \$480,000 in housing set-aside funds to subsidize construction costs. An affordable housing covenant was recorded requiring the units to remain affordable for 55 years.

In addition to Agency and HUD funds, the City of Daly City has committed \$2.05 million in federal HOME funds and \$227,000 in CDBG funds to the project. The San Mateo County Housing Endowment and Regional Trust has committed \$510,000 and the San Mateo County Housing Department has committed \$395,000. Pursuant to the terms of the DDA, ABHOW has established a Community Housing Development Organization (CHDO) that will own the proposed project.

Construction of the project began in Spring of 2007 and will be completed in August of 2008.

Note 13.

FUND DEFICIT

The Redevelopment Agency Special Revenue Fund had a deficit amounting to \$3,370,016, the Building Maintenance Internal Service Fund had a deficit amounting to \$345,974, and the PERS Contributions Internal Service Fund had a deficit amounting to \$941,425 at June 30, 2008. 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, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Rents and interest	\$44,315	\$756,267	\$711,952
Receipts from other agencies	250,000	507,858	257,858
Charges and fees	451,906	417,290	(34,616)
Miscellaneous	113,097	192,434	79,337
Total Revenues	859,318	1,873,849	1,014,531
EXPENDITURES			
Capital projects	6,190,238	1,960,384	4,229,854
Debt Service:			
Principal	120,150	120,150	
Interest	24,176	24,176	
Total Expenditures	6,334,564	2,104,710	4,229,854
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,475,246)	(230,861)	5,244,385
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	555,832		(555,832)
Transfers in	513,763	510,085	(3,678)
Transfers out	(77,059)	(132,126)	(55,067)
Total Other Financing Sources (Uses)	992,536	377,959	(614,577)
NET CHANGE IN FUND BALANCES	(\$4,482,710)	147,098	\$4,629,808
BEGINNING FUND BALANCE		16,467,016	
ENDING FUND BALANCE		\$16,614,114	

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.
- Grants - to account for miscellaneous grant monies, such as HOME, law enforcement special grants, and after school safety 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 SHEET
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
ASSETS					
Cash and investments	\$18,360		\$244,980	\$1,691,951	\$75,201
Accounts receivable, net	30,200	\$157,942			
Prepays	1,200				
Notes receivable		655,588			
Total Assets	<u>\$49,760</u>	<u>\$813,530</u>	<u>\$244,980</u>	<u>\$1,691,951</u>	<u>\$75,201</u>
LIABILITIES					
Accounts payable	\$31,635	\$70,656	\$9		\$1,623
Accrued payroll	18,125	9,203			82
Due to other funds		78,083			
Deferred revenue		655,588			
Total Liabilities	<u>49,760</u>	<u>813,530</u>	<u>9</u>		<u>1,705</u>
FUND BALANCES					
Reserved for:					
Encumbrances	568				
Prepays	1,200				
Restricted purposes			244,971	\$1,691,951	73,496
Imprest cash funds	1,100				
Unreserved, Undesignated	(2,868)				
Total Fund Balances			<u>244,971</u>	<u>1,691,951</u>	<u>73,496</u>
Total Liabilities and Fund Balances	<u>\$49,760</u>	<u>\$813,530</u>	<u>\$244,980</u>	<u>\$1,691,951</u>	<u>\$75,201</u>

<u>Grants</u>	<u>Peninsula Partnership</u>	<u>Total Nonmajor Governmental Funds</u>
\$102,664	\$16,707	\$2,149,863
227,930	153,533	569,605
		1,200
		<u>655,588</u>
<u>\$330,594</u>	<u>\$170,240</u>	<u>\$3,376,256</u>
\$71,078	\$2,716	\$177,717
262	13,090	40,762
		78,083
		<u>655,588</u>
<u>71,340</u>	<u>15,806</u>	<u>952,150</u>
22,333		22,901
		1,200
236,921	153,934	2,401,273
	500	1,600
		<u>(2,868)</u>
<u>259,254</u>	<u>154,434</u>	<u>2,424,106</u>
<u>\$330,594</u>	<u>\$170,240</u>	<u>\$3,376,256</u>

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
REVENUES					
Rents and interest			\$11,397	\$59,753	
Federal programs and grants	\$18,926	\$1,235,226			
Receipts from other agencies	83,347				\$328
Charges and fees	343,960		28,146	644,765	64,966
Miscellaneous	148,274	88,756			5,000
Total Revenues	594,507	1,323,982	39,543	704,518	70,294
EXPENDITURES					
Public safety					71,506
Public works			19,011		
Culture and recreation	1,159,620				
Economic and community development		950,002			
Debt service:					
Principal		152,000			
Interest		221,980			
Total Expenditures	1,159,620	1,323,982	19,011		71,506
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(565,113)		20,532	704,518	(1,212)
OTHER FINANCING SOURCES (USES)					
Transfers in	556,875				
Transfers out					
Total Other Financing Sources (Uses)	556,875				
NET CHANGE IN FUND BALANCES	(8,238)		20,532	704,518	(1,212)
BEGINNING FUND BALANCES	8,238		224,439	987,433	74,708
ENDING FUND BALANCES (DEFICIT)			\$244,971	\$1,691,951	\$73,496

Grants	Peninsula Partnership	Total Nonmajor Governmental Funds
		\$71,150
\$1,680,690		2,934,842
386,969	\$675,258	1,145,902
		1,081,837
	118,289	360,319
<u>2,067,659</u>	<u>793,547</u>	<u>5,594,050</u>
713,318		784,824
		19,011
475,880	758,063	2,393,563
563,768		1,513,770
		152,000
		221,980
<u>1,752,966</u>	<u>758,063</u>	<u>5,085,148</u>
<u>314,693</u>	<u>35,484</u>	<u>508,902</u>
	69,614	626,489
(1,678)		(1,678)
<u>(1,678)</u>	<u>69,614</u>	<u>624,811</u>
313,015	105,098	1,133,713
(53,761)	49,336	1,290,393
<u>\$259,254</u>	<u>\$154,434</u>	<u>\$2,424,106</u>

CITY OF DALY CITY
 BUDGETED NONMAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	DOELGER SENIOR CENTER			COMMUNITY BLOCK GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest						
Federal programs and grants	\$18,926	\$18,926		\$1,752,035	\$1,235,226	(\$516,809)
Receipts from other agencies	83,347	83,347				
Charges and fees	363,280	343,960	(\$19,320)			
Miscellaneous	120,690	148,274	27,584	155,715	88,756	(66,959)
Total Revenues	586,243	594,507	8,264	1,907,750	1,323,982	(583,768)
EXPENDITURES						
Public Safety						
Salaries and benefits						
Services and supplies						
Capital outlay						
Other charges						
Total Public Safety						
Public Works						
Services and supplies						
Capital outlay						
Total Public Works						
Culture and Recreation						
Salaries and benefits	534,937	594,467	(59,530)			
Services and supplies	579,169	558,298	20,871			
Capital outlay						
Other charges	9,281	6,855	2,426			
Total Culture and Recreation	1,123,387	1,159,620	(36,233)			
Economic and Community Development						
Salaries and benefits				609,765	411,686	198,079
Services and supplies				615,608	439,555	176,053
Capital outlay				190,946	56,317	134,629
Other charges				117,451	42,444	75,007
Debt Service:						
Principal				152,000	152,000	
Interest				221,980	221,980	
Total Economic and Community Development				1,907,750	1,323,982	583,768
Total Expenditures	1,123,387	1,159,620	(36,233)	1,907,750	1,323,982	583,768
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(537,144)	(565,113)	(27,969)			
OTHER FINANCING SOURCES (USES)						
Transfers in	531,444	556,875	25,431			
Transfers out						
Total Other Financing Sources (Uses)	531,444	556,875	25,431			
NET CHANGE IN FUND BALANCES	(\$5,700)	(8,238)	(\$2,538)			
BEGINNING FUND BALANCES		8,238				
ENDING FUND BALANCES (DEFICIT)						

CITY OF DALY CITY
 BUDGETED NONMAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	GRANTS			PENINSULA PARTNERSHIP		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest						
Federal programs and grants	\$1,963,046	\$1,680,690	(\$282,356)			
Receipts from other agencies	479,278	386,969	(92,309)	\$863,619	\$675,258	(\$188,361)
Charges and fees						
Miscellaneous				60,034	118,289	58,255
Total Revenues	2,442,324	2,067,659	(374,665)	923,653	793,547	(130,106)
EXPENDITURES						
Public Safety						
Salaries and benefits	143,047	125,539	17,508			
Services and supplies	222,900	147,646	75,254			
Capital outlay	443,551	438,053	5,498			
Other charges	2,539	2,080	459			
Total Public Safety	812,037	713,318	98,719			
Public Works						
Services and supplies						
Capital outlay						
Total Public Works						
Culture and Recreation						
Salaries and benefits	426,769	253,343	173,426	808,694	631,024	177,670
Services and supplies	277,678	217,710	59,968	194,526	120,663	73,863
Capital outlay	7,364	4,402			2,039	
Other charges	5,000	425	4,575	12,566	4,337	8,229
Total Culture and Recreation	716,811	475,880	237,969	1,015,786	758,063	259,762
Economic and Community Development						
Salaries and benefits	49,053	51,413	(2,360)			
Services and supplies	504,646	504,646				
Capital outlay	544,825	7,709	537,116			
Other charges						
Debt Service:						
Principal						
Interest						
Total Economic and Community Development	1,098,524	563,768	534,756			
Total Expenditures	2,627,372	1,752,966	871,444	1,015,786	758,063	259,762
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(185,048)	314,693	499,741	(92,133)	35,484	127,617
OTHER FINANCING SOURCES (USES)						
Transfers in				69,614	69,614	
Transfers out	(1,678)	(1,678)				
Total Other Financing Sources (Uses)	(1,678)	(1,678)		69,614	69,614	
NET CHANGE IN FUND BALANCES	(\$186,726)	313,015	\$499,741	(\$22,519)	105,098	\$127,617
BEGINNING FUND BALANCES		(53,761)			49,336	
ENDING FUND BALANCES (DEFICIT)		\$259,254			\$154,434	

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, 2008

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$2,303,234	\$1,168,405	\$3,471,639
Accounts receivable, net	74,725	20,591	95,316
	<u>2,377,959</u>	<u>1,188,996</u>	<u>3,566,955</u>
Total Current Assets			
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	443,801	232,367	676,168
	<u>7,708,291</u>	<u>1,510,029</u>	<u>9,218,320</u>
Total Capital Assets			
Less accumulated depreciation	<u>(2,902,565)</u>	<u>(995,931)</u>	<u>(3,898,496)</u>
Net Capital Assets			
	<u>4,805,726</u>	<u>514,098</u>	<u>5,319,824</u>
Total Assets			
	<u>7,183,685</u>	<u>1,703,094</u>	<u>8,886,779</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>15,553</u>	<u></u>	<u>15,553</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,805,726	514,098	5,319,824
Unrestricted	<u>2,362,406</u>	<u>1,188,996</u>	<u>3,551,402</u>
Total Net Assets			
	<u>\$7,168,132</u>	<u>\$1,703,094</u>	<u>\$8,871,226</u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$985,189		\$985,189
Lease revenue		\$375,000	375,000
Recycling revenue		1,711,047	1,711,047
Other revenues	68,623	81,432	150,055
	<u>1,053,812</u>	<u>2,167,479</u>	<u>3,221,291</u>
OPERATING EXPENSES			
Services and supplies	263,912		263,912
Transfer station charges		957,544	957,544
Utilities	131,222		131,222
Insurance	9,663	3,833	13,496
Depreciation	187,819	43,704	231,523
	<u>592,616</u>	<u>1,005,081</u>	<u>1,597,697</u>
Total Operating Revenues	<u>1,053,812</u>	<u>2,167,479</u>	<u>3,221,291</u>
Total Operating Expenses	<u>592,616</u>	<u>1,005,081</u>	<u>1,597,697</u>
Operating Income	<u>461,196</u>	<u>1,162,398</u>	<u>1,623,594</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	91,400		91,400
Interest expense	(6,018)		(6,018)
	<u>85,382</u>		<u>85,382</u>
Total Nonoperating Revenues (Expenses)	<u>85,382</u>		<u>85,382</u>
Income Before Transfers	546,578	1,162,398	1,708,976
Transfers out		(422,073)	(422,073)
Change in Net Assets	546,578	740,325	1,286,903
BEGINNING NET ASSETS	<u>6,621,554</u>	<u>962,769</u>	<u>7,584,323</u>
ENDING NET ASSETS	<u><u>\$7,168,132</u></u>	<u><u>\$1,703,094</u></u>	<u><u>\$8,871,226</u></u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Civic Center	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,044,980	\$2,226,178	\$3,271,158
Payments to suppliers	(403,976)	(1,699,414)	(2,103,390)
Cash Flows from Operating Activities	641,004	526,764	1,167,768
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund payments	(306,565)		(306,565)
Transfers out		(422,073)	(422,073)
Cash Flows from Noncapital Financing Activities	(306,565)	(422,073)	(728,638)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Interest paid on capital debt	(6,018)		(6,018)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	91,400		91,400
Net Cash Flows	419,821	104,691	524,512
Cash and investments at beginning of period	1,883,413	1,063,714	2,947,127
Cash and investments at end of period	<u>\$2,303,234</u>	<u>\$1,168,405</u>	<u>\$3,471,639</u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	\$461,196	\$1,162,398	\$1,623,594
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	187,819	43,704	231,523
Change in assets and liabilities:			
Accounts receivable	(8,832)	58,699	49,867
Accounts payable	821	(738,037)	(737,216)
Cash Flows from Operating Activities	<u>\$641,004</u>	<u>\$526,764</u>	<u>\$1,167,768</u>

INTERNAL SERVICE FUNDS

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

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net 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 Contributions - to account for the long-term debt, prepaid PERS contributions and repayments from benefiting City funds and departments resulting from the City's PERS Obligation Bond issue.

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

	Motor Vehicles	Central Services	PBX	Building Maintenance
ASSETS				
Current Assets:				
Cash and investments	\$1,151,227	\$68,197	\$647,473	\$111,075
Cash with fiscal agent				
Accounts receivable, net	13,244			39,085
Inventories	179,077	40,010		15,826
Total Current Assets	1,343,548	108,207	647,473	165,986
Long-Term Assets				
Prepaid PERS contribution				
Capital Assets:				
Land				
Construction in progress				
Buildings	35,817			
Equipment	11,849,806	267,216	490,792	42,064
Furniture and fixtures				6,093
Total Capital Assets	11,885,623	267,216	490,792	48,157
Less Accumulated Depreciation	(6,955,828)	(164,450)	(400,176)	(29,134)
Net Capital Assets	4,929,795	102,766	90,616	19,023
Total Assets	6,273,343	210,973	738,089	185,009
LIABILITIES				
Current Liabilities:				
Accounts payable	109,806	39,652	3,203	51,850
Accrued payroll	43,072	9,728		79,660
Interest payable				
Accrued claims payable				
PERS obligation bonds				
Total Current Liabilities	152,878	49,380	3,203	131,510
Long-Term Liabilities:				
Compensated absences	162,685	60,361		399,473
Accrued claims payable				
PERS obligation bonds				
Total Long-Term Liabilities	162,685	60,361		399,473
Total Liabilities	315,563	109,741	3,203	530,983
NET ASSETS				
Invested in capital assets, net of related debt	4,929,795	102,766	90,616	19,023
Restricted for debt service				
Unrestricted	1,027,985	(1,534)	644,270	(364,997)
Total Net Assets (Deficit)	\$5,957,780	\$101,232	\$734,886	(\$345,974)

Information Services	Self-Insurance	PERS Contributions	Total
\$2,333,794	\$6,213,727	\$1,783,395	\$12,308,888
	16,054	50,401	50,401
			68,383
			234,913
<u>2,333,794</u>	<u>6,229,781</u>	<u>1,833,796</u>	<u>12,662,585</u>
		31,909,425	31,909,425
622,257	378,343		378,343
			622,257
1,667,356			35,817
10,540			14,317,234
			16,633
<u>2,300,153</u>	<u>378,343</u>		<u>15,370,284</u>
<u>(1,220,219)</u>			<u>(8,769,807)</u>
<u>1,079,934</u>	<u>378,343</u>		<u>6,600,477</u>
<u>3,413,728</u>	<u>6,608,124</u>	<u>33,743,221</u>	<u>51,172,487</u>
53,201	100,759		358,471
36,731	5,524		174,715
		164,646	164,646
	931,640		931,640
		660,000	660,000
<u>89,932</u>	<u>1,037,923</u>	<u>824,646</u>	<u>2,289,472</u>
65,542			688,061
	773,293		773,293
		33,860,000	33,860,000
<u>65,542</u>	<u>773,293</u>	<u>33,860,000</u>	<u>35,321,354</u>
<u>155,474</u>	<u>1,811,216</u>	<u>34,684,646</u>	<u>37,610,826</u>
1,079,934	378,343		6,600,477
		50,401	50,401
2,178,320	4,418,565	(991,826)	6,910,783
<u>\$3,258,254</u>	<u>\$4,796,908</u>	<u>(\$941,425)</u>	<u>\$13,561,661</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Motor Vehicles	Central Services	PBX	Building Maintenance
OPERATING REVENUES				
Charges to City departments	\$3,247,985	\$431,078	\$177,508	\$2,935,828
Other revenues	113,969		733	295,516
Total Operating Revenues	3,361,954	431,078	178,241	3,231,344
OPERATING EXPENSES				
Salaries and benefits	1,165,812	271,792		2,415,682
Services and supplies	1,291,519	241,541	31,908	616,163
Utilities	29,238	409	144,011	191,963
Insurance	315,273	837		3,624
Claims and settlements				
Depreciation	864,089	26,403	19,727	7,763
Other charges	105,435	1,416	4,452	3,249
Total Operating Expenses	3,771,366	542,398	200,098	3,238,444
Operating Income (Loss)	(409,412)	(111,320)	(21,857)	(7,100)
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	(1,295)			
Amortization				
Interest income	53,462	3,513	28,791	10,556
Interest expense				
Total Nonoperating Revenues (Expenses)	52,167	3,513	28,791	10,556
Income (Loss) Before Transfers	(357,245)	(107,807)	6,934	3,456
Transfers in	620,445	67,791	55,243	9,743
Transfers out				(146,775)
Net Transfers	620,445	67,791	55,243	(137,032)
Change in Net Assets	263,200	(40,016)	62,177	(133,576)
BEGINNING NET ASSETS (DEFICITS)	5,694,580	141,248	672,709	(212,398)
ENDING NET ASSETS (DEFICITS)	\$5,957,780	\$101,232	\$734,886	(\$345,974)

Information Services	Self-Insurance	PERS Contributions	Total
\$1,782,891	\$3,477,363	\$2,605,200	\$14,657,853
23,744	79,515		513,477
<u>1,806,635</u>	<u>3,556,878</u>	<u>2,605,200</u>	<u>15,171,330</u>
1,191,427	169,953		5,214,666
319,499	183,571	7,760	2,691,961
28,042	365		394,028
1,573	983,074		1,304,381
	1,553,693		1,553,693
103,293			1,021,275
<u>323,752</u>	<u>3,628</u>		<u>441,932</u>
<u>1,967,586</u>	<u>2,894,284</u>	<u>7,760</u>	<u>12,621,936</u>
<u>(160,951)</u>	<u>662,594</u>	<u>2,597,440</u>	<u>2,549,394</u>
			(1,295)
		(1,503,585)	(1,503,585)
101,053	250,926	50,637	498,938
		(1,996,429)	(1,996,429)
<u>101,053</u>	<u>250,926</u>	<u>(3,449,377)</u>	<u>(3,002,371)</u>
<u>(59,898)</u>	<u>913,520</u>	<u>(851,937)</u>	<u>(452,977)</u>
27,187			780,409
			(146,775)
<u>27,187</u>			<u>633,634</u>
(32,711)	913,520	(851,937)	180,657
<u>3,290,965</u>	<u>3,883,388</u>	<u>(89,488)</u>	<u>13,381,004</u>
<u>\$3,258,254</u>	<u>\$4,796,908</u>	<u>(\$941,425)</u>	<u>\$13,561,661</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Motor Vehicles	Central Services	PBX	Building Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,360,429	\$431,078	\$178,241	\$3,192,259
Payments to suppliers	(1,803,139)	(241,582)	(191,611)	(825,377)
Payments to employees	(1,151,435)	(260,628)		(2,290,378)
Claims paid				
Cash Flows from Operating Activities	405,855	(71,132)	(13,370)	76,504
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Transfers in	620,445	67,791	55,243	9,743
Transfers out				(146,775)
Cash Flows from Noncapital Financing Activities	620,445	67,791	55,243	(137,032)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,654,748)	(52,016)	(55,243)	(9,743)
Proceeds from sale of capital assets	8,700			
Cash Flows from Capital and Related Financing Activities	(1,646,048)	(52,016)	(55,243)	(9,743)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	53,462	3,513	28,791	10,556
Net Cash Flows	(566,286)	(51,844)	15,421	(59,715)
Cash and investments at beginning of period	1,717,513	120,041	632,052	170,790
Cash and investments at end of period	<u>\$1,151,227</u>	<u>\$68,197</u>	<u>\$647,473</u>	<u>\$111,075</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	(\$409,412)	(\$111,320)	(\$21,857)	(\$7,100)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	864,089	26,403	19,727	7,763
Change in assets and liabilities:				
Receivables, net	(1,525)			(39,085)
Inventories	(91,357)	1,243		(1,762)
Accounts payable	29,683	1,378	(11,240)	(8,616)
Accrued claims payable				
Accrued payroll	42,033	9,317		74,102
Compensated absences	(27,656)	1,847		51,202
Cash Flows from Operating Activities	\$405,855	(\$71,132)	(\$13,370)	\$76,504

<u>Information Services</u>	<u>Self- Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$1,806,785	\$3,648,416	\$2,605,200	\$15,222,408
(622,158)	(1,085,379)	(7,760)	(4,777,006)
(1,155,582)	(164,429)		(5,022,452)
	(1,971,104)		(1,971,104)
<u>29,045</u>	<u>427,504</u>	<u>2,597,440</u>	<u>3,451,846</u>
		(545,000)	(545,000)
		(1,998,309)	(1,998,309)
27,187			780,409
			(146,775)
<u>27,187</u>		<u>(2,543,309)</u>	<u>(1,909,675)</u>
(23,388)			(1,795,138)
			8,700
<u>(23,388)</u>			<u>(1,786,438)</u>
<u>101,053</u>	<u>250,926</u>	<u>50,637</u>	<u>498,938</u>
133,897	678,430	104,768	254,671
<u>2,199,897</u>	<u>5,535,297</u>	<u>1,729,028</u>	<u>12,104,618</u>
<u>\$2,333,794</u>	<u>\$6,213,727</u>	<u>\$1,833,796</u>	<u>\$12,359,289</u>
(\$160,951)	\$662,594	\$2,597,440	\$2,549,394
103,293			1,021,275
150	91,538		51,078
			(91,876)
50,708	85,259		147,172
	(417,411)		(417,411)
35,862	5,524		166,838
(17)			25,376
<u>\$29,045</u>	<u>\$427,504</u>	<u>\$2,597,440</u>	<u>\$3,451,846</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:

- Billing Services - an agency fund to account for the cash temporarily held by the City in its role as billing agent for garbage collection services provided by Allied Waste Services.
- Peninsula Traffic Congestion Relief Alliance (PTCRA) - an agency fund to reflect cash held by the City in its role as fiscal agent for this agency. The PTCRA works with San Mateo County Cities to encourage use of public transportation.
- San Mateo Pre-Hospital Emergency Services Group (SMPHESG) - an agency fund to reflect cash held by the City in its role as fiscal agent for this agency. SMPHESG was established to provide paramedic first responder service as part of fire agencies' response to medical calls.
- Supporters of Senior Center – an agency fund to reflect cash held by the City in its role as fiscal agent for the Supporters of Doelger Senior Center, a private nonprofit organization benefiting seniors in Daly City.
- Peninsula Partnership – an agency fund to reflect cash held by the City in its role as fiscal agent for this 501(c)(3) public nonprofit organization that provides services to school age children.

CITY OF DALY CITY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>Billing Services</u>				
<u>Assets</u>				
Cash and investments	\$871,731	\$9,796,058	\$9,518,532	\$1,149,257
Receivables	707,841	2,489,364	2,057,854	1,139,351
Total Assets	<u>\$1,579,572</u>	<u>\$12,285,422</u>	<u>\$11,576,386</u>	<u>\$2,288,608</u>
<u>Liabilities</u>				
Accounts payable	\$1,379,572	\$12,825,547	\$11,916,511	\$2,288,608
Deposits payable	200,000	100,000	300,000	
Total Liabilities	<u>\$1,579,572</u>	<u>\$12,925,547</u>	<u>\$12,216,511</u>	<u>\$2,288,608</u>
<u>PTCRA</u>				
<u>Assets</u>				
Cash and investments	\$434,468	\$2,411,816	\$2,484,357	\$361,927
Receivables	182,012	259,485	182,012	259,485
Other assets	3,730	7,313	335	10,708
Total Assets	<u>\$620,210</u>	<u>\$2,678,614</u>	<u>\$2,666,704</u>	<u>\$632,120</u>
<u>Liabilities</u>				
Accounts payable	\$192,823	\$1,737,482	\$1,715,984	\$214,321
Due to others	427,387	2,465,184	2,474,772	417,799
Total Liabilities	<u>\$620,210</u>	<u>\$4,202,666</u>	<u>\$4,190,756</u>	<u>\$632,120</u>
<u>SMPHESG</u>				
<u>Assets</u>				
Cash and investments	\$1,186,988	\$4,020,479	\$4,208,284	\$999,183
Receivables	384,284	3,658,680	4,040,464	2,500
Total Assets	<u>\$1,571,272</u>	<u>\$7,679,159</u>	<u>\$8,248,748</u>	<u>\$1,001,683</u>
<u>Liabilities</u>				
Accounts payable	\$166,518	\$3,843,749	\$3,941,813	\$68,454
Due to others	1,404,754	3,700,888	4,172,413	933,229
Total Liabilities	<u>\$1,571,272</u>	<u>\$7,544,637</u>	<u>\$8,114,226</u>	<u>\$1,001,683</u>

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	\$300	\$325,090	\$270,815	\$54,575
Receivables	36,000		36,000	
Other assets	6,526		6,526	
Total Assets	<u>\$42,826</u>	<u>\$325,090</u>	<u>\$313,341</u>	<u>\$54,575</u>
<u>Liabilities</u>				
Accounts payable	\$20,582	\$97,027	\$78,752	\$38,857
Due to others	22,244	250,096	256,622	15,718
Total Liabilities	<u>\$42,826</u>	<u>\$347,123</u>	<u>\$335,374</u>	<u>\$54,575</u>
<u>Peninsula Partnership</u>				
<u>Assets</u>				
Cash and investments	\$16,426	\$649,794	\$620,451	\$45,769
Receivables	81,680	87,624	81,680	87,624
Other assets		885		885
Total Assets	<u>\$98,106</u>	<u>\$738,303</u>	<u>\$702,131</u>	<u>134,278</u>
<u>Liabilities</u>				
Accounts payable	\$7,445	\$108,677	\$107,249	\$8,873
Due to others	90,661	651,478	616,734	125,405
Total Liabilities	<u>\$98,106</u>	<u>\$760,155</u>	<u>\$723,983</u>	<u>\$134,278</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$2,509,913	\$17,203,237	\$17,102,439	\$2,610,711
Receivables	1,391,817	6,495,153	6,398,010	1,488,960
Other assets	10,256	8,198	6,861	11,593
Total Assets	<u>\$3,911,986</u>	<u>\$23,706,588</u>	<u>\$23,507,310</u>	<u>\$4,111,264</u>
<u>Liabilities</u>				
Accounts payable	\$1,766,940	\$18,612,482	\$17,760,309	\$2,619,113
Deposits payable	200,000	100,000	300,000	
Due to others	1,945,046	7,067,646	7,520,541	1,492,151
Total Liabilities	<u>\$3,911,986</u>	<u>\$25,780,128</u>	<u>\$25,580,850</u>	<u>\$4,111,264</u>



STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Continuing Disclosure Requirements:
 - a. Debt Service Coverage Schedule

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

STATISTICAL SECTION - (Continued)
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Operating Information

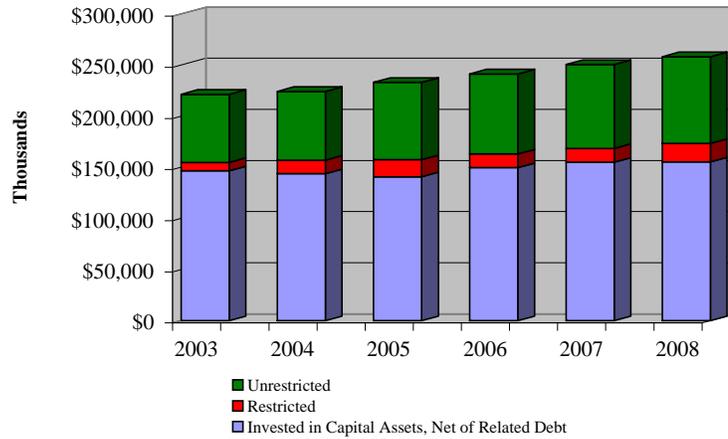
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF DALY CITY
Net Assets by Component
Last Six Fiscal Years
(Accrual Basis of Accounting)



	June 30,					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$74,918,083	\$79,115,127	\$83,777,323	\$90,109,445	\$93,379,579	\$92,883,528
Restricted	7,225,405	12,231,497	7,361,686	6,304,192	9,032,201	13,869,264
Unrestricted	58,271,382	49,372,484	55,142,657	57,663,215	57,260,439	54,502,547
Total governmental activities net assets	\$140,414,870	\$140,719,108	\$146,281,666	\$154,076,852	\$159,672,219	\$161,255,339
Business-type activities						
Invested in capital assets, net of related debt	\$71,690,579	\$64,624,867	\$57,054,050	\$59,625,501	\$61,675,498	\$62,401,418
Restricted	1,047,654	1,047,605	9,252,661	6,978,418	4,371,497	4,218,833
Unrestricted	8,261,377	17,813,030	20,407,241	20,678,496	24,848,980	30,305,199
Total business-type activities net assets	\$80,999,610	\$83,485,502	\$86,713,952	\$87,282,415	\$90,895,975	\$96,925,450
Primary government						
Invested in capital assets, net of related debt	\$146,608,662	\$143,739,994	\$140,831,373	\$149,734,946	\$155,055,077	\$155,284,946
Restricted	8,273,059	13,279,102	16,614,347	13,282,610	13,403,698	18,088,097
Unrestricted	66,532,759	67,185,514	75,549,898	78,341,711	82,109,419	84,807,746
Total primary government net assets	\$221,414,480	\$224,204,610	\$232,995,618	\$241,359,267	\$250,568,194	\$258,180,789

CITY OF DALY CITY
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)

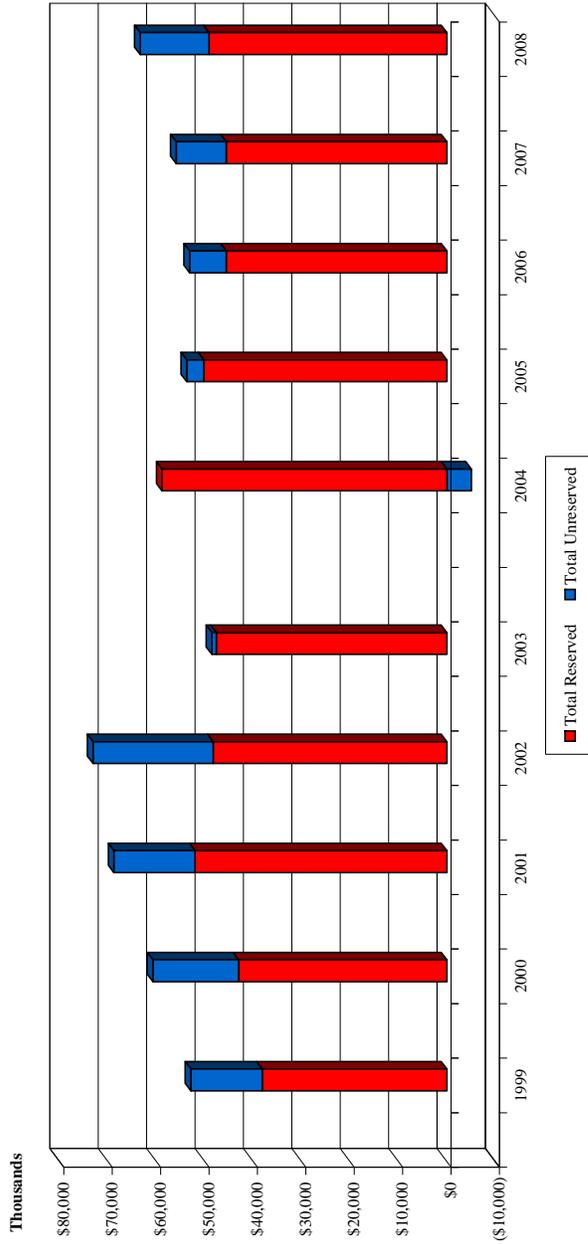
	For The Fiscal Years Ended June 30,					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$3,861,142	\$7,049,253	\$7,864,080	\$8,170,802	\$7,444,142	\$8,370,140
Public safety	29,896,315	31,706,399	36,824,085	34,815,945	39,270,270	41,515,902
Public works	5,819,840	5,808,559	6,454,908	7,099,777	6,429,613	6,277,793
Streets and infrastructure	1,909,043	2,296,403	2,647,535	2,346,510	3,567,017	4,496,272
Culture and recreation	11,471,728	12,118,778	12,239,462	14,319,938	14,817,138	17,185,257
Economic and community development	10,272,554	6,718,322	8,509,016	10,254,528	8,033,736	6,802,421
Nondepartmental	407,667	277,871	304,420	275,911	287,243	
Interest on long term debt	1,032,337	667,851	626,872	1,058,505	1,640,993	1,926,468
Total governmental activities expenses	<u>64,670,626</u>	<u>66,643,436</u>	<u>75,470,378</u>	<u>78,341,916</u>	<u>81,490,152</u>	<u>86,574,253</u>
Business-type activities:						
Water	8,440,424	9,026,033	9,254,676	8,759,733	9,287,617	10,777,580
Civic center	626,682	654,354	675,630	606,319	615,099	598,634
Transfer station	1,270,705	1,291,865	1,290,494	1,514,890	1,322,444	1,005,081
Sanitation district	12,115,172	11,672,157	13,079,301	14,633,188	14,084,248	15,506,062
Total business-type activities expenses	<u>22,452,983</u>	<u>22,644,409</u>	<u>24,300,101</u>	<u>25,514,130</u>	<u>25,309,408</u>	<u>27,887,357</u>
Total primary government expenses	<u>\$87,123,609</u>	<u>\$89,287,845</u>	<u>\$99,770,479</u>	<u>\$103,856,046</u>	<u>\$106,799,560</u>	<u>\$114,461,610</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$376,564	\$143,481	\$166,527	\$221,542	\$96,257	\$111,829
Public safety	3,658,856	4,066,392	4,285,174	4,456,640	4,029,069	3,676,585
Public works	2,044,763	1,849,348	1,967,014	1,736,993	1,176,476	959,193
Streets and infrastructure	1,179,774	998,664	1,140,519	967,326	1,111,118	1,076,212
Culture and recreation	2,466,170	2,810,198	2,731,652	2,483,548	2,674,550	2,848,327
Economic and community development	2,215,902	2,143,008	2,459,591	2,386,374	2,673,444	2,333,758
Nondepartmental	288,268	932,656	2,145,568	352,195	795,596	454,839
Operating grants and contributions	12,013,823	8,504,372	10,036,375	11,296,078	10,128,248	9,780,388
Capital grants and contributions	2,997,194	597,162	1,173,226	4,628,183	1,504,218	2,306,965
Total governmental activities program revenues	<u>27,241,314</u>	<u>22,045,281</u>	<u>26,105,646</u>	<u>28,528,879</u>	<u>24,188,976</u>	<u>23,548,096</u>
Business-type activities:						
Charges for services:						
Water	10,202,528	10,914,100	11,206,380	10,930,958	12,030,977	12,960,840
Civic center	869,306	892,122	918,213	933,137	959,500	985,189
Transfer station	1,591,840	1,615,257	1,613,410	1,616,423	1,622,442	2,086,047
Sanitation district	13,114,197	13,269,512	14,191,177	13,900,269	15,273,552	16,858,914
Operating grants and contributions	385,293					
Capital grants and contributions	1,430,442		1,426,912			
Total business-type activities program revenues	<u>27,593,606</u>	<u>26,690,991</u>	<u>29,356,092</u>	<u>27,380,787</u>	<u>29,886,471</u>	<u>32,890,990</u>
Total primary government program revenues	<u>\$54,834,920</u>	<u>\$48,736,272</u>	<u>\$55,461,738</u>	<u>\$55,909,666</u>	<u>\$54,075,447</u>	<u>\$56,439,086</u>
Net (Expense)/Revenue						
Governmental activities	(\$37,429,312)	(\$44,598,155)	(\$49,364,732)	(\$49,813,037)	(\$57,301,176)	(\$63,026,157)
Business-type activities	5,140,623	4,046,582	5,055,991	1,866,657	4,577,063	5,003,633
Total primary government net expense	<u>(\$32,288,689)</u>	<u>(\$40,551,573)</u>	<u>(\$44,308,741)</u>	<u>(\$47,946,380)</u>	<u>(\$52,724,113)</u>	<u>(\$58,022,524)</u>

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

	For The Fiscal Years Ended June 30,					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Property taxes	\$15,426,462	\$15,822,888	\$23,567,900	\$25,918,087	\$28,283,735	\$30,646,825
Sales taxes	8,949,909	8,972,708	9,294,700	9,619,289	10,677,978	11,411,106
Utility users tax	5,246,566	5,467,435	5,644,684	6,132,745	6,312,871	6,875,368
Franchise fees	2,281,204	2,471,180	2,534,935	2,680,415	2,736,020	2,788,859
Other taxes	1,927,177	2,068,815	2,232,036	3,877,653	3,918,576	3,919,957
Motor vehicle in-lieu	6,091,761	4,803,122	682,042	726,666	569,826	470,726
Investment earnings	3,503,897	713,346	2,024,600	2,530,208	4,259,540	4,013,587
Other revenues	941,110	373,413	4,352,038	1,566,401	2,028,616	2,514,957
Transfers	4,222,495	4,209,488	4,594,355	4,556,759	4,109,381	1,967,892
Total governmental activities	48,590,581	44,902,395	54,927,290	57,608,223	62,896,543	64,609,277
Business-type activities:						
Property taxes	939,013	1,026,537	1,136,181	1,188,249	1,300,831	1,389,793
Investment earnings	706,251	123,277	727,399	843,264	1,224,333	1,138,848
Other revenues	250,772	1,498,984	903,234	1,227,052	620,714	465,093
Transfers	(4,222,495)	(4,209,488)	(4,594,355)	(4,556,759)	(4,109,381)	(1,967,892)
Total business-type activities	(2,326,459)	(1,560,690)	(1,827,541)	(1,298,194)	(963,503)	1,025,842
Total primary government	\$46,264,122	\$43,341,705	\$53,099,749	\$56,310,029	\$61,933,040	\$65,635,119
Change in Net Assets						
Governmental activities	\$11,161,269	\$304,240	\$5,562,558	\$7,795,186	\$5,595,367	\$1,583,120
Business-type activities	2,814,164	2,485,892	3,228,450	568,463	3,613,560	6,029,475
Total primary government	\$13,975,433	\$2,790,132	\$8,791,008	\$8,363,649	\$9,208,927	\$7,612,595



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



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$15,903,765	\$20,781,004	\$21,133,806	\$20,806,148	\$20,567,853	\$20,204,534	\$21,342,822	\$21,757,037	\$21,610,095	\$21,565,875
Unreserved	10,385,856	8,524,065	11,167,827	11,365,284	11,679,539	11,843,779	14,448,324	17,954,473	20,026,623	21,845,434
Total General Fund	\$26,289,621	\$29,305,069	\$32,301,633	\$32,171,432	\$32,247,392	\$32,048,313	\$35,791,146	\$39,711,510	\$41,636,718	\$43,411,309
All Other Governmental Funds										
Reserved	\$22,238,610	\$22,250,442	\$30,877,790	\$27,499,700	\$27,048,025	\$38,657,154	\$28,849,256	\$23,828,456	\$23,997,000	\$27,576,108
Unreserved, reported in:	(1,498,568)	(583,542)	(8,362,999)	(4,296,111)	(28,229,422)	(26,551,366)	(26,358,019)	(28,624,382)	(28,488,626)	(23,682,598)
Special revenue funds	5,875,642	9,739,942	13,969,512	17,706,488	17,502,063	9,609,432	15,490,285	18,259,088	18,780,851	16,075,592
Capital project funds	\$26,615,684	\$31,406,842	\$36,484,303	\$40,910,077	\$16,320,666	\$21,715,220	\$17,981,522	\$13,463,162	\$14,289,225	\$19,969,102
Total all other governmental funds	\$26,615,684	\$31,406,842	\$36,484,303	\$40,910,077	\$16,320,666	\$21,715,220	\$17,981,522	\$13,463,162	\$14,289,225	\$19,969,102
All Governmental Funds										
Total Reserved	38,142,375	43,031,446	52,011,596	48,305,848	47,615,878	58,861,688	50,192,078	45,585,493	45,607,095	49,141,983
Total Unreserved	14,762,930	17,680,465	16,774,340	24,775,661	952,180	(5,098,155)	3,580,590	7,589,179	10,318,848	14,238,428
Total All Governmental Funds	\$52,905,305	\$60,711,911	\$68,785,936	\$73,081,509	\$48,568,058	\$53,763,533	\$53,772,668	\$53,174,672	\$55,925,943	\$63,380,411

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

(b) Decrease due to GASB 34 implementation: reclassification of City advance to Redevelopment Agency

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

For The Fiscal Year Ended June 30,

	1999	2000	2001	2002
Revenues				
Taxes	\$31,914,131	\$33,604,262	\$37,283,455	\$39,190,492
Licenses, permits and fees	1,235,589	1,261,249	1,717,826	1,550,157
Fines and forfeitures	1,361,881	1,743,307	1,952,893	1,919,172
Use of money and property	1,440,087	4,398,826	5,239,340	3,423,313
Intergovernmental revenues	10,694,365	6,628,930	5,742,356	11,113,990
Charges for services	5,828,513	8,124,716	8,484,939	8,429,965
Other	3,192,134	5,989,814	917,018	1,548,411
Total Revenues	55,666,700	61,751,104	61,337,827	67,175,500
Expenditures				
Current:				
General government	4,693,150	3,453,983	3,221,234	4,316,653
Public safety	21,290,839	22,536,109	24,477,735	26,244,842
Public works	3,636,014	3,967,831	4,344,717	4,728,791
Culture and recreation	7,905,879	8,351,000	9,198,923	10,483,474
Community development	8,221,623	12,707,618	5,712,316	9,632,934
Capital projects	8,446,994	7,361,191	11,600,677	12,070,574
Debt service:				
Principal repayment	7,538	1,197,207	527,813	144,326
Interest and fiscal charges	1,759,579	1,634,568	1,987,374	2,040,552
Total Expenditures	55,961,616	61,209,507	61,070,789	69,662,146
Excess (deficiency) of revenues over (under) expenditures	(294,916)	541,597	267,038	(2,486,646)
Other Financing Sources (Uses)				
Transfers in	7,485,583	17,410,215	14,605,237	14,820,229
Transfers out	(5,191,374)	(14,963,303)	(11,335,312)	(11,038,062)
Loan proceeds	2,440,708	4,818,097	516,282	2,130,399
Sale of capital assets			4,020,780	869,653
Total other financing sources (uses)	4,734,917	7,265,009	7,806,987	6,782,219
Residual equity transfer out				
GASB 34 Implementation adjustment				
Net Change in fund balances	\$4,440,001	\$7,806,606	\$8,074,025	\$4,295,573
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)

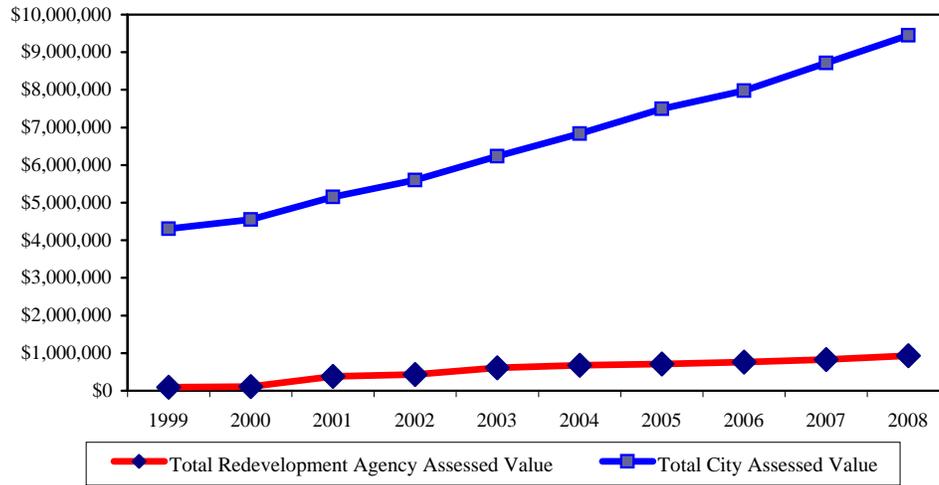
NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for that fiscal year and thereafter.

For The Fiscal Year Ended June 30,

2003	2004	2005	2006	2007	2008
\$42,619,588	\$42,083,182	\$46,437,398	\$51,409,010	\$54,942,019	\$58,503,214
1,710,137	1,538,705	1,840,586	1,779,575	1,850,696	1,558,126
2,468,498	2,584,331	2,584,993	2,527,979	2,106,353	1,986,902
4,655,827	3,973,562	4,134,619	3,682,476	5,069,211	5,837,640
15,423,663	6,294,903	7,334,878	11,217,670	8,267,077	8,736,129
7,323,517	7,407,716	7,576,630	7,347,459	7,037,911	6,853,338
1,818,067	2,086,069	5,286,001	6,594,371	3,129,369	3,202,504
76,019,297	65,968,468	75,195,105	84,558,540	82,402,636	86,677,853
3,668,450	6,275,456	7,885,826	7,867,397	7,483,067	7,664,184
29,289,862	29,348,401	34,599,971	34,747,286	37,591,200	40,150,051
5,343,382	5,554,845	5,838,199	6,111,691	5,766,831	5,790,515
10,895,484	11,422,401	11,050,212	12,132,440	13,361,317	14,189,456
10,205,969	6,728,371	8,437,272	14,053,768	8,089,467	6,854,996
10,260,963	9,358,983	13,750,189	12,009,663	9,754,278	6,209,739
95,542	100,023	104,714	361,522	256,767	272,150
1,032,337	667,851	626,872	1,058,505	1,519,210	1,906,552
70,791,989	69,456,331	82,293,255	88,342,272	83,822,137	83,037,643
5,227,308	(3,487,863)	(7,098,150)	(3,783,732)	(1,419,501)	3,640,210
13,598,763	11,814,022	12,124,753	8,833,353	8,718,603	7,413,734
(9,566,179)	(7,631,875)	(7,583,837)	(6,658,468)	(5,769,183)	(6,079,476)
	4,500,000			904,670	2,480,000
774,194	1,191	2,566,369	1,010,851	316,682	
4,806,778	8,683,338	7,107,285	3,185,736	4,170,772	3,814,258
(34,547,537)					
(\$24,513,451)	\$5,195,475	\$9,135	(\$597,996)	\$2,751,271	\$7,454,468
1.9%	1.3%	1.1%	1.8%	2.4%	2.8%

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

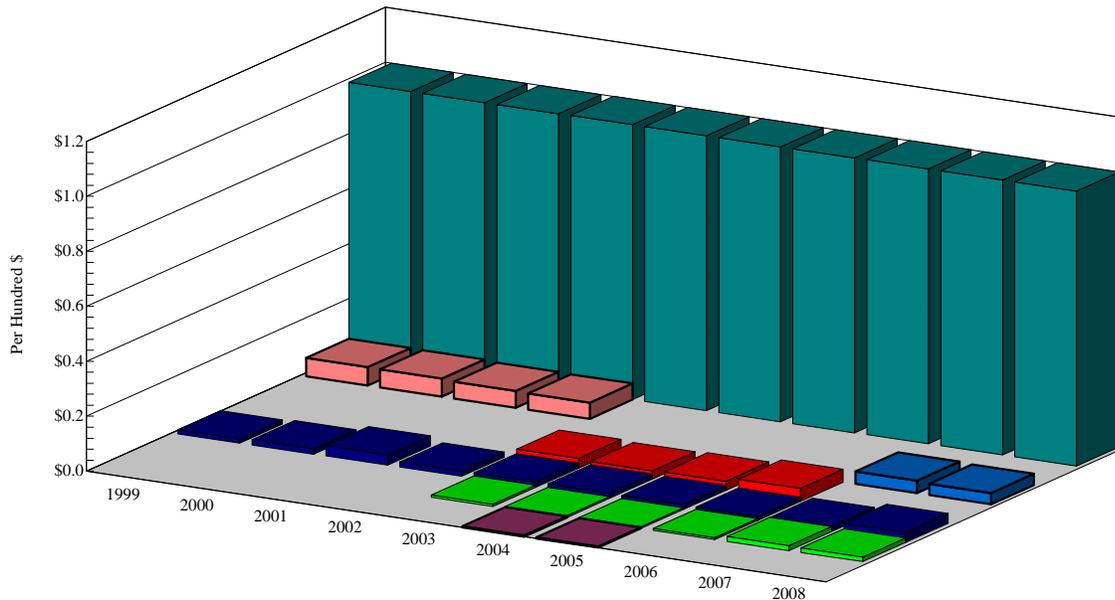


Fiscal Year Ended June 30	City			Total Assessed Value (1)	Redevelopment Agency			Total Assessed Value (1)	Total Direct Tax Rate (2)
	Secured	Unsecured	Exemptions		Secured	Unsecured	Exemptions		
1999	\$3,979,648	\$121,252	\$112,291	\$4,213,191	\$87,200	\$8,845	\$147	\$96,192	1.00%
2000	4,203,781	122,919	112,832	4,439,532	102,605	9,725	140	112,470	1.00%
2001	4,526,329	132,850	112,196	4,771,375	359,902	11,813	6,118	377,833	1.00%
2002	4,918,573	132,094	115,067	5,165,734	410,544	16,148	6,199	432,891	1.00%
2003	5,372,625	148,800	109,666	5,631,091	569,543	30,675	6,005	606,223	1.00%
2004	5,879,650	169,352	111,056	6,160,058	624,315	47,661	6,237	678,213	1.00%
2005	6,497,074	176,673	109,169	6,782,916	664,376	41,116	6,237	711,729	1.00%
2006	6,939,021	165,404	108,329	7,212,754	711,685	42,975	6,488	761,148	1.00%
2007	7,602,177	181,063	107,290	7,890,530	778,698	41,163	6,556	826,417	1.00%
2008	8,175,019	236,671	105,501	8,517,191	849,990	73,358	6,530	929,878	1.00%

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

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

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



<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>Jefferson Elementary School District</u>	<u>Jefferson High School District</u>	<u>San Mateo Junior College</u>	<u>So San Francisco Unified School District</u>	<u>Laguna Salada Elementary School</u>	<u>Pacifica Elementary School</u>	<u>Total</u>
1999	\$1.0000		\$0.0148			\$0.0677		\$1.0825
2000	1.0000		0.0193			0.0658		1.0851
2001	1.0000		0.0370			0.0607		1.0977
2002	1.0000		0.0181			0.0589		1.0770
2003	1.0000	\$0.0357	0.0194	\$0.0079				1.0630
2004	1.0000	0.0308	0.0187	0.0065	\$0.0042			1.0602
2005	1.0000	0.0329	0.0170	0.0065	0.0042			1.0606
2006	1.0000	0.0466	0.0153	0.0065				1.0684
2007	1.0000		0.0174	0.0184			\$0.0457	1.0815
2008	1.0000		0.0361	0.0171			0.0411	1.0943

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

The City of Daly City has 64 tax code areas, many with different rates because of differing school district boundaries. The highest tax rate is shown here.

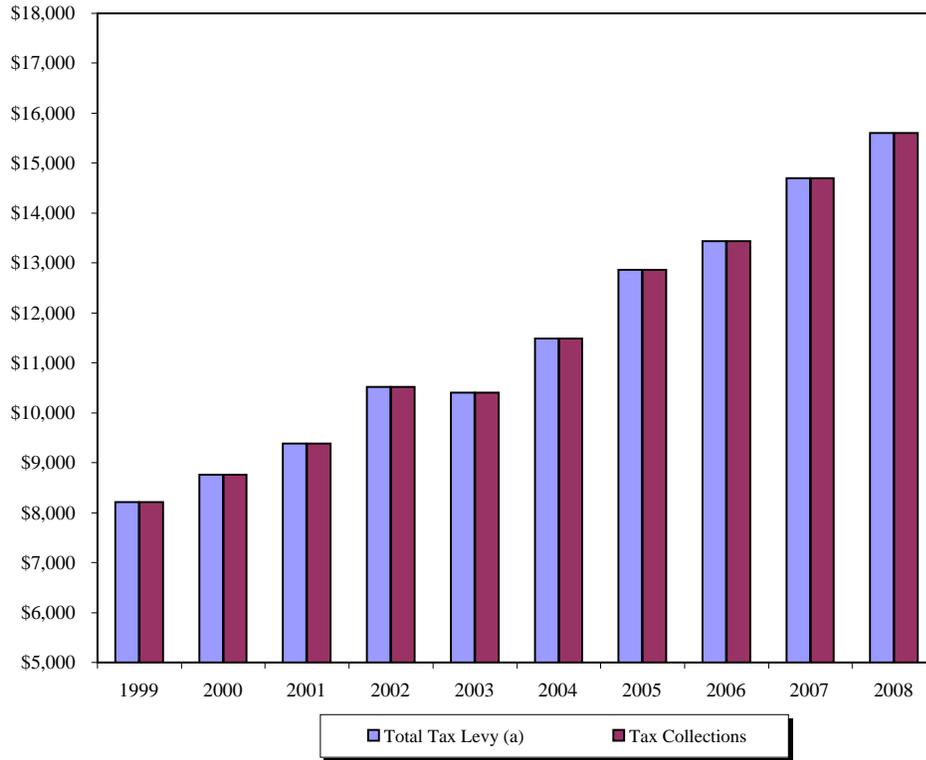
Source: San Mateo County Controller's Office Annual Publication: Tax Rates and Valuation of Taxable Property

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

<u>Taxpayer</u>	<u>2007-08</u>			<u>1998-99</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Seton Medical Center	\$199,465,921	1	2.4%	\$143,606,736	1	3.6%
Pacific Plaza	132,152,590	2	1.6%			
Westlake Associates (Apartments)	114,687,336	3	1.4%			
Daly City Serramonte Center, LLC	109,886,383	4	1.3%			
Westlake Kimco	94,628,094	5	1.2%			
Met Life (Skyline Heights Apartments)	45,223,894	6	0.6%			
LINC Franciscan Mobile Home Park	38,097,887	7	0.5%			
Serramonte Corporate Center (Kaiser)	36,605,328	8	0.4%			
Lavaca Portfolio Investors	32,095,402	9	0.4%	27,428,889	5	0.7%
Serramonte Plaza	30,365,308	10	0.4%	28,105,063	4	0.7%
Gelsar, Inc.				95,131,079	2	2.4%
John Daly Boulevard Associates, LP				52,211,305	3	1.3%
Daly City Partners				25,950,355	6	0.7%
Westlake Development Company, Inc.				17,365,779	7	0.4%
Lincoln Vista, LLC				15,662,364	8	0.4%
Bay Area Apartment Communities, Inc.				14,135,159	9	0.4%
Serramonte Medical Offices				14,000,000	10	0.4%
Subtotal	<u>\$833,208,143</u>		<u>10.2%</u>	<u>\$433,596,729</u>		<u>10.9%</u>
Total Assessed Valuation:						
Fiscal Year 2007-2008	\$8,175,018,741					
Fiscal Year 1998-1999	\$3,979,648,271					

Source: San Mateo County Assessor Fiscal Year Combined Tax Rolls.

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



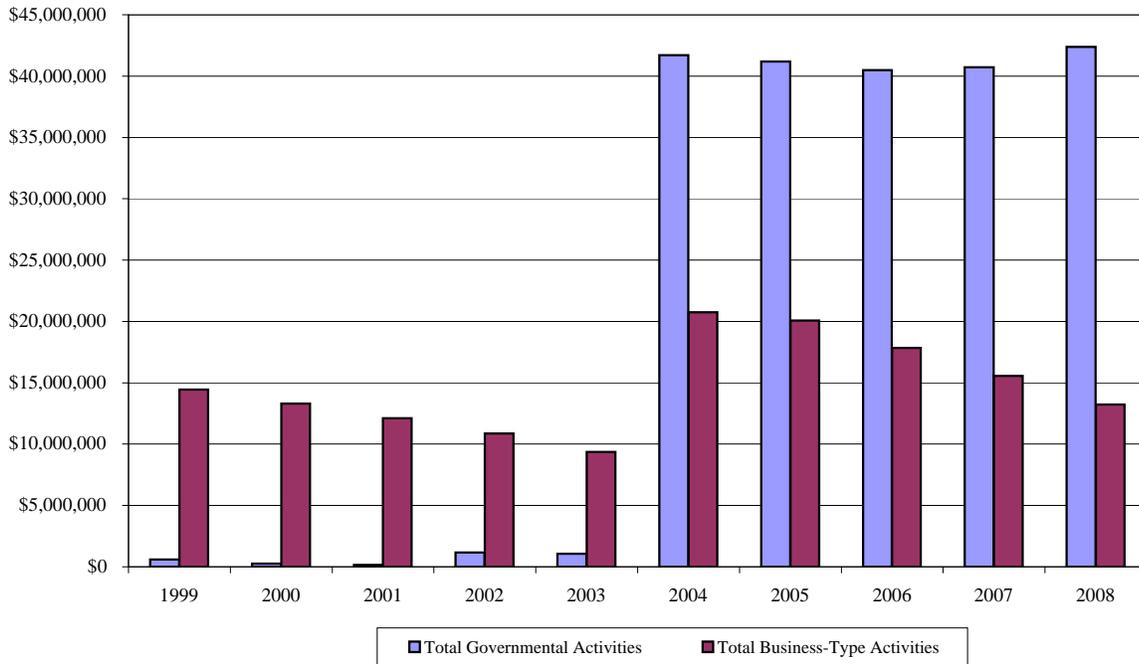
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1999	\$8,206	\$8,206	100.00%		\$8,206	100.00%
2000	8,756	8,756	100.00%		8,756	100.00%
2001	9,387	9,387	100.00%		9,387	100.00%
2002	10,524	10,524	100.00%		10,524	100.00%
2003	10,401	10,401	100.00%		10,401	100.00%
2004	11,485	11,485	100.00%		11,485	100.00%
2005	12,866	12,866	100.00%		12,866	100.00%
2006	13,435	13,435	100.00%		13,435	100.00%
2007	14,693	14,693	100.00%		14,693	100.00%
2008	15,610	15,610	100.00%		15,610	100.00%

Source: City of Daly City

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

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

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



Governmental Activities

Fiscal Year	Notes Payable	Line of Credit	Governmental Activities			CHFA HELP Loan	Promissory Note	Total
			Capital Lease	HUD Section 108 Loan	PERS Pension Obligation Bonds			
1999	\$295,488	\$163,897	\$148,277				\$607,662	
2000		163,897	97,031				260,928	
2001		119,897	42,774				162,671	
2002		119,897	1,040,151				1,160,048	
2003		119,897	944,609				1,064,506	
2004		119,897	844,586	\$4,500,000	\$36,235,000		41,699,483	
2005		119,897	739,872	4,500,000	35,835,000		41,194,769	
2006			630,247	4,368,000	35,500,000		40,498,247	
2007			515,480	4,226,000	35,065,000	\$904,670	40,711,150	
2008			395,330	4,074,000	34,520,000	904,670	\$2,480,000	42,374,000

Business-Type Activities

Fiscal Year	Business-Type Activities			Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Sewer Certificates of Participation	Water Certificates of Participation	State Water Resources Board Loan				
1999	\$14,450,000			\$14,450,000	\$15,057,662	n/a	\$144.53
2000	13,315,000			13,315,000	13,575,928	n/a	129.82
2001	12,125,000			12,125,000	12,287,671	n/a	116.55
2002	10,870,000			10,870,000	12,030,048	n/a	115.22
2003	9,375,000			9,375,000	10,439,506	n/a	100.09
2004	7,740,000	\$9,860,000	\$3,160,733	20,760,733	62,460,216	n/a	604.83
2005	6,070,000	9,495,000	4,506,387	20,071,387	61,266,156	2.55%	585.38
2006	4,365,000	9,145,000	4,327,078	17,837,078	58,335,325	2.20%	556.53
2007	2,625,000	8,785,000	4,146,376	15,556,376	56,267,526	1.92%	530.03
2008	855,000	8,415,000	3,961,157	13,231,157	55,605,157	n/a (b)	522.80

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

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

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

(b) Information not available.

**CITY OF DALY CITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2008**

2007-08 Assessed Valuation	\$8,517,190,610
Redevelopment Incremental Valuation	679,524,062
Adjusted Assessed Valuation	<u>\$7,837,666,548</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Total Debt 6/30/08	% Applicable (1)	City's Share of Debt 6/30/08
San Mateo Community College District	\$650,619,994	6.531%	\$42,491,992
South San Francisco Unified School District	36,435,170	11.925%	4,344,894
Jefferson Union High School District	73,815,000	49.955%	36,874,283
Brisbane School District	7,775,437	22.029%	1,712,851
Jefferson School District	50,830,000	85.161%	<u>43,287,336</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			 <u>128,711,356</u>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>	Total Debt	% Applicable (1)	City's Share of Debt 6/30/08
San Mateo County General Fund Obligations	\$390,994,816	6.531%	\$25,535,871
San Mateo County Board of Education Certificates of Participation	13,345,000	6.531%	871,562
San Mateo County Flood Control District Certificates of Participation	24,015,000	32.085%	7,705,213
South San Francisco Unified School District Certificates of Participation	2,000,000	11.925%	238,500
City of Daly City Pension Obligation Bonds	34,520,000	100.000%	<u>34,520,000</u>
 TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			 <u>\$68,871,146</u>

COMBINED TOTAL DEBT \$197,582,502 (2)

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

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

<u>Ratios to 2007-08 Assessed Valuation</u>	
Total Overlapping Tax and Assessment Debt	1.51%
Combined Total Debt	2.32%

Source: California Municipal Statistics, Inc.

**CITY OF DALY CITY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2008**

ASSESSED VALUATION:

Total property assessed value, net of exempt real property	\$8,517,190,610
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$319,394,648
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$9,270,000
Less: Tax Allocation Bonds and Certificate of Participation not subject to limit	9,270,000

Amount of debt subject to limit	0
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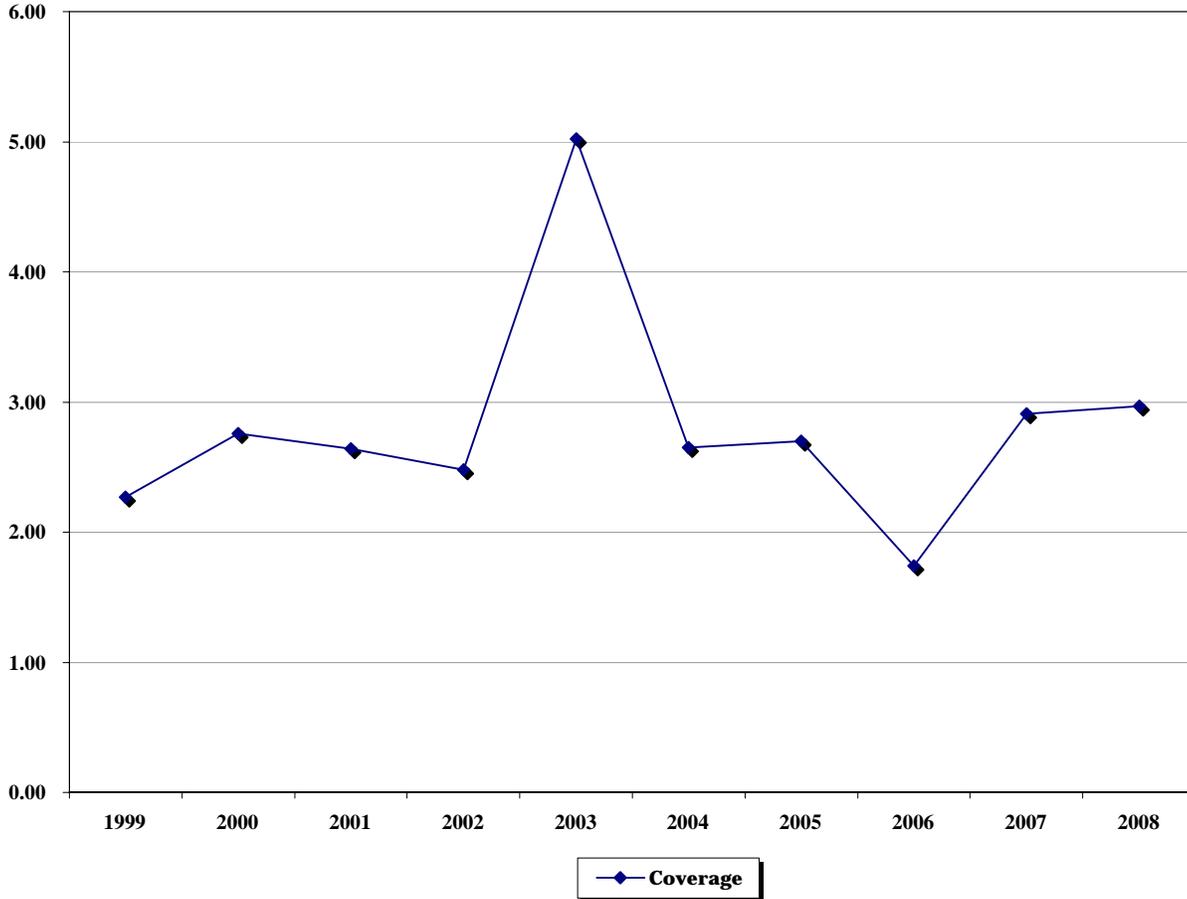
LEGAL BONDED DEBT MARGIN	\$319,394,648
--------------------------	---------------

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
(in thousand dollars)				
1999	157,995	\$0	\$157,995	0.00%
2000	166,482	0	166,482	0.00%
2001	178,927	0	178,927	0.00%
2002	193,715	0	193,715	0.00%
2003	211,166	0	211,166	0.00%
2004	231,002	0	231,002	0.00%
2005	254,359	0	254,359	0.00%
2006	270,478	0	270,478	0.00%
2007	295,895	0	295,895	0.00%
2008	319,395	0	319,395	0.00%

NOTE:

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

**CITY OF DALY CITY
REVENUE BOND COVERAGE
SANITATION DISTRICT CERTIFICATES OF PARTICIPATION
LAST TEN FISCAL YEARS**



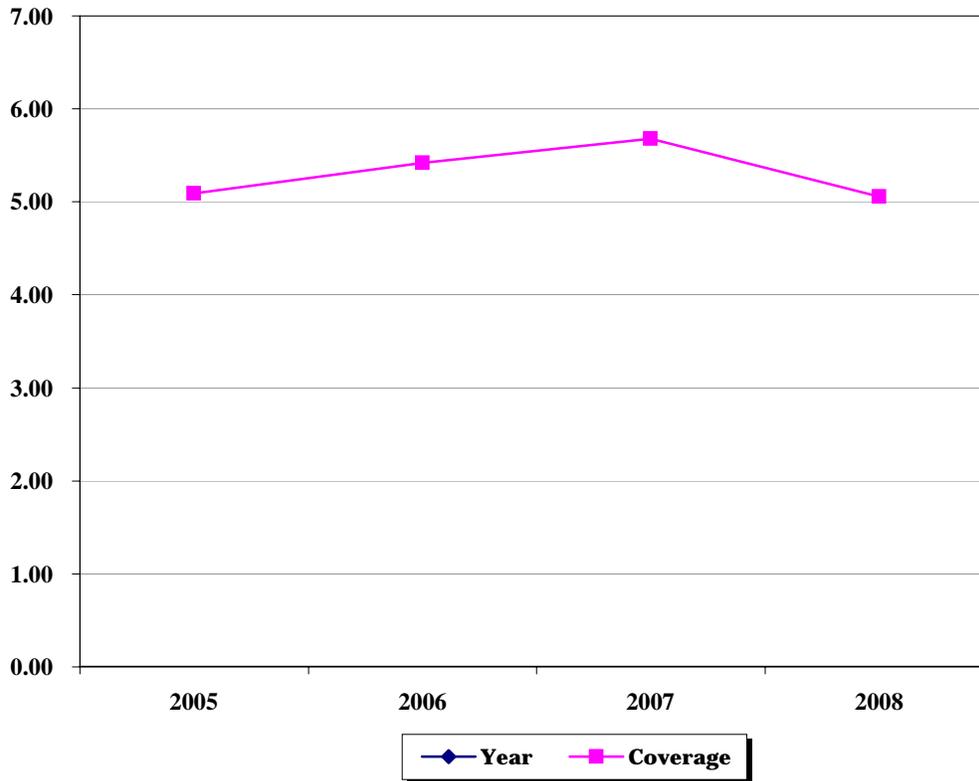
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999	\$11,822,449	\$7,510,410	\$4,312,039	\$1,075,000	\$827,110	\$1,902,110	2.27
2000	13,591,752	8,328,436	5,263,316	1,135,000	772,016	1,907,016	2.76
2001	13,844,767	8,811,238	5,033,529	1,190,000	713,848	1,903,848	2.64
2002	14,216,890	9,491,285	4,725,605	1,255,000	650,778	1,905,778	2.48
2003	16,039,399	9,816,348	6,223,051	1,100,000	138,522	1,238,522	5.02
2004	14,605,218	9,745,881	4,859,337	1,635,000	200,625	1,835,625	2.65
2005	16,213,371	11,252,381	4,960,990	1,670,000	167,925	1,837,925	2.70
2006	16,086,357	12,878,569	3,207,788	1,705,000	134,525	1,839,525	1.74
2007	17,623,477	12,267,969	5,355,508	1,740,000	100,425	1,840,425	2.91
2008	19,124,012	13,679,745	5,444,267	1,770,000	65,625	1,835,625	2.97

Notes: (1) Includes all Sanitation District Operating Revenue, Nonoperating Interest Revenue, Connection Fees and other Nonoperating Revenues.

(2) Includes all Sanitation District Operating Expenses and Interest Expense less Depreciation expense.

Source: City of Daly City Annual Financial Statements

**CITY OF DALY CITY
REVENUE BOND COVERAGE
WATER UTILITY DISTRICT CERTIFICATES OF PARTICIPATION
LAST FOUR FISCAL YEARS**

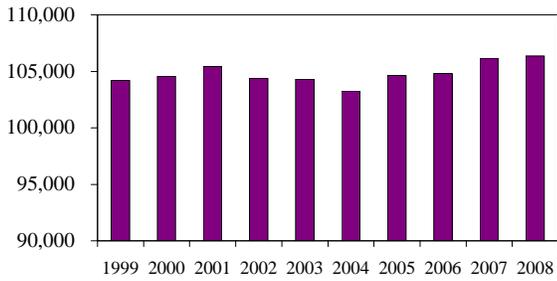


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$11,783,383	\$7,948,731	\$3,834,652	\$365,000	\$388,939	\$753,939	5.09
2006	11,842,561	7,749,256	4,093,305	350,000	404,534	754,534	5.42
2007	12,529,986	8,245,443	4,284,543	360,000	394,034	754,034	5.68
2008	13,448,021	9,634,863	3,813,158	370,000	383,234	753,234	5.06

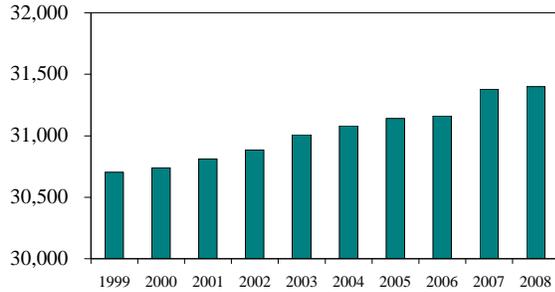
Notes: (1) Includes all Water Utility Operating Revenue, Nonoperating Interest Revenue, Connection Fees and other Nonoperating Revenue
(2) Includes all Water Utility Operating Expenses and Interest Expense less Depreciation Expense.
(3) Not applicable prior to 2005.

Source: City of Daly City Annual Financial Statements

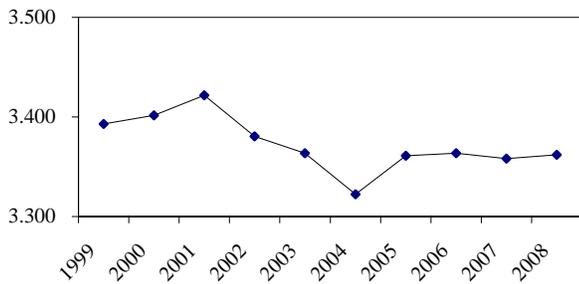
**CITY OF DALY CITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



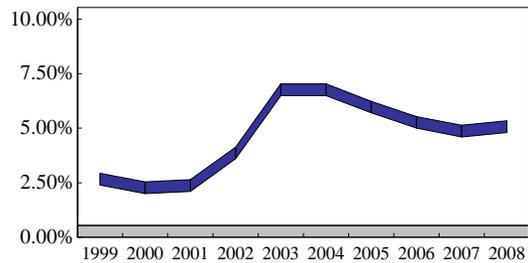
■ City Population



■ Occupied Housing Units



—● Population per Housing Unit



■ Unemployment Rate (%)

Fiscal Year	Daly City Population (1)	Occupied Housing Units (1)	Population per Housing Unit	Unemployment Rate (%) (2)	Per Capita Personal Income (3)	Total Personal Income (in thousands)	San Mateo County Population (1)	City Population % of County
1999	104,186	30,705	3.393	2.4%	n/a	n/a	722,762	14.41%
2000	104,571	30,741	3.402	2.0%	n/a	n/a	730,029	14.32%
2001	105,427	30,812	3.422	2.1%	n/a	n/a	720,147	14.64%
2002	104,407	30,886	3.380	3.6%	n/a	n/a	717,006	14.56%
2003	104,305	31,010	3.364	6.5%	n/a	n/a	717,041	14.55%
2004	103,269	31,082	3.322	6.5%	n/a	n/a	712,386	14.50%
2005	104,661	31,140	3.361	5.7%	\$22,946	\$2,401,551	723,453	14.47%
2006	104,820	31,162	3.364	5.0%	25,315	2,653,518	724,104	14.48%
2007	106,160	31,378	3.358	4.6%	27,656	2,935,961	733,386	14.48%
2008	106,361	31,401	3.362	4.8%	n/a	n/a	739,171	14.39%

Sources:

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

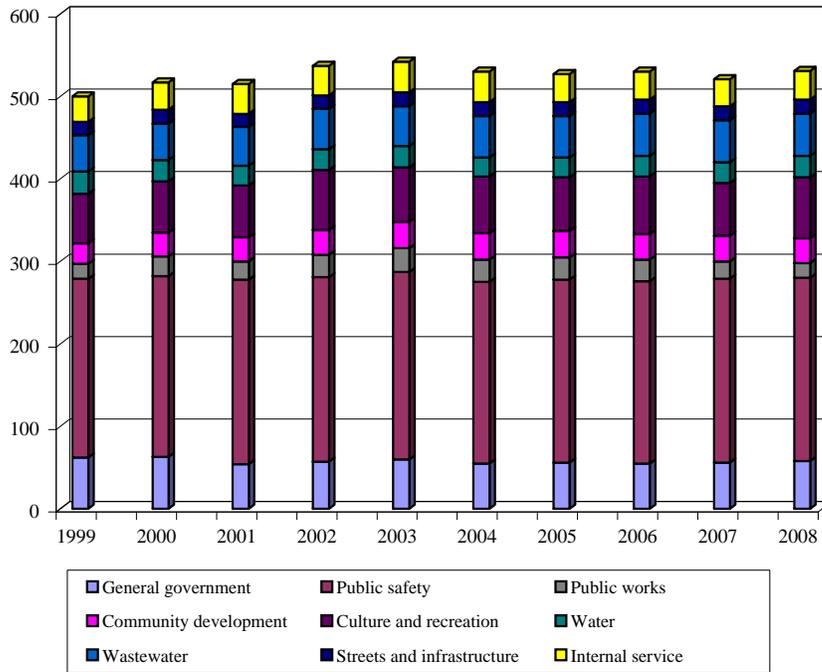
**CITY OF DALY CITY
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2007-08</u>			<u>1998-99</u>		
	<u>Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Seton Medical Center	1,659	1	8.7%	1,510	1	13.7%
City of Daly City	778	2	4.1%	708	3	6.4%
Jefferson High School District	693	3	3.6%	650	4	5.9%
Jefferson Elementary School District	607	4	3.2%	788	2	7.1%
U.S. Postal Service	602	5	3.2%			
Cow Palace	407	6	2.1%	328	6	3.0%
Genesys Telecommunications Laboratories	366	7	1.9%			
Target Stores - Serramonte	336	8	1.8%			
Macy's	296	9	1.6%	300	7	
McDonald's (4 stores)	250	10	1.3%	240	9	2.2%
St. Francis Convalescent Pavilion				355	5	3.2%
Montgomery Wards				285	8	2.6%
California State Automobile Association				220	10	2.0%
Subtotal	<u>5,994</u>		<u>31.5%</u>	<u>5,384</u>		<u>48.7%</u>
Total Daly City Employment (2)	<u>19,020</u> (3)			<u>11,048</u> (4)		

- Note: (1) Includes both full-time and part-time employees
(2) Excludes public administration employees
(3) Based on ABAG projections & census data
(4) Based on 2002 Economic Census - data updated only every 5 years; 2007 data will be available in 2009

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

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



	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Function										
General government	62	63	54	57	60	55	56	55	56	58
Public safety	217	219	224	224	227	220	222	221	223	222
Public works	18	24	22	27	29	27	27	26	21	18
Community development	25	29	29	30	32	32	32	31	31	30
Culture and recreation	60	62	63	73	66	69	65	70	64	74
Water	27	26	24	25	26	23	24	25	25	26
Wastewater	44	44	47	49	48	50	50	51	51	51
Streets and infrastructure	16	17	16	16	17	17	17	17	17	17
Internal service	31	33	36	36	37	37	34	34	33	35
Total	<u>500</u>	<u>517</u>	<u>515</u>	<u>537</u>	<u>542</u>	<u>530</u>	<u>527</u>	<u>530</u>	<u>521</u>	<u>531</u>

Source: City of Daly City

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

Function/Program	1999	2000	2001	2002
Public safety (calendar year data)				
Fire				
Fire calls for service	5,632	5,814	5,878	5,850
Fire inspections conducted	3,509	2,664	3,922	2,955
Police				
Police calls for service	62,009	70,153	77,607	79,402
Law violations				
Part I crimes	n/a	2,140	2,308	2,210
Part II crimes	n/a	3,944	4,376	4,135
Physical arrests (adults)	n/a	1,936	1,790	1,707
Physical arrests (juvenile)	n/a	487	510	436
Traffic violations	n/a	13,506	11,234	10,279
Parking violations	n/a	n/a	n/a	80,035
Public works				
Street repairs - asphalt patching (sq. ft.)	n/a	n/a	36,473	35,947
Street slurry seal (ft.)	n/a	n/a	20,205	23,296
Street resurfacing (ft.)	n/a	n/a	31,282	26,595
Traffic signal responses	n/a	n/a	205	239
Street light responses	n/a	n/a	373	464
Street signs replaced	n/a	n/a	n/a	n/a
Streets swept (miles)	n/a	n/a	n/a	n/a
Line striping and curb painting (linear ft.)	n/a	n/a	n/a	n/a
Sidewalks inspected (miles)	n/a	n/a	n/a	n/a
Weeds and rubbish responses	n/a	n/a	n/a	n/a
Culture and recreation				
Recreation				
Recreation class participants	n/a	n/a	n/a	n/a
Performing Arts Center participants	n/a	n/a	n/a	n/a
Youth recreation playground program participants	n/a	n/a	n/a	n/a
Volunteer support hours	n/a	n/a	n/a	n/a
Senior meals served	n/a	n/a	n/a	n/a
Number of health fair events	n/a	n/a	n/a	n/a
Health fair events attendance (6 events)	n/a	n/a	n/a	n/a
Daly City Peninsula Partnership # of agencies	n/a	n/a	n/a	n/a
Facility rentals (non City events)	n/a	n/a	n/a	n/a
Library				
Volumes in collection - all formats	152,404	158,964	156,458	159,614
Total volumes borrowed	410,565	428,123	434,471	470,770
# of uses of electronic resources	n/a	n/a	n/a	n/a
Youth services program attendance	8,442	7,866	10,875	9,323
Water				
Water service connections	22,330	22,343	22,425	22,505
Water main breaks	45	92	64	74
Average daily consumption (thousands of gallons)	8,110	8,300	8,450	7,930
Wastewater				
Sewer service connections	22,880	22,880	22,873	22,990
Sewer main blockages	6	1	1	21
Average daily treatment (thousands of gallons)	6,421	6,715	7,010	6,948

Source: City of Daly City

Note: n/a denotes information not available.

Fiscal Year					
2003	2004	2005	2006	2007	2008
5,712	5,660	5,745	6,086	6,012	n/a
2,987	3,248	3,169	3,576	4,305	n/a
91,145	91,464	86,979	79,953	75,190	n/a
2,526	2,664	2,458	2,656	2,448	n/a
5,212	4,619	4,564	4,807	4,607	n/a
2,071	2,065	2,068	1,995	1,861	n/a
496	577	523	479	481	n/a
16,176	17,500	14,926	13,119	4,818	n/a
72,753	68,851	67,849	60,056	56,070	n/a
27,477	17,596	11,470	22,338	20,610	5,655
32,231	41,360	68,519	49,141	63,659	65,472
9,472	9,055	17,403	18,127	5,973	3,907
108	84	100	98	83	93
561	415	431	444	407	402
596	528	1,218	689	548	1,796
21,245	19,675	20,624	21,346	21,754	19,629
7,240	7,988	8,800	2,290	8,671	3,403
35	25	15	18	13	17
355	465	495	475	493	387
n/a	n/a	9,600	9,600	7,500	10,000
n/a	n/a	500	525	530	550
n/a	n/a	1,000	900	900	900
n/a	n/a	45,000	45,000	45,000	45,000
n/a	n/a	23,190	21,229	21,130	22,218
n/a	n/a	6	6	4	0
n/a	n/a	2,000	2,250	2,000	0
n/a	n/a	60	63	60	64
n/a	n/a	1,300	1,300	900	900
174,065	182,954	189,402	197,034	206,581	211,999
519,180	597,841	592,208	591,336	625,783	632,935
94,500	139,138	142,852	151,316	185,068	200,601
14,051	11,923	11,661	14,818	9,864	15,195
22,614	22,610	22,745	22,887	23,034	22,814
79	90	56	49	58	55
7,920	7,860	7,890	7,240	7,324	7,785
23,025	23,035	23,052	23,087	29,000	29,000
10	11	14	10	6	7
6,653	7,260	7,440	7,436	7,370	7,270

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

	1999	2000	2001	2002	2003	2004
Function/Program						
Public safety						
Fire stations	5	5	5	5	5	5
Police stations	1	1	1	1	1	1
Police patrol vehicles	28	28	28	33	33	33
Public works						
Miles of streets	112	112	112	112	112	112
Street lights	3,200	3,200	3,200	3,200	3,200	3,200
Traffic signals (# of intersections)	38	38	39	39	40	40
Miles of storm drains	45	45	45	45	45	45
Culture and recreation						
Parks and recreation						
City parks	14	14	14	14	14	15
City parks acreage	200	200	200	200	200	200
Park trees	2,500	2,500	2,500	2,500	2,500	2,500
Playgrounds	26	26	26	26	26	26
Picnic areas	23	23	23	23	23	23
Tot lots	9	9	9	9	9	9
Dog off-leash areas	2	2	2	2	2	2
Street landscaped medians	21	21	21	21	21	21
Roadway landscaping acreage	500	500	500	500	500	500
Street trees	2,800	2,800	2,800	2,800	2,800	2,800
Community centers and clubhouses	12	12	12	12	12	12
Senior centers	1	1	1	1	1	1
Performing arts centers	1	1	1	1	1	1
Swimming pools (property of school district)	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2
Tennis courts	7	7	7	7	7	7
Artificial turf sports fields						1
Outdoor basketball courts	15	15	15	15	15	15
Baseball/softball diamonds	8	8	8	8	8	8
Soccer/football fields						1
Night sport lighted facilities	9	9	9	9	9	9
Library						
City Libraries (# of branches)	4	4	4	4	4	4
Water						
Miles of water mains	187	187	187	205	205	205
Fire hydrants	1,417	1,417	1,431	1,445	1,425	1,425
Storage capacity (thousands of gallons)	22,981	22,981	22,981	22,981	22,981	22,981
Wastewater						
Number of treatment plants	1	1	1	1	1	1
Miles of sanitary sewers	175	175	176	176	176	177
Miles of combined sewers	14	14	14	14	14	14
Treatment capacity (thousands of gallons)						
Dry weather	8,000	8,000	8,000	8,000	8,000	8,000
Wet weather	25,000	25,000	25,000	25,000	25,000	25,000

Source: City of Daly City

Note: n/a denotes information is not available.

Fiscal Year			
2005	2006	2007	2008
5	5	5	5
1	1	1	1
33	33	31	31
112	112	112	112
3,200	3,200	3,200	3,200
40	40	40	40
45	45	45	70
15	15	15	15
200	200	200	200
2,500	2,500	2,500	2,400
26	26	26	26
23	23	23	23
9	9	9	9
2	2	2	2
21	21	21	21
500	500	500	500
2,800	2,800	2,700	2,700
13	13	13	13
1	1	1	1
1	1	1	1
2	2	2	2
2	2	2	3
7	7	7	9
1	1	2	2
15	15	15	15
8	8	8	8
1	1	1	1
9	9	9	9
4	4	4	4
205	205	187	187
1,472	1,472	1,437	1,489
22,981	22,981	22,981	22,981
1	1	1	1
177	177	177	177
14	14	14	14
8,000	8,000	8,000	8,000
25,000	25,000	25,000	25,000

