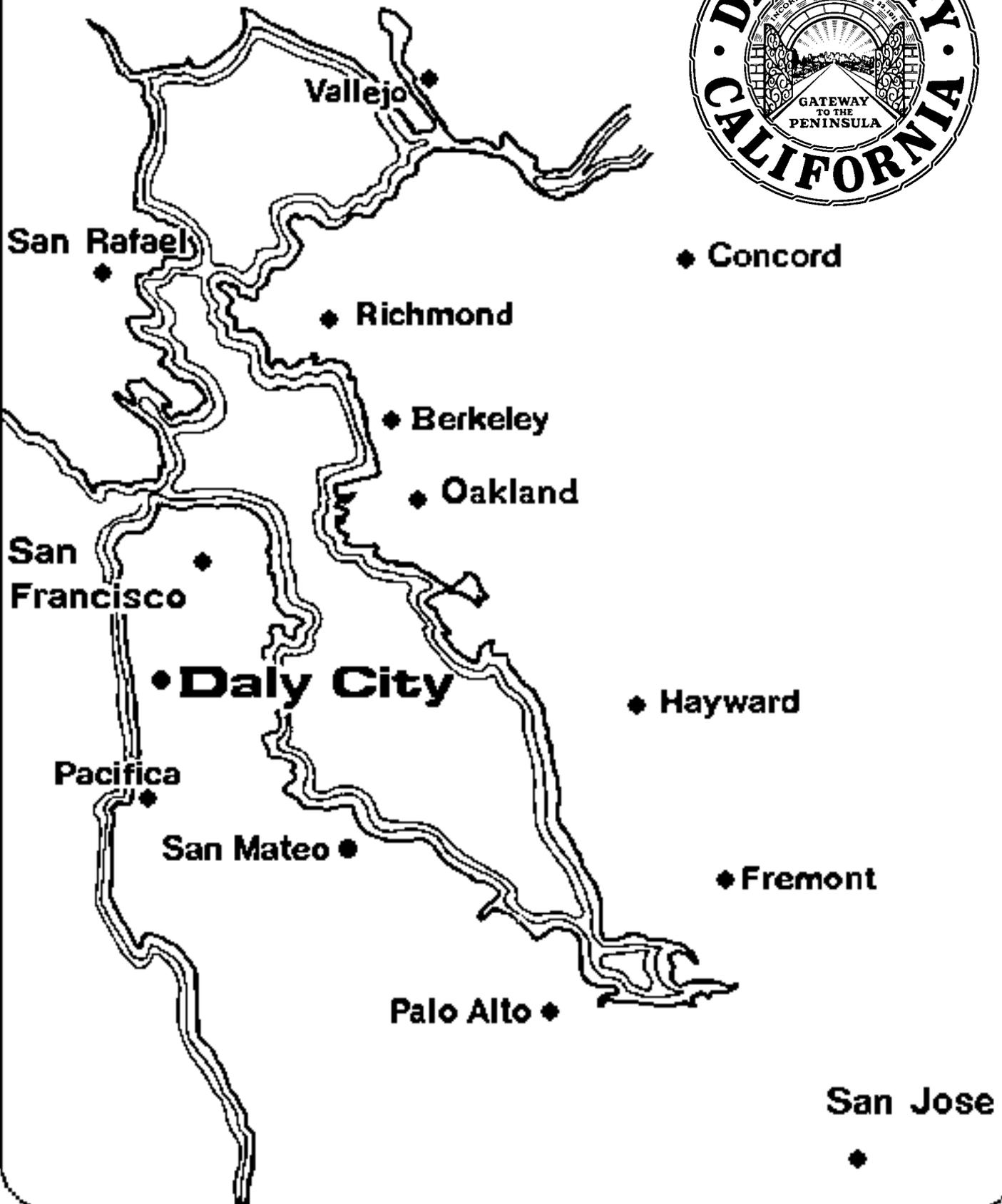




**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**of the
CITY OF DALY CITY
CALIFORNIA**

for the FISCAL YEAR ended June 30, 2010



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

JUNE 30, 2010



Prepared by
DEPARTMENT OF FINANCE
AND
ADMINISTRATIVE SERVICES

Donald W. McVey
Director



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF DALY CITY

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

October 22, 2010

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, 2010. 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 108,383 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 Manger for review and development of the City-wide budget document. This preliminary budget is presented to the City Council by the City Manager and reviewed with the City Council during public budget study sessions. Changes as directed by the 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

The housing bubble, the debt crisis, unemployment, the Great Recession. The impact on local government resulting from the downturn in the economy, especially in California, has been severe and will continue to be so for some time to come. Under these circumstances the challenge of balancing a municipal government budget has been extraordinary.

When the last two-year budget was adopted in June of 2008 it appeared that Daly City's revenue picture reflected a steady but slow increase. The outlook at the time was cautiously optimistic. There was concern about the housing market and questions about how long home prices could continue to rise. However, no one expected the sky to fall with such force and so quickly. Since local city revenues lag the general economy by six to twenty-four months, the effects of the recession that began in December 2007 were not immediately evident. By September of 2008 when Lehman Brothers was characterized by the federal government to be "not too big to fail" it was evident that local governments were in for serious challenges ahead.

In December of 2008 when the recession was officially declared as having begun the previous year, it required that we constantly recalibrate our revenue estimates. Without immediate action the City would have been on track to burn through \$2.3 million of General Fund reserves that year, plus another \$4.7 million in fiscal 2010. Fortunately, most of that potential shortfall was avoided by careful cost controls and significant contributions to savings by all the City's employees.

After completing concession bargaining with all labor groups we were able to stem the immediate tide of losses. Most groups agreed to forgo scheduled wage increases and took nine unpaid furlough days. Other groups agreed to the equivalent in reductions of various types of pay.

Normally about six months is required to develop a new biennial budget. The 2010-11/2011-12 budget was begun 18 months prior as an outgrowth of the midbudget revisions for fiscal 2010. What began as estimated shortfalls of about \$6 million per year for fiscal 2011 and 2012 ultimately ended with the use of only some reserves. Approximately three quarters of a million dollars was required in each of the budget years.

The economy and the recovery, when it finally arrives, will dominate our focus for the next few years. Creating a sustainable organization instead of just reacting to the financial crisis by making short-term cuts will be the major priority and an enormous challenge for the entire City.

Learning to concentrate on core services is the most important challenge we face to respond effectively to the new economic reality. Collectively we will be working toward establishing a permanent solution to what looks to be a long-term reduction in resources available to provide municipal services. The management challenge will be to

use this opportunity to be certain that we are performing our core services efficiently and effectively, while evaluating, consolidating, reorganizing and eliminating where possible. Spending limited resources on those activities of highest value to the community is where the organization's efforts will be applied as we go forward.

The City's two major enterprise funds, the Water Utility and Sanitation District, have experienced declining revenues due to an increase in foreclosures and the resulting vacant dwelling units. Neither utility had a rate increase in fiscal 2010. The water utility continues to experience 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, purchased water will continue to cost more every year, resulting in increasing rates to our residents. As a result, the City Council adopted a five-year revenue and rate increase plan which begins in fiscal 2011. On the plus side, we continue to pump local well water for about half of the community's needs, which somewhat mitigates the amount of water rate increases.

Long-term Financial Planning

The City is updating its General Plan, which is the main document that will guide future development in Daly City. The future decisions reached as a result of the guidance provided by the City's General Plan will have a significant impact on future revenue generating activities in the City and the costs associated with providing services to future development and redevelopment. Community input has been and will continue to be solicited via a number of communications methods, including Web-based input and live community meetings.

Beginning with the 2008-09/2009-10 Biennial Budget, we extended the planning horizon to 20 years in the Capital Plan. The next few years will be a period of relatively low activity, fairly typical of capital activity levels in Daly City. We anticipate using this period to reflect on our major upcoming capital needs and the methods that might be available to fund them.

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 of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Daly City for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the 23rd consecutive year that the City of Daly City has received this prestigious award. In order to be awarded a Certificate of Achievement, as government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

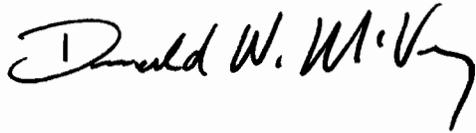
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its Comprehensive Operating and Capital Budget for the 1991 through 2010 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 2010. 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



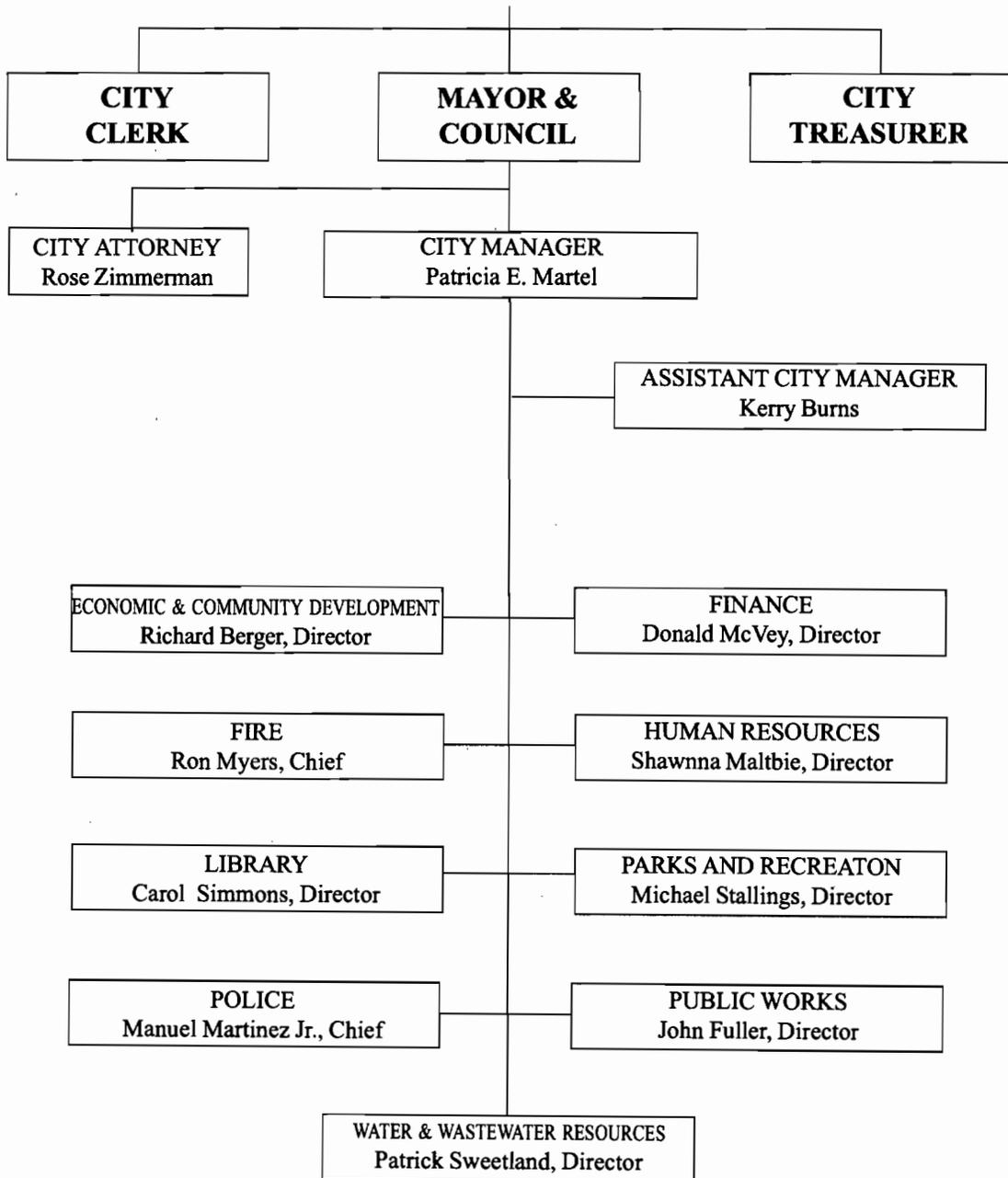
Patricia E. Martel
City Manager





City of Daly City ORGANIZATION STRUCTURE

CITIZENS OF DALY CITY



**CITY OF DALY CITY
CITY COUNCIL
JUNE 30, 2010**

Michael P. Guingona, Mayor

Carol L. Klatt, Vice Mayor

David Canepa

Maggie Gomez

Sal Torres

Annette Hipona
City Clerk

Anthony J. Zidich
City Treasurer

ADMINISTRATION AND DEPARTMENT HEADS

Patricia E. Martel
Rose Zimmerman
Ron Myers
Manuel Martinez, Jr.
Carol Simmons
John Fuller
Shawna Marques-Maltbie
Michael F. Stallings
Patrick Sweetland
Donald W. McVey
Richard Berger

City Manager
City Attorney
Fire Chief
Police Chief
Library Director
Director of Public Works
Director of Human Resources
Director of Parks & Recreation
Director of Water & Wastewater Resources
Director of Finance and Administrative Services
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, 2009

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.



A handwritten signature in black ink, appearing to be "J.R.", written over a white background.

President

A handwritten signature in black ink, reading "Jeffrey R. Enos", written over a white background.

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, 2010, 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, 2010 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 22, 2010 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.

Mare & Associates

October 22, 2010

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, 2010.

FISCAL 2010 FINANCIAL HIGHLIGHTS

- At June 30, 2010, net assets totaled \$245.6 million, a decrease of \$8.2 million from the prior year total of \$253.8 million.
- Total City revenues, including program and general revenues, were \$111.3 million, while total expenses were \$119.5 million in fiscal 2010. Total capital assets decreased by \$2.0 million.
- Net assets of governmental activities were \$147.9 million, while net assets of business-type activities were \$97.7 million.
- Governmental program revenues were \$22.1 million compared with \$21.4 million in fiscal 2009. Business-type program revenues were \$29.3 million compared with \$30.6 million in fiscal 2009.
- Governmental general revenues of \$57.4 million represent a decrease of \$3.2 million from the prior year. Business-type general revenues were \$2.5 million, an increase of \$0.2 million from 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 62,353	\$ 65,081	\$ 31,594	\$ 29,434	\$ 93,947	\$ 94,515
Other assets	53,884	53,973	4,332	5,041	58,216	59,014
Capital assets	<u>94,546</u>	<u>95,536</u>	<u>76,882</u>	<u>77,939</u>	<u>171,428</u>	<u>173,475</u>
Total assets	<u>210,783</u>	<u>214,590</u>	<u>112,808</u>	<u>112,414</u>	<u>323,591</u>	<u>327,004</u>
Long-term liabilities	40,331	41,426	11,212	11,801	51,543	53,227
Other liabilities	<u>22,520</u>	<u>16,724</u>	<u>3,906</u>	<u>3,217</u>	<u>26,426</u>	<u>19,941</u>
Total liabilities	<u>62,851</u>	<u>58,150</u>	<u>15,118</u>	<u>15,018</u>	<u>77,969</u>	<u>73,168</u>
Net assets:						
Invested in capital assets, net of related debt	90,671	91,355	65,671	66,137	156,342	157,492
Restricted	13,931	13,105		5	13,931	13,110
Unrestricted	<u>43,330</u>	<u>51,980</u>	<u>32,019</u>	<u>31,254</u>	<u>75,349</u>	<u>83,234</u>
Total net assets	<u>\$ 147,932</u>	<u>\$ 156,440</u>	<u>\$ 97,690</u>	<u>\$ 97,396</u>	<u>\$ 245,622</u>	<u>\$ 253,836</u>

Governmental Activities

The City's net assets from governmental activities decreased \$8.5 million (5.4 percent) to \$ 147.9 million in 2010 from \$156.4 million in 2009. This decrease is the Change in Net Assets reflected in the Statement of Activities, as shown in Table 2, and is explained below.

- Cash and investments decreased \$2.7 million principally as a result of lower property tax and sales tax revenues in 2010 compared to 2009. The City also paid \$2.4 million to the San Mateo County supplemental educational revenue augmentation fund (SERAF) in 2010. Other individual increases and decreases are not considered material.
- Other assets remained constant at \$53.9 million in June 2010.
- Capital assets decreased \$1.0 million mainly due to the excess of depreciation over capital asset additions. This decrease in capital assets was accompanied by a \$0.7 million decrease in net assets invested in capital assets.
- Long-term liabilities decreased \$1.1 million mainly due to the \$0.8 million payment on the PERS pension obligation bonds. Other liabilities increased \$5.8 million due to \$1.6 million increase in OPEB obligations and \$2.1 million increase in accrued insurance claims payable. Other individual increases and decreases are not considered material.

- Restricted net assets increased \$0.8 million and unrestricted net assets decreased \$8.7 million. Unrestricted net assets of \$43.3 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 \$0.3 million (0.3 percent) to a total of \$97.7 million in fiscal 2010 from \$97.4 million in 2009. Increases and decreases of individual assets and liabilities are not considered material.

- Cash and investments increased \$2.2 million due to the payment in full in 2009 of the Sanitation District Certificates of Participation and also due to lower capital outlays in 2010.
- Long-term liabilities decreased \$0.6 million due to payments made on the Water Utility Certificates of Participation and on the loan from the State Water Resources Control Board for the recycled water project.
- The City continues to invest in infrastructure and major capital improvements in its enterprise funds including replacing reservoir 2B and installing an emergency generator in the sanitation plant. The excess of depreciation expense over the capital asset additions resulted in the \$1.1 million net decrease in net capital assets during 2010. This was accompanied by a \$0.5 million decrease in net assets invested in capital assets net of related debt.
- Restricted net assets is down to zero as of June 30, 2010 due to the complete drawdown in 2010 of the cash held by the trustees for the Water Utility Certificates of Participation. Unrestricted net assets increased \$0.8 million.

CHANGES IN NET ASSETS

Table 2 shows that total governmental revenues decreased \$2.5 million (3.1 percent) while total business-type activity revenues decreased \$1.1 million (3.3 percent) in fiscal 2010. Expenses increased \$0.8 million (0.9 percent) for governmental activities while business-type activity expenses decreased \$0.6 million (2.0 percent).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 12,452	\$ 13,598	\$ 29,305	\$ 30,550	\$ 41,757	\$ 44,148
Operating grants & contributions	7,392	7,311			7,392	7,311
Capital grants & contributions	<u>2,272</u>	<u>534</u>	-	-	<u>2,272</u>	<u>534</u>
Total program revenues	<u>22,116</u>	<u>21,443</u>	<u>29,305</u>	<u>30,550</u>	<u>51,421</u>	<u>51,993</u>
General revenues:						
Property tax	29,263	30,964	1,376	1,453	30,639	32,417
Sales tax	9,017	10,521			9,017	10,521
Motor vehicle in-lieu	315	362			315	362
Other taxes	14,174	14,384			14,174	14,384
Investment earnings	960	1,703	486	312	1,446	2,015
Other	<u>3,707</u>	<u>2,701</u>	<u>591</u>	<u>557</u>	<u>4,298</u>	<u>3,258</u>
Total general revenues	<u>57,436</u>	<u>60,635</u>	<u>2,453</u>	<u>2,322</u>	<u>59,889</u>	<u>62,957</u>
Total revenues	<u>79,552</u>	<u>82,078</u>	<u>31,758</u>	<u>32,872</u>	<u>111,310</u>	<u>114,950</u>
Expenses:						
General government	9,435	9,402			9,435	9,402
Public safety	44,055	42,404			44,055	42,404
Public works	5,726	6,527			5,726	6,527
Streets & infrastructures	3,662	3,824			3,662	3,824
Culture & recreation	18,131	17,045			18,131	17,045
Economic & community development	9,395	9,275			9,395	9,275
Debt service	376	1,498			376	1,498
Water utility			11,230	11,497	11,230	11,497
Sewer			16,742	17,007	16,742	17,007
Civic center			718	749	718	749
Transfer station	-	-	54	66	54	66
Total expenses	<u>90,780</u>	<u>89,975</u>	<u>28,744</u>	<u>29,319</u>	<u>119,524</u>	<u>119,294</u>
Increase(decrease) in net assets before transfers	(11,228)	(7,897)	3,014	3,553	(8,214)	(4,344)
Transfers	<u>2,720</u>	<u>3,082</u>	<u>(2,720)</u>	<u>(3,082)</u>	-	-
Increase (decrease) in net assets	(8,508)	(4,815)	294	471	(8,214)	(4,344)
Net assets, July 1	<u>156,440</u>	<u>161,255</u>	<u>97,396</u>	<u>96,925</u>	<u>253,836</u>	<u>258,180</u>
Net assets, June 30	<u>\$ 147,932</u>	<u>\$ 156,440</u>	<u>\$ 97,690</u>	<u>\$ 97,396</u>	<u>\$ 245,622</u>	<u>\$ 253,836</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, 2010
(in thousands)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue</u> <u>(Expense)</u>
General government	\$ 398	\$ 9,435	\$ (9,037)
Public safety	5,533	44,055	(38,522)
Public works	2,139	5,726	(3,587)
Streets & infrastructure	2,451	3,662	(1,211)
Culture & recreation	3,622	18,131	(14,509)
Economic & community development	3,987	9,395	(5,408)
All others	<u>3,986</u>	<u>376</u>	<u>3,610</u>
 Total governmental activities	 <u>\$ 22,116</u>	 <u>\$ 90,780</u>	 <u>\$ (68,664)</u>

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2010, 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 decreased \$1.0 million to \$20.8 million at June 30, 2010. General Fund revenues decreased \$2.4 million mainly due to the \$1.2 million decrease in property taxes and \$1.5 million decrease in sales taxes. General Fund expenditures decreased \$1.1 million.

The Gas Tax Special Revenue Fund unreserved fund balance remained constant at \$4.1 million as of June 30, 2010. 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 multi-year capital plan. Gas Tax Fund revenues increased \$1.3 million mainly due to the receipt of \$1.3 million federal ARRA funds in 2010. Gas Tax Fund expenditures increased \$1.5 million due to roadway projects completed in 2010.

Redevelopment Agency Fund unreserved fund deficit as of June 30, 2010 was \$24.3 million compared to the \$24.1 million of unreserved fund deficit as of June 30, 2009. The fund deficit 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 Capital Projects Fund had \$13.2 million in unreserved fund balance at June 30, 2010 compared to the \$15.4 million in unreserved fund balance at June 30, 2009. The Capital Projects Fund fund balance is all designated for specific capital projects that will benefit the community as a whole. Capital Projects Fund revenues decreased \$0.5 million while Capital Projects Fund expenditures increased \$1.0 million in 2010 compared to 2009 due to a \$2.6 million payment to the Jefferson Union High School District for the City's share in the Westmoor swimming pool renovation project.

Proprietary Funds

At June 30, 2010, the City had two major proprietary funds, the Water Utility Fund and the Sanitation District Fund.

Water Utility revenues decreased \$0.4 million or 3.3 percent compared to the previous year due to lower water sales resulting mainly from property foreclosures/vacancies. There was no water rate increase in fiscal 2010. Expenses also decreased \$0.5 million or 4.3 percent, mostly due to lower water purchases.

Sanitation District revenues decreased \$0.6 million or 3.4 percent over the prior year due to the \$0.4 million received in 2009 for sewer the service connection fee for Monarch Village development. Sewer service charges are billed based on the previous year's winter water usage. There was no sewer rate increase in fiscal 2010. Expenses decreased \$0.8 million or 4.7 percent mostly from decrease in capital outlays.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process, and fiscal 2010 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 2010 are not considered material.

CAPITAL ASSETS

At the end of fiscal 2010 the City had \$171.4 million, net of accumulated depreciation, invested in a broad range of capital assets, as shown in Table 4 below (further detail may be found in Note 4 to the financial statements):

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 20,705	\$ 20,705	\$ 2,863	\$ 2,863	\$ 23,568	\$ 23,568
Buildings & improvements	39,874	40,865	3,558	3,806	43,432	44,671
Streets & infrastructures	24,352	23,635			24,352	23,635
Sewage facilities			26,259	26,899	26,259	26,899
Wells & pump stations			4,367	4,544	4,367	4,544
Water reservoirs			8,807	3,877	8,807	3,877
Water mains			11,724	12,274	11,724	12,274
Sanitation subsurface lines			13,122	13,585	13,122	13,585
Equipment	7,975	7,292	5,214	3,738	13,189	11,030
Furniture & fixtures	89	100			89	100
Construction in progress	<u>1,551</u>	<u>2,939</u>	<u>968</u>	<u>6,353</u>	<u>2,519</u>	<u>9,292</u>
Total net capital assets	<u>\$ 94,546</u>	<u>\$ 95,536</u>	<u>\$ 76,882</u>	<u>\$ 77,939</u>	<u>\$171,428</u>	<u>\$173,475</u>

Local roadway projects of various types were in the design phase or under construction, with a total available budget for the coming 2011 fiscal year of \$11.8 million.

Various water master plan projects were completed as part of the Water Utility enterprise fund's \$0.8 million investment in additional infrastructure in 2010. The Sanitation District contributed an additional \$1.5 million to the City's enterprise fund infrastructure in 2010.

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, 2009</u>	<u>Balance at June 30, 2010</u>
<u>Capital Lease for Civic Center Energy Management Project</u> Issued August 13, 2001 Final Maturity August 13, 2010	4.69%	\$1,184	\$270	\$138
<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	\$3,912	\$3,738
<u>Pension Obligation Bonds</u> Issued June 1, 2004 Final Maturity June 1, 2024	2.65% to 5.896%	\$36,235	\$33,860	\$33,070
<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	\$3,771	\$3,577
<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	\$8,030	\$7,635
<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	\$2,480	\$2,480

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Consumer Price Index-All Urban Consumers was 1.1 percent for both the San Francisco-Oakland-San Jose region and the U.S. City Average for the year ended June 2010. This is up from the prior period, when the index was 0.2 percent locally and (1.4) percent nationally.

The Daly City annual average unemployment rate was 10.6 percent in December 2009, up from 5.9 percent in December 2008. This compares with 8.6 percent and 4.7 percent respectively, for San Mateo County as a whole. California, and especially Northern California, remained in an economic downturn during fiscal 2010.

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, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 1F)	\$62,352,135	\$31,594,088	\$93,946,223
Cash with fiscal agent (Note 1F)	815		815
Accounts receivable, net	3,903,122	2,801,644	6,704,766
Inventories (Note 1G)	361,313	2,092,223	2,453,536
Prepays (Note 1G)	67,117	184,142	251,259
Internal balances	746,717	(746,717)	
Notes receivable (Note 12)	644,878		644,878
Property held for development (Note 1C)	19,422,546		19,422,546
Prepaid PERS pension contribution (Note 7)	28,737,532		28,737,532
Capital assets (Note 4)			
Nondepreciable capital assets	22,256,441	3,830,865	26,087,306
Depreciable capital assets, net	72,289,945	73,051,428	145,341,373
Total Assets	210,782,561	112,807,673	323,590,234
LIABILITIES			
Accounts payable	2,322,537	1,640,583	3,963,120
Accrued payroll	669,845	81,426	751,271
Deposits payable	1,334,350	19,606	1,353,956
Unearned revenue	1,578,211		1,578,211
Interest payable	338,573	80,660	419,233
OPEB obligation, due in more than one year (Note 8)	3,057,009	566,223	3,623,232
Compensated absences (Note 1J)			
Due within one year	5,850,000	725,000	6,575,000
Due in more than one year	3,476,833	792,670	4,269,503
Accrued claims payable (Note 10)			
Due within one year	1,776,104		1,776,104
Due in more than one year	2,117,000		2,117,000
Long-term debt (Note 5)			
Due within one year	1,253,861	609,461	1,863,322
Due in more than one year	39,076,670	10,602,252	49,678,922
Total Liabilities	62,850,993	15,117,881	77,968,874
NET ASSETS (Note 11)			
Invested in capital assets, net of related debt	90,670,525	65,670,580	156,341,105
Restricted for:			
Debt service	815		815
Redevelopment projects	6,058,484		6,058,484
Streets and roads	4,158,721		4,158,721
Infrastructure	2,834,386		2,834,386
Other	878,680		878,680
Total Restricted Net Assets	13,931,086		13,931,086
Unrestricted	43,329,957	32,019,212	75,349,169
Total Net Assets	\$147,931,568	\$97,689,792	\$245,621,360

See accompanying notes to financial statements

**CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

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	\$9,435,028	\$128,702	\$175,589	\$94,137	(\$9,036,600)	(\$9,036,600)
Public safety	44,054,707	4,939,418	592,895		(38,522,394)	(38,522,394)
Public works	5,725,707	1,431,784	400,000	\$306,461	(3,587,462)	(3,587,462)
Streets and infrastructure	3,661,752	907,565	63,112	1,480,512	(1,210,563)	(1,210,563)
Culture and recreation	18,130,986	2,567,160	980,461	74,816	(14,508,549)	(14,508,549)
Economic and community development	9,395,160	2,135,626	1,851,211		(5,408,323)	(5,408,323)
Nondepartmental		341,860	3,328,702	315,825	3,986,387	3,986,387
Interest on long-term debt	376,641				(376,641)	(376,641)
Total Governmental Activities	90,779,981	12,452,115	7,391,970	2,271,751	(68,664,145)	(68,664,145)
Business-type Activities:						
Water Utility	11,230,423	12,272,749			\$1,042,326	1,042,326
Civic Center	717,905	805,391			87,486	87,486
Transfer Station	54,118	375,000			320,882	320,882
Sanitation District	16,742,058	15,851,654			(890,404)	(890,404)
Total Business-type Activities	28,744,504	29,304,794			560,290	560,290
Total	\$119,524,485	\$41,756,909	\$7,391,970	\$2,271,751	(68,664,145)	(68,103,855)
General revenues:						
Taxes:						
Property tax					29,262,868	30,638,896
Sales tax					9,016,619	9,016,619
Utility users tax					6,779,160	6,779,160
Franchise fees					3,432,346	3,432,346
Other taxes					3,962,240	3,962,240
Motor vehicle in lieu, unrestricted					315,203	315,203
Investment earnings					960,155	1,446,748
Miscellaneous					3,706,703	4,298,089
Transfers (Note 6)					2,720,441	(2,720,441)
Total general revenues and transfers					60,155,735	59,889,301
Change in Net Assets					(8,508,410)	(8,214,554)
Net Assets-Beginning					156,439,978	253,835,914
Net Assets-Ending					\$147,931,568	\$245,621,360

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 1F)	\$21,848,375	\$5,308,213	\$5,502,212	\$13,275,072	\$3,278,763	\$49,212,635
Accounts receivable, net	2,225,618	791,711	9,586	59,366	826,970	3,913,251
Due from other funds (Note 6)	77,009					77,009
Inventories (Note 1G)	145,149					145,149
Prepays (Note 1G)	55,185		11,367			66,552
Notes receivable (Note 12)					644,878	644,878
Long-term interfund receivables (Note 6)	26,195,928					26,195,928
Property held for development (Note 1C)			19,422,546			19,422,546
Total Assets	\$50,547,264	\$6,099,924	\$24,945,711	\$13,334,438	\$4,750,611	\$99,677,948
LIABILITIES						
Accounts payable	\$1,359,388	\$277,135	\$198,521	\$27,412	\$298,321	\$2,160,777
Accrued payroll	597,517		2,879		17,337	617,733
Due to other funds (Note 6)					77,009	77,009
Deposits payable	1,323,925		10,425			1,334,350
Deferred revenue	4,988,833	1,664,068			644,878	7,297,779
Long-term interfund payables (Note 6)			26,195,928			26,195,928
Total Liabilities	8,269,663	1,941,203	26,407,753	27,412	1,037,545	37,683,576
FUND BALANCES						
Fund Balance (Note 11)						
Reserved for:						
Encumbrances	45,817	107,593	632,760	68,028	461,096	1,315,294
Inventories	145,149					145,149
Prepays	55,185		11,367			66,552
Long-term interfund receivables	21,207,096					21,207,096
Property held for development (Note 1C)			19,422,546			19,422,546
Restricted purposes			2,749,701		3,337,062	6,086,763
Imprest cash funds	6,880				1,335	8,215
Unreserved:						
Designated for:						
Capital projects		4,051,128		13,238,998		17,290,126
Operating capital	12,000,000					12,000,000
Undesignated, reported in:						
General Fund	8,817,474					8,817,474
Special Revenue Funds			(24,278,416)		(86,427)	(24,364,843)
Total Fund Balances (Deficits)	42,277,601	4,158,721	(1,462,042)	13,307,026	3,713,066	61,994,372
Total Liabilities and Fund Balances	\$50,547,264	\$6,099,924	\$24,945,711	\$13,334,438	\$4,750,611	\$99,677,948

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, 2010

Total fund balances reported on the Governmental Funds Balance Sheet \$61,994,372

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. 86,412,774

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	13,140,315
Accounts receivable	75,728
Inventories	216,164
Internal balances	746,717
Prepays	565
Capital assets	8,133,612
Prepaid PERS pension contribution	28,737,532
Accounts payable	(161,760)
Accrued payroll	(52,112)
Interest payable	(158,992)
Accrued claims payable	(3,893,104)
Compensated absences	(567,665)
OPEB obligation	(366,905)
Long-term debt - due within one year	(930,000)
Long-term debt - due in more than one year	(32,140,000)

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. 5,633,711

LONG TERM ASSETS AND LIABILITIES

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

Long-term debt	(7,260,531)
Interest payable	(179,581)
OPEB Obligation	(2,690,104)
Compensated absences	(8,759,168)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$147,931,568

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, 2010**

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$22,974,477		\$6,288,391			\$29,262,868
Gas tax		\$1,852,074				1,852,074
Sales tax	8,097,483	1,321,438				9,418,921
Utility users tax	6,779,160					6,779,160
Franchise fees	3,432,346					3,432,346
Other taxes	4,277,443					4,277,443
Licenses and permits	1,399,042					1,399,042
Fines and forfeitures	2,460,492				\$382,330	2,842,822
Rents and interest	4,007,126	54,819	199,845	\$261,915	54,539	4,578,244
Federal programs and grants	46,536	1,384,172		62,790	2,304,494	3,797,992
Receipts from other agencies	608,256	1,131,174		263,201	536,190	2,538,821
Charges and fees	6,123,852	16,800	8,310	699,025	669,790	7,517,777
Miscellaneous	3,710,860	500	245	145,242	302,830	4,159,677
Total Revenues	63,917,073	5,760,977	6,496,791	1,432,173	4,250,173	81,857,187
EXPENDITURES						
Current:						
General government	8,449,067					8,449,067
Public safety	40,714,607				676,853	41,391,460
Public works	5,363,588				21,054	5,384,642
Culture and recreation	11,923,587				1,647,962	13,571,549
Economic and community development	3,370,901		4,219,262		1,668,068	9,258,231
Capital projects		3,739,694		3,465,914		7,205,608
Debt service						
Principal				131,684	174,000	305,684
Interest			626,696	12,642	208,990	848,328
Total Expenditures	69,821,750	3,739,694	4,845,958	3,610,240	4,396,927	86,414,569
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,904,677)	2,021,283	1,650,833	(2,178,067)	(146,754)	(4,557,382)
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 6)	5,713,968			510,861	587,070	6,811,899
Transfers out (Note 6)	(881,160)	(2,081,533)	(483,802)	(551,221)	(360,514)	(4,358,230)
Total Other Financing Sources (Uses)	4,832,808	(2,081,533)	(483,802)	(40,360)	226,556	2,453,669
NET CHANGE IN FUND BALANCES	(1,071,869)	(60,250)	1,167,031	(2,218,427)	79,802	(2,103,713)
BEGINNING FUND BALANCES (DEFICITS)	43,349,470	4,218,971	(2,629,073)	15,525,453	3,633,264	64,098,085
ENDING FUND BALANCES (DEFICITS)	\$42,277,601	\$4,158,721	(\$1,462,042)	\$13,307,026	\$3,713,066	\$61,994,372

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, 2010

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 (\$2,103,713)

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.	2,356,388
Net retirements are deducted from fund balance	(22,050)
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$1,108,741 which has already been allocated to serviced funds).	(3,927,914)

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	305,684
Interest accrued is deducted from fund balance	(18,604)

ACCRUAL OF NONCURRENT ITEMS

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

Deferred revenue	(1,965,420)
Compensated absences	(651,745)
OPEB Obligation	(1,374,059)

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>(1,106,977)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$8,508,410)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$25,701,087	\$25,701,087	\$22,974,477	(\$2,726,610)
Sales tax	11,169,967	11,169,967	8,097,483	(3,072,484)
Utility users tax	7,259,607	7,259,607	6,779,160	(480,447)
Franchise fees	3,476,701	3,476,701	3,432,346	(44,355)
Other taxes	4,558,597	4,558,597	4,277,443	(281,154)
Licenses and permits	1,829,554	1,829,554	1,399,042	(430,512)
Fines and forfeitures	2,154,851	2,154,851	2,460,492	305,641
Rents and interest	4,498,735	4,498,735	4,007,126	(491,609)
Federal programs and grants	3,850	46,270	46,536	266
Receipts from other agencies	440,376	541,919	608,256	66,337
Charges and fees	6,622,820	6,615,401	6,123,852	(491,549)
Miscellaneous	2,322,244	2,345,578	3,710,860	1,365,282
Total Revenues	70,038,389	70,198,267	63,917,073	(6,281,194)
EXPENDITURES:				
Current Operations:				
General Government				
Legislative:				
Salaries and benefits	187,532	187,532	176,557	10,975
Services and supplies	52,328	48,328	37,855	10,473
Other charges	34,013	22,413	21,016	1,397
Total Legislative	273,873	258,273	235,428	22,845
Legal:				
Salaries and benefits	750,604	750,604	788,776	(38,172)
Services and supplies	153,111	151,553	143,541	8,012
Other charges	12,384	12,384	6,750	5,634
Total Legal	916,099	914,541	939,067	(24,526)
Administrative				
Salaries and benefits	5,736,298	5,635,601	5,749,659	(114,058)
Services and supplies	1,180,791	1,068,443	1,008,291	60,152
Capital outlay	2,500	2,500	2,500	-
Other charges	912,065	864,590	516,622	347,968
Total Administrative	7,831,654	7,571,134	7,274,572	296,562
Total General Government	9,021,626	8,743,948	8,449,067	294,881
Public Safety				
Police:				
Salaries and benefits	20,510,576	20,436,810	20,310,323	126,487
Services and supplies	3,412,263	3,459,166	3,425,444	33,722
Capital outlay	9,700	17,339	8,984	8,355
Other charges	208,648	208,648	203,672	4,976
Total Police	24,141,187	24,121,963	23,948,423	173,540
Fire:				
Salaries and benefits	13,234,816	13,224,816	13,333,060	(108,244)
Services and supplies	1,392,859	1,387,723	1,310,667	77,056
Capital outlay	42,129	43,929	41,979	1,950
Other charges	83,866	62,566	82,883	(20,317)
Total Fire	14,753,670	14,719,034	14,768,589	(49,555)

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Public Safety Communications				
Salaries and benefits	1,960,186	1,960,186	1,715,856	244,330
Services and supplies	239,219	239,219	271,531	(32,312)
Capital outlay	4,000	4,000		4,000
Other charges	17,085	17,085	10,208	6,877
Total Public Safety Communications	<u>2,220,490</u>	<u>2,220,490</u>	<u>1,997,595</u>	<u>222,895</u>
Total Public Safety	<u>41,115,347</u>	<u>41,061,487</u>	<u>40,714,607</u>	<u>346,880</u>
Public Works				
Salaries and benefits	4,648,292	4,648,292	3,992,810	655,482
Services and supplies	1,427,916	1,404,395	1,314,219	90,176
Capital outlay			419	(419)
Other charges	66,754	64,754	56,140	8,614
Total Public Works	<u>6,142,962</u>	<u>6,117,441</u>	<u>5,363,588</u>	<u>753,853</u>
Culture and Recreation				
Library:				
Salaries and benefits	2,727,850	2,678,981	2,654,525	24,456
Services and supplies	1,135,902	1,101,053	992,736	108,317
Other charges	13,405	16,795	14,820	1,975
Total Library	<u>3,877,157</u>	<u>3,796,829</u>	<u>3,662,081</u>	<u>134,748</u>
Parks and Recreation:				
Salaries and benefits	5,345,818	5,159,456	4,771,651	387,805
Services and supplies	4,091,339	4,005,421	3,439,195	566,226
Capital outlay	10,435	450		450
Other charges	59,566	73,566	50,660	22,906
Total Parks and Recreation	<u>9,507,158</u>	<u>9,238,893</u>	<u>8,261,506</u>	<u>977,387</u>
Total Culture and Recreation	<u>13,384,315</u>	<u>13,035,722</u>	<u>11,923,587</u>	<u>1,112,135</u>
Economic and Community Development				
Salaries and benefits	2,789,069	2,789,069	2,762,080	26,989
Services and supplies	482,027	482,642	332,326	150,316
Capital outlay	2,877	2,500		2,500
Other charges	301,779	292,579	276,495	16,084
Total Economic and Community Development	<u>3,575,752</u>	<u>3,566,790</u>	<u>3,370,901</u>	<u>195,889</u>
Total Expenditures	<u>73,240,002</u>	<u>72,525,388</u>	<u>69,821,750</u>	<u>2,703,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,201,613)</u>	<u>(2,327,121)</u>	<u>(5,904,677)</u>	<u>(3,577,556)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,493,193	5,930,038	5,713,968	(216,070)
Transfers out	(1,890,155)	(980,961)	(881,160)	99,801
Total Other Financing Sources (Uses)	<u>3,603,038</u>	<u>4,949,077</u>	<u>4,832,808</u>	<u>(116,269)</u>
NET CHANGE IN FUND BALANCE	<u>\$401,425</u>	<u>\$2,621,956</u>	<u>(1,071,869)</u>	<u>(\$3,693,825)</u>
BEGINNING FUND BALANCE			<u>43,349,470</u>	
ENDING FUND BALANCE			<u>\$42,277,601</u>	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gas tax	\$1,965,387	\$1,965,387	\$1,852,074	(\$113,313)
Sales tax	1,425,000	1,425,000	1,321,438	(103,562)
Rents and interest	72,000	72,000	54,819	(17,181)
Federal programs and grants	2,672,763	4,035,763	1,384,172	(2,651,591)
Receipts from other agencies	1,213,525	1,213,525	1,131,174	(82,351)
Charges and fees			16,800	16,800
Miscellaneous			500	500
Total Revenues	<u>7,348,675</u>	<u>8,711,675</u>	<u>5,760,977</u>	<u>(2,950,698)</u>
EXPENDITURES:				
Capital projects	<u>9,411,974</u>	<u>9,524,598</u>	<u>3,739,694</u>	<u>5,784,904</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,063,299)</u>	<u>(812,923)</u>	<u>2,021,283</u>	<u>2,834,206</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,048,577)</u>	<u>(2,297,603)</u>	<u>(2,081,533)</u>	<u>216,070</u>
NET CHANGE IN FUND BALANCES	<u>(\$4,111,876)</u>	<u>(\$3,110,526)</u>	<u>(60,250)</u>	<u>\$3,050,276</u>
BEGINNING FUND BALANCE			<u>4,218,971</u>	
ENDING FUND BALANCE			<u>\$4,158,721</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property tax	\$8,106,000	\$8,106,000	\$6,288,391	(\$1,817,609)
Rents and interest	124,836	124,836	199,845	75,009
Charges and fees	7,968	7,968	8,310	342
Miscellaneous			245	245
Total Revenues	8,238,804	8,238,804	6,496,791	(1,742,013)
EXPENDITURES:				
Economic and Community Development:				
Salaries and benefits	467,959	467,959	315,697	152,262
Services and supplies	506,781	572,781	170,849	401,932
Pass thru payments	835,000	835,000	770,579	64,421
SERAF payments			2,432,475	(2,432,475)
Capital outlay	51,739	101,739	42,636	59,103
Other charges	982,990	1,765,790	487,026	1,278,764
Total Economic and Community Development	2,844,469	3,743,269	4,219,262	(475,993)
Debt Service:				
Interest	2,745,630	2,745,630	626,696	2,118,934
Total Expenditures	5,590,099	6,488,899	4,845,958	1,642,941
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,648,705	1,749,905	1,650,833	(99,072)
OTHER FINANCING SOURCES (USES)				
Sale of property	2,500,000	2,500,000		(2,500,000)
Transfers out	(483,802)	(483,802)	(483,802)	
Total Other Financing Sources (Uses)	2,016,198	2,016,198	(483,802)	(2,500,000)
NET CHANGE IN FUND BALANCE	\$4,664,903	\$3,766,103	1,167,031	(\$2,599,072)
BEGINNING FUND BALANCE (DEFICIT)			(2,629,073)	
ENDING FUND BALANCE (DEFICIT)			(\$1,462,042)	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 1F)	\$5,005,284	\$22,977,941	\$3,610,863	\$31,594,088	\$13,139,500
Cash with fiscal agent (Note 1F)					815
Accounts receivable, net (Note 1H)	1,681,769	960,322	44,935	2,687,026	75,728
Inventories (Note 1G)	502,116	1,590,107		2,092,223	216,164
Prepays (Note 1G)	183,842	300		184,142	565
Total Current Assets	7,373,011	25,528,670	3,655,798	36,557,479	13,432,772
Noncurrent Assets:					
Accounts receivable, net (Note 1H)		114,618		114,618	
Prepaid PERS pension contribution (Note 7)					28,737,532
Capital Assets (Note 4):					
Land	839,856	233,547	1,789,146	2,862,549	378,343
Buildings	153,943	676,019	6,753,006	7,582,968	35,817
Sewage facilities		54,889,070		54,889,070	
Wells and pump stations	7,011,400			7,011,400	
Water reservoirs	12,361,510			12,361,510	
Mains & subsurface lines	16,147,012	20,225,930		36,372,942	
Equipment	4,945,588	4,653,743	704,795	10,304,126	16,903,328
Furniture and fixtures	21,824	28,694		50,518	52,707
Construction in progress	172,768	795,548		968,316	609,054
Total Capital Assets	41,653,901	81,502,551	9,246,947	132,403,399	17,979,249
Less accumulated depreciation	(13,482,568)	(37,707,847)	(4,330,691)	(55,521,106)	(9,845,637)
Net Capital Assets	28,171,333	43,794,704	4,916,256	76,882,293	8,133,612
Total Noncurrent Assets	28,171,333	43,909,322	4,916,256	76,996,911	36,871,144
Total Assets	35,544,344	69,437,992	8,572,054	113,554,390	50,303,916
Current Liabilities:					
Accounts payable	625,419	953,798	13,413	1,592,630	161,760
Retentions payable	5,500	42,453		47,953	
Accrued payroll	27,217	54,209		81,426	52,112
Deposits payable	19,606			19,606	
Interest payable	28,500	52,160		80,660	158,992
Accrued claims payable (Note 10)					1,776,104
Compensated absences (Note 1J)	210,000	515,000		725,000	
Long-term debt (Note 5)	410,000	199,461		609,461	930,000
Total Current Liabilities	1,326,242	1,817,081	13,413	3,156,736	3,078,968
Noncurrent Liabilities:					
Compensated absences (Note 1J)	201,463	591,207		792,670	567,665
Accrued claims payable (Note 10)					2,117,000
OPEB obligation	205,031	361,192		566,223	366,905
Long-term debt (Note 5)	7,225,000	3,377,252		10,602,252	32,140,000
Total Noncurrent Liabilities	7,631,494	4,329,651		11,961,145	35,191,570
Total Liabilities	8,957,736	6,146,732	13,413	15,117,881	38,270,538
NET ASSETS (Note 11)					
Invested in capital assets, net of related debt	20,536,333	40,217,991	4,916,256	65,670,580	8,133,612
Restricted for:					
Debt service					815
Unrestricted	6,050,275	23,073,269	3,642,385	32,765,929	3,898,951
Total Net Assets	\$26,586,608	\$63,291,260	\$8,558,641	98,436,509	\$12,033,378

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

(746,717)

Net assets of business-type activities \$97,689,792

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, 2010**

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$12,272,749	\$118,173		\$12,390,922	
Sewer service charges		15,609,798		15,609,798	
Connection charges		123,683		123,683	
Rental income			\$805,391	805,391	
Lease revenue			375,000	375,000	
Charges to City departments					\$16,001,675
Other revenues	327,963	110,078	153,345	591,386	958,872
Total Operating Revenues	12,600,712	15,961,732	1,333,736	29,896,180	16,960,547
OPERATING EXPENSES					
Salaries and benefits	2,923,151	6,620,843		9,543,994	5,687,292
Services and supplies	1,606,739	5,133,284	433,606	7,173,629	2,677,594
Water purchases	2,827,719			2,827,719	
Utilities	920,028	861,152	115,598	1,896,778	380,361
Insurance	130,383	320,597	12,390	463,370	1,286,258
Claims and settlements					3,971,653
Depreciation (Note 4)	1,192,935	1,861,160	233,431	3,287,526	1,108,741
Other charges	1,036,789	1,285,504	3,331	2,325,624	174,400
Total Operating Expenses	10,637,744	16,082,540	798,356	27,518,640	15,286,299
Operating Income	1,962,968	(120,808)	535,380	2,377,540	1,674,248
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,376,028		1,376,028	
Gain (loss) on disposal of capital assets	(18,996)			(18,996)	(426,439)
Amortization					(1,608,331)
Interest income	99,049	346,067	41,477	486,593	182,863
Interest expense	(368,706)	(91,445)		(460,151)	(1,942,807)
Total Nonoperating Revenues (Expenses)	(288,653)	1,630,650	41,477	1,383,474	(3,794,714)
Income (Loss) Before Transfers	1,674,315	1,509,842	576,857	3,761,014	(2,120,466)
Transfers in (Note 6)		1,552,783		1,552,783	1,076,081
Transfers out (Note 6)	(2,376,455)	(1,107,806)	(788,963)	(4,273,224)	(809,309)
Net transfers	(2,376,455)	444,977	(788,963)	(2,720,441)	266,772
Change in net assets	(702,140)	1,954,819	(212,106)	1,040,573	(1,853,694)
BEGINNING NET ASSETS	27,288,748	61,336,441	8,770,747	97,395,936	13,887,072
ENDING NET ASSETS	\$26,586,608	\$63,291,260	\$8,558,641	98,436,509	\$12,033,378

Net change in net assets

1,040,573

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

(746,717)

Change in net assets of business-type activities

\$293,856

See accompanying notes to financial statements

**CITY OF DALY CITY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$12,619,205	\$15,969,728	\$1,349,426	\$29,938,359	\$16,492,069
Payments to suppliers	(6,672,085)	(7,412,616)	(567,157)	(14,651,858)	(4,760,780)
Payments to employees	(2,733,580)	(6,231,182)		(8,964,762)	(5,644,705)
Proceeds from claims					400,000
Claims paid					(1,906,213)
Cash Flows from Operating Activities	3,213,540	2,325,930	782,269	6,321,739	4,580,371
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax		1,376,028		1,376,028	
Principal paid on noncapital debt					(790,000)
Interest paid on noncapital debt					(1,945,980)
Transfers in		1,552,783		1,552,783	1,076,081
Transfers out	(2,376,455)	(1,107,806)	(788,963)	(4,273,224)	(809,309)
Cash Flows from Noncapital Financing Activities	(2,376,455)	1,821,005	(788,963)	(1,344,413)	(2,469,208)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(763,277)	(1,493,515)		(2,256,792)	(2,221,560)
Proceeds from sale of capital assets	6,760			6,760	82,745
Principal paid on capital debt	(395,000)	(194,595)		(589,595)	
Interest paid on capital debt	(369,940)	(94,283)		(464,223)	
Cash Flows from Capital and Related Financing Activities	(1,521,457)	(1,782,393)		(3,303,850)	(2,138,815)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	99,049	346,067	41,477	486,593	182,863
Net Cash Flows	(585,323)	2,710,609	34,783	2,160,069	155,211
Cash and investments at beginning of period	5,590,607	20,267,332	3,576,080	29,434,019	12,985,104
Cash and investments at end of period	\$5,005,284	\$22,977,941	\$3,610,863	\$31,594,088	\$13,140,315
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$1,962,968	(\$120,808)	\$535,380	\$2,377,540	\$1,674,248
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,192,935	1,861,160	233,431	3,287,526	1,108,741
Change in assets and liabilities:					
Accounts receivable, net	51,779	7,996	15,690	75,465	(68,478)
Inventories	(37,603)	(87,588)		(125,191)	(57,153)
Prepays	13,131	(300)		12,831	41,842
Accounts payable	52,187	233,722	(2,232)	283,677	(226,856)
Retentions payable	(178,142)	42,087		(136,055)	
Accrued payroll	5,420	17,342		22,762	(142,892)
Deposits payable	(33,286)			(33,286)	
Accrued claims payable					2,065,440
Compensated absences	78,334	191,614		269,948	1,662
OPEB obligation	105,817	180,705		286,522	183,817
Cash Flows from Operating Activities	\$3,213,540	\$2,325,930	\$782,269	\$6,321,739	\$4,580,371

See accompanying notes to financial statements

CITY OF DALY CITY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 1F)	\$2,344,080
Receivables	1,518,705
Other assets	<u>11,269</u>
Total Assets	<u><u>\$3,874,054</u></u>
 LIABILITIES	
Accounts payable	\$2,317,175
Due to others	<u>1,556,879</u>
Total Liabilities	<u><u>\$3,874,054</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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 these are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. Agency Funds are used to account for assets held by the City as an agent for Billing Services, Peninsula Traffic Congestion Relief Alliance, San Mateo Pre-Hospital Emergency Medical Services Group, Supporters of Senior Center, and Peninsula Partnership. The financial activities of these funds are excluded from the entity-wide financial statements because they are not directly or indirectly governed by the City Council.

C. PROPERTY HELD FOR DEVELOPMENT

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

D. BASIS OF ACCOUNTING

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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.

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	\$93,946,223
Restricted cash and investments	815
	<hr/>
Cash and investments of the City	93,947,038
Cash and investments in Fiduciary Funds (separate statement)	2,344,080
	<hr/>
Total cash and investments	<u>\$96,291,118</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	\$50,000,000	\$50,000,000
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	\$10,000,000	\$10,000,000
Bankers' Acceptances	180 Days	N/A	40%	30%
Commercial Paper	180 Days	Highest Rating Category	25%	10%
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
Money Market Mutual Funds	N/A	AAm	No Limit	No Limit
Bankers Acceptances	360 days	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	\$50,000,000	\$50,000,000
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		\$9,753,223	\$9,753,223
Certificates of Deposit	\$1,017,000		1,017,000
Money Market Mutual Funds	815		815
California Local Agency Investment Fund	51,428,701		51,428,701
San Mateo County Investment Pool	33,740,408		33,740,408
Total Investments	<u>\$86,186,924</u>	<u>\$9,753,223</u>	<u>95,940,147</u>
Cash in Bank and on Hand			<u>350,971</u>
Total Cash and Investments			<u>\$96,291,118</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2010, these investments have an average maturity of 203 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, 2010, these investments matured in an average of 1 year.

Mutual Funds investments are available for withdrawal on demand and at June 30, 2010 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, 2010 are provided by Standard and Poor's except as noted.

Investment Type	AAAm	Fitch A-/V2	Total Investments
Money Market Mutual Funds	\$815		\$815
San Mateo County Investment Pool		\$33,740,408	33,740,408
Total	\$815	\$33,740,408	33,741,223
<i>Not rated:</i>			
Certificates of Deposit			1,017,000
California Local Agency Investment Fund			51,428,701
<i>Exempt from rating requirement:</i>			
U.S. Government-Sponsored Enterprise Agencies			9,753,223
Total Investments			\$95,940,147

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 enterprise fund, 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 June 30, 2009	\$8,673,426	\$1,247,722	\$9,921,148
Additions	6,400,652	879,997	7,280,649
Payments	(5,747,245)	(610,049)	(6,357,294)
Balance June 30, 2010	<u>\$9,326,833</u>	<u>\$1,517,670</u>	<u>\$10,844,503</u>
Due within one year	<u>\$5,850,000</u>	<u>\$725,000</u>	<u>\$6,575,000</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 activities of the Daly City Public Facilities Financing Corporation (Corporation) are included in the basic financial statements of the Water Utility Enterprise Fund in proportion to the activities carried out on its behalf because the City Council sits as the Board of this entity. The City established the Corporation to facilitate the issuance of Certificates of Participation, currently consisting of various expansion and upgrade projects in the Water Utility. The Corporation acts as a conduit for the leasing of the associated facilities of the utility in order to allow the issuance of its Certificates of Participation (See Note 5).

Note 3.**COMMITMENTS AND CONTINGENCIES**

At June 30, 2010, the City had made commitments of approximately \$2.5 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	10-30 years		

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

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

A. CAPITAL ASSET ADDITIONS AND RETIREMENTS

Capital assets at June 30 comprise:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Governmental activities:					
Capital assets not being depreciated:					
Land	\$20,705,468				\$20,705,468
Construction in progress	2,939,405	\$281,422		(\$1,669,854)	1,550,973
Total capital assets not being depreciated	23,644,873	281,422		(1,669,854)	22,256,441
Capital assets being depreciated:					
Buildings & improvements	55,391,806	6,048		795,430	56,193,284
Streets & infrastructure	63,273,227	2,162,136		173,917	65,609,280
Vehicles, equipment, furniture and fixtures	19,534,781	2,006,376	(\$1,364,605)	700,507	20,877,059
Park structures and improvements	5,611,852	121,966			5,733,818
Total capital assets being depreciated	143,811,666	4,296,526	(1,364,605)	1,669,854	148,413,441
Less accumulated depreciation for:					
Buildings & improvements	18,843,952	1,686,913			20,530,865
Streets & infrastructure	39,638,195	1,619,309			41,257,504
Vehicles, equipment, furniture and fixtures	12,143,114	1,503,693	(833,371)		12,813,436
Park structures and improvements	1,294,951	226,740			1,521,691
Total accumulated depreciation	71,920,212	5,036,655	(833,371)		76,123,496
Net depreciable assets	71,891,454	(740,129)	(531,234)	\$1,669,854	72,289,945
Governmental activity capital assets, net	\$95,536,327	(\$458,707)	(\$531,234)		\$94,546,386

The gross cost of the capital assets acquired through capital leases for building and improvements is \$1,184,447 at June 30, 2010.

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Business-type activities:					
Capital assets not being depreciated:					
Land	\$2,862,549				\$2,862,549
Construction in progress	6,352,850	\$413,123		(\$5,797,657)	968,316
Total capital assets not being depreciated	9,215,399	413,123		(5,797,657)	3,830,865
Capital assets being depreciated:					
Buildings	7,582,968				7,582,968
Sewage facilities	54,527,090	206,005		155,975	54,889,070
Wells & pump stations	7,011,400				7,011,400
Water reservoirs	7,258,827	609,319		4,493,365	12,361,511
Mains & subsurface lines	36,233,004	75,688		64,249	36,372,941
Equipment	8,305,401	952,657	(\$38,000)	1,084,068	10,304,126
Furniture and fixtures	50,518				50,518
Total capital assets being depreciated	120,969,208	1,843,669	(38,000)	5,797,657	128,572,534
Less accumulated depreciation for:					
Buildings	3,777,368	247,855			4,025,223
Sewage facilities	27,628,284	1,001,257			28,629,541
Wells & pump stations	2,467,020	177,074			2,644,094
Water reservoirs	3,381,498	173,114			3,554,612
Mains & subsurface lines	10,373,652	1,153,504			11,527,156
Equipment	4,567,743	534,462	(12,244)		5,089,961
Furniture and fixtures	50,259	260			50,519
Total accumulated depreciation	52,245,824	3,287,526	(12,244)		55,521,106
Net depreciable assets	68,723,384	(1,443,857)	(25,756)	5,797,657	73,051,428
Business-type activity capital assets, net	\$77,938,783	(\$1,030,734)	(\$25,756)		\$76,882,293

B. CAPITAL ASSET CONTRIBUTIONS

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

C. DEPRECIATION ALLOCATION

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

Governmental Activities	
General government	\$491,069
Public safety	231,118
Public works	6,258
Culture and recreation	1,562,500
Economic and community development	6,302
Streets and infrastructure	1,630,667
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,108,741</u>
Total Governmental Activities	<u><u>\$5,036,655</u></u>
Business-Type Activities	
Water Utility	\$1,192,935
Sanitation District	1,861,160
Civic Center	189,727
Transfer Station	<u>43,704</u>
Total Business-Type Activities	<u><u>\$3,287,526</u></u>

Note 5.
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2010, are as follows:

	Original Issue Amount	Balance June 30, 2009	Retirements	Balance June 30, 2010	Current Portion
<i>Governmental Activity Debt</i>					
2002 Capital Lease, 4.69%, due fiscal year 2011	\$1,184,477	\$269,545	\$131,684	\$137,861	\$137,861
Housing & Urban Development Section 108 Loan 2.31%-6.01%, due 2023	4,500,000	3,912,000	174,000	3,738,000	186,000
2004 Series A-1 Pension Obligation Bonds 2.650%-5.896%, due 2024	36,235,000	33,860,000	790,000	33,070,000	930,000
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		41,426,215	1,095,684	40,330,531	1,253,861
<i>Business-Type Activity Debt</i>					
State Water Resources Control Board Loan 2.5%, due 2025	4,450,128	3,771,308	194,595	3,576,713	199,461
2004 Certificates of Participation 3%-5%, due 2024	9,860,000	8,030,000	395,000	7,635,000	410,000
Total Business-Type Activity		11,801,308	589,595	11,211,713	609,461
Total City Long-Term Obligations		\$53,227,523	\$1,685,279	\$51,542,244	\$1,863,322

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, 2010 total principal and interest remaining on the capital lease is \$144,327.

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 eligible and program income generated directly from the use of the loan funds to repay the note. As of June 30, 2010 total principal and interest remaining on the note is \$5,317,014. For fiscal year 2010, principal and interest paid were \$382,990 and total block grant revenues were \$1,403,780.

On June 1, 2004, the City, through the California Statewide Communities Development Authority, issued \$36,235,000 of Taxable Pension Obligation Bonds, Series A-1, to prepay the City's unfunded PERS accrued actuarial liability of \$35,600,000. Principal is due annually on June 1 and interest is due semiannually on June 1 and December 1, through June 1, 2024. Debt service is payable from available City resources. For fiscal year 2010, principal and interest paid were \$2,735,980.

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, 2010 is \$993,080, which consists of \$904,670 principal and \$88,410 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 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, 2010 total principal and interest remaining on the note is \$4,333,176. For fiscal year 2010, principal and interest paid were \$288,879 and total Sanitation District Enterprise net revenues were \$3,815,979.

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, 2010 total principal and interest remaining on the certificates is \$10,562,791. For fiscal year 2010, principal and interest paid were \$751,809 and total net revenues were \$490,795.

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

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	654,558	390,004
2014	1,657,000	1,909,566	674,797	366,965
2015	1,869,000	1,820,134	700,167	343,195
2016-2020	14,131,670	7,488,818	3,916,202	1,299,995
2021-2025	16,198,000	2,430,421	4,027,081	441,630
	<u>\$40,330,531</u>	<u>\$19,997,924</u>	<u>\$11,211,713</u>	<u>\$3,684,255</u>

Note 6.

CURRENT INTERFUND BALANCES

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2010 the amounts of current interfund balances were as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	
General Fund	Doelger Senior Center Special Revenue Fund	\$15,827
	Community Block Grant Special Revenue Fund	19,178
	Grants Special Revenue Fund	42,004
		<u>\$77,009</u>

LONG-TERM INTERFUND BALANCES

Loans payable from the Redevelopment Agency to the General Fund have no scheduled repayment date. Management has prepared a cash flow projection of redevelopment activities through fiscal 2024. This projection indicates that funds should be available to repay the above loans, including interest, prior to the expiration of the project areas. Loans currently bear interest at 1.766 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 2010 additions to loans payable amounted to \$490,291 of interest, as the terms of the agreement stipulate that any unpaid interest shall be added to the principal. During fiscal 2010, the Agency repaid the City \$2,500,000 in interest. At June 30, 2010, the total amount of loans payable from the Agency to the General Fund was \$26,195,928.

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

Fund Making Transfer	Fund Receiving Transfer	Transfer Amount
General Fund	Capital Projects Fund	\$100,650
	Nonmajor Governmental Funds	587,070
	Internal Service Funds	193,440
Gas Tax Special Revenue Fund	General Fund	2,081,533
Redevelopment Agency Special Revenue Fund	General Fund	483,802
Capital Projects Fund	Internal Service Funds	551,221
	General Fund	725,700
Water Utility Enterprise Fund	Capital Projects Fund	2,510
	Sanitation District Enterprise Fund	1,552,783
	Internal Service Funds	95,462
	General Fund	985,331
Sanitation District Enterprise Fund	Internal Service Funds	122,475
	Capital Projects Fund	248,735
Nonmajor Governmental Funds	Internal Service Funds	111,779
	General Fund	788,963
Nonmajor Enterprise Funds	General Fund	648,639
	Capital Projects Fund	158,966
	Internal Service Funds	1,704
		\$9,440,763

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, 2010, 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%	2.0%-3.0%	2.0%-2.7%
Required employee contribution rates	9%	8%	8%
Required employer contribution rates	14.929%	14.964%	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 \$28,737,532 at June 30, 2010. During fiscal 2008-2009, the amortization of the prepayment amounted to \$1,608,331. 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, 2010, 2009 and 2008 amounted to \$8,724,201, 8,938,331 and \$8,408,187, 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
2008	\$8,408,187	100%	---
2009	8,938,331	100%	---
2010	8,724,201	100%	---

The Plans' actuarial value (which differs from market value) and funding progress over the past three years is set forth below:

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
6/30/2006	\$171,284,562	\$166,908,479	\$4,376,083	97.4%	\$17,534,165	25.0%
6/30/2007	183,192,204	178,543,217	4,648,987	97.5%	18,164,611	25.6%
6/30/2008	191,404,203	188,515,152	2,889,051	98.5%	17,580,591	16.4%

Miscellaneous Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
6/30/2006	\$155,204,623	\$144,596,957	\$10,607,666	93.2%	\$25,793,494	41.1%
6/30/2007	171,135,115	159,550,441	11,584,674	93.2%	26,627,170	43.5%
6/30/2008	182,740,400	172,711,867	10,028,533	94.5%	26,771,330	37.5%

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.

POST EMPLOYMENT BENEFITS OTHER THAN PENSION

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

The City contributes up to a fixed dollar amount for retiree medical benefits, which varies by employee bargaining group and coverage level as governed by PEMCHA. Benefits continue for surviving spouses in amounts as required by PEMCHA. Should an eligible retiree opt out of the CalPERS medical plan, they will receive \$120 to \$125 per month in lieu of contributions to the CalPERS plan. As of June 30, 2010, approximately 342 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 508 active employees that should they meet requirements will be eligible to receive health care benefits upon retirement.

A. FUNDING POLICY AND ACTUARIAL ASSUMPTIONS

The annual required contribution (ARC) was determined as part of a January 1, 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included 4.50% investment rate of return, 3.25% projected annual salary increase, and 4.5% to 9.3% health cost inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

B. FUNDING PROGRESS AND FUNDED STATUS

In fiscal year 2010, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Liability at June 30, 2009	<u>\$1,778,834</u>
Annual required contribution (ARC)	3,174,578
Interest on net OPEB obligation	<u>80,862</u>
Annual OPEB cost	<u>3,255,440</u>
Contributions made:	
City's portion of current year premiums paid	<u>(1,411,042)</u>
Change in net OPEB Liability	<u>1,844,398</u>
Net OPEB Obligation June 30, 2010	<u><u>\$3,623,232</u></u> *

* There is no amortization because the 2009/2010 ARC did not include an amortization of the 2008/2009 contribution loss as determined by the actuarial dated October 16, 2009.

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

<u>Fiscal Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$3,074,749	\$1,295,915	42%	\$1,778,834
6/30/2010	3,255,440	1,411,042	43%	3,623,232

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2009 actuarial study is presented below:

Valuation Date	Actuarial		Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
1/1/2009	\$0	\$38,226,000	(\$38,226,000)	0%	\$47,798,000	-80%

Note 9.
DEFERRED COMPENSATION PLAN

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

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

Note 10.
SELF-INSURANCE

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

The City has a self-insured retention for the first \$250,000 of general and automobile liability claims and maintains a \$10,000 deductible for property losses. Losses in excess of the retention up to \$24,750,000 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.

The City is a member of California State Association of Counties Excess Insurance Authority (CSAC-EIA), a joint powers authority (JPA) which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$350,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$300,000,000 limit. During the fiscal year ended June 30, 2010, the City contributed \$224,498 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, 2010 and 2009:

	2010	2009
Beginning balance of claims payable	\$1,827,664	\$1,704,933
Increase in estimated claims liability	3,971,653	1,479,402
Claims paid	(1,906,213)	(1,356,671)
Ending balance of claims payable	<u>\$3,893,104</u> *	<u>\$1,827,664</u>
Current Portion	<u>\$1,776,104</u>	<u>\$968,315</u>

* The liability is recorded at a present value using a discount rate of 4%

Note 11.

NET ASSETS

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

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

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

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

RESERVATIONS AND DESIGNATIONS OF FUND EQUITY

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

The City has reserved and designated fund equity as follows:

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

Reserved for Inventories, Prepaids, 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 10. Monies have been set aside in this reserve in the event that the City will be found liable for future claims for personal injury or accident or other significant damage within the City.

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

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

At June 30, 2010, the City had made the following Enterprise Funds fund equity designations:

	Water Utility	Sanitation District	Civic Center	Transfer Station
Unrestricted, designated for:				
Equipment replacement	\$4,495,745	\$10,962,447	\$2,422,264	\$1,083,339
Operating capital		8,500,000		
Capital projects	503,004	3,334,023		
Unrestricted, undesignated	1,051,526	276,799	24,836	111,946
Total unrestricted net assets	<u>\$6,050,275</u>	<u>\$23,073,269</u>	<u>\$2,447,100</u>	<u>\$1,195,285</u>

At June 30, 2010, the City had made the following Internal Service Funds fund equity designations:

	Motor Vehicles	Central Services	PBX	Information Services	Self- Insurance
Unrestricted, designated for:					
Equipment replacement	\$1,409,475	\$69,382	\$673,215	\$1,352,597	
Capital projects	179,493				
Possible future claims					\$3,015,204
Unrestricted, undesignated			14,829		
Total unrestricted net assets	<u>\$1,588,968</u>	<u>\$69,382</u>	<u>\$688,044</u>	<u>\$1,352,597</u>	<u>\$3,015,204</u>

Note 12.

LOANS AND NOTES RECEIVABLE

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

During fiscal 2010 the City made loans to 5 participants under this program. In fiscal 2010 CDBG loan program activity is as follows:

Beginning Balance	\$600,590
New loans	133,209
Loan repayments	<u>(88,921)</u>
Ending Balance	<u>\$644,878</u>

Note 13.

DEVELOPMENT AGREEMENTS

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 construction of it is supported by 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 Disposition and Development Agreement (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 sales 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.

Between fiscal 2009 and 2010, the original developer, prior to the completion of the project, defaulted on its obligation to the Agency under the DDA by not timely completing construction of the project in accordance with the DDA's Schedule of Performance (the "Existing Default") and to Cathay Bank under the agreements providing the private financing for the project, which agreements included a First Deed of Trust recorded against the Property. Construction of Phase I of the development has been substantially completed, but final completion was stalled. The property became subject to a receivership and effective March 19, 2010, Cathay exercised its rights under its Deed of Trust, and foreclosed on the Property and an affiliate of Cathay, Cathay Holdings, LLC, obtained fee title to the property. Subsequently, on September 27, 2010, Cathay Holdings, LLC, sold the property to OliverMcMillan Daly City One, LLC (OMDCO). OMDCO is now owner of the property and requested the Agency to approve the transfer of the rights and obligations under the DDA from the previous developer, Landmark Daly City LLC to OMDCO. On October 11, 2010, The Agency Board approved the transfer and certain modifications to the DDA as described in the Third Implementation Agreement to the DDA. The modifications were:

- Changes to the pricing of Affordable Units to reflect the current market conditions
- Extension of the Developer's first right of refusal for the purchase and development of Phase II of the project
- Change the Schedule of Performance to reflect the new schedule for completing the construction of Phase I

El Rancho Site

During fiscal 2004, the Agency entered into a Development Agreement (DA) 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 space. 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.

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 below market rate for-sale housing units. In the latter portion of fiscal 2009, the Agency informed the developers that they were in default of the DA for failing to repay the \$150,000 in affordable housing funds that were disbursed under the DA.

During fiscal 2010, the developer/owner obtained final certificates of occupancies and the project was completed. However, due to declining home sales prices, dramatic increases in construction costs, and the inability to restructure the project's financing, the project fell into financial difficulty. The Bank filed notices of default and has completed the foreclosure process and now holds title to the property/project and is actively pursuing buyers.

Parkview Clubhouse

In April of 2009 the Agency entered into a DDA with Habitat for Humanity Greater San Francisco (Habitat) to develop two units of affordable housing on the former Parkview Clubhouse site. The site is owned by the Agency and consists of 3,000 square feet.

In fiscal 2010 the Agency sold the Parkview Clubhouse site to Habitat at its cost of \$190,000, representing a discount of \$110,000 in the land price relative to its appraised market value of \$300,000. The Redevelopment Agency Housing Set-Aside funds, for the purpose of site acquisition, were provided in the form of a forgivable 45-year zero interest loan. In addition, the City provided \$150,000 in federal HOME funds as a development subsidy to the project, also in the form of forgivable 45-year zero interest loan.

Habitat built two detached, three-bedroom, single family dwellings. Pursuant to the DDA, the buildings are two stories, accommodate two off-street parking spaces per dwelling unit and include a landscaped front yard area.

Pursuant to Habitat's mission, the homes will be made available to households with incomes at or below 50 percent of the area median in fiscal 2011, with a preference for households whose members live and/or work in Daly City. Habitat will provide zero percent interest mortgages to ensure that housing payments, which include loan principal, homeowner's insurance, real estate taxes and utilities, do not exceed 30 percent of a household's income. Selected households provided 500 hours of sweat equity toward the purchase of their new homes. The units will remain affordable for a minimum of 45 years.

Habitat met their fundraising goal of approximately \$529,000 in order to meet the total estimated project development cost of \$970,000. Construction of the project began in late calendar 2009 and was completed in June 2010. The selected households moved into the completed homes in July 2010 and are currently renting the units from Habitat until subsidy financing from the state is finalized. Formal transfer of ownership of the Habitat units to the selected households is anticipated to occur by November 2010.

The Parkview units were constructed on property that was formerly a city-owned clubhouse but had been vacant for several years and was in a state of deterioration. The site had become underutilized and unattractive. Construction of the Parkview homes removed blight, provided two affordable housing units and brought new vitality to the neighborhood.

7555 Mission Street

In June of 2009 the Agency entered into a DDA with Habitat for Humanity Greater San Francisco (Habitat) to develop 36 units of affordable housing on an Agency-owned site located at 7555 Mission Street. The site is immediately adjacent to the Colma BART Station and consists of 30,000 square feet that was occupied by an auto repair shop and a car rental agency.

Under the terms of the DDA, Habitat will build 36 affordable condominium units. The subject buildings will be three stories over a parking podium and provide 57 off street parking spaces. The development also includes a 12,800 square foot landscaped outdoor common area with a gazebo and playground. Habitat is exploring opportunities to incorporate green building practices into the project to ensure that the development will use energy, water and materials wisely, minimize construction waste, be durable and easily maintained, and promote good health for both those constructing the units as well as those who ultimately occupy them. Offering residents transit-oriented and affordable homeownership opportunities in condominiums that have healthier indoor environments and are substantially more energy efficient means that less of their income will go towards energy and transportation costs, while living in an environment that safeguards their health and well-being.

The proposed project represents an opportunity to develop a unique project. It will be one that contains all the attributes of Smart Growth principles, including compact building design, provision of a variety of transportation choices, infill development, mixture of land uses, encouragement of community and stakeholder collaboration, and the fostering of a distinctive, attractive community with a strong sense of place, as well as one that incorporates the benefits of green building principles.

Pursuant to Habitat's mission, the homes will be made available to households with incomes at or below 60 percent of the area median, with a preference for households whose members live and/or work in Daly City. Habitat will provide zero percent interest mortgages to ensure that housing payments, which include loan principal, homeowner's insurance, real estate taxes and utilities, do not exceed 30 percent of a household's income. Selected households will be required to provide 500 hours of sweat equity toward the purchase of their new homes. The units will remain affordable for a minimum of 45 years.

The total estimated development cost for the proposed project is \$17.5 million. As is typically the case with Habitat projects, a significant portion of this cost will be covered through a major fundraising effort on the part of Habitat. The developer will pursue local fundraising as well as donated labor and materials. In addition, Habitat anticipates grant funding for the project from outside agencies. In July 2008, Habitat received an award of \$1,756,000 from the State Proposition 1C Infill Program to finance construction of the parking podium within the proposed project.

To ensure the overall financial feasibility of the project, the Agency is providing funding in the amount of \$3,932,937 (\$3,034,137 for land and \$898,800 for development subsidy). In addition, the City will provide a total of \$1,264,328 in federal HOME funds. HOME and Agency funds will be provided in the form of 45-year zero interest loans.

Preparation of the site for the proposed development includes relocation of existing tenants, demolition, soil remediation and water infrastructure improvements. Overall, site preparation costs for tenant relocation, soil remediation, building demolition and water service improvements are estimated to be \$600,000. Site preparation activities will be carried out at the City's expense, utilizing federal CDBG funds prior to transfer of the property to Habitat.

Construction of the project began in August of 2010 and should be completed in approximately 3 years.

The 7555 Mission Street units are being constructed on a key transit-oriented site that is underutilized and somewhat neglected physically. Construction of 36 housing units at this site will remove blight, set architectural standards for the area and provide greatly needed affordable housing.

Note 14.

FUND DEFICIT

The Redevelopment Agency Special Revenue Fund, Building Maintenance Internal Service Fund and the PERS Contributions Internal Service Fund had deficits amounting to \$1,462,042, \$421,403 and \$2,382,770, respectively at June 30, 2010. The deficits will be eliminated with future revenues.

Note 15.

TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATION REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of \$2,432,475 in fiscal year 2009-10.

Based on the calculations in AB26 4X, the Agency's SERAF payment is estimated to be \$500,320 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

**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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Rents and interest		\$261,915	\$261,915
Federal programs and grants	\$873,900	62,790	(811,110)
Receipts from other agencies	250,000	263,201	13,201
Charges and fees	497,801	699,025	201,224
Miscellaneous	112,325	145,242	32,917
Total Revenues	<u>1,734,026</u>	<u>1,432,173</u>	<u>(301,853)</u>
EXPENDITURES			
Capital projects	9,937,233	3,465,914	6,471,319
Debt Service:			
Principal	131,684	131,684	
Interest	12,642	12,642	
Total Expenditures	<u>10,081,559</u>	<u>3,610,240</u>	<u>6,471,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,347,533)</u>	<u>(2,178,067)</u>	<u>6,169,466</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,165,282	510,861	(654,421)
Transfers out	(961,221)	(551,221)	410,000
Total Other Financing Sources (Uses)	<u>204,061</u>	<u>(40,360)</u>	<u>(244,421)</u>
NET CHANGE IN FUND BALANCES	<u>(\$8,143,472)</u>	<u>(2,218,427)</u>	<u>\$5,925,045</u>
BEGINNING FUND BALANCE		<u>15,525,453</u>	
ENDING FUND BALANCE		<u>\$13,307,026</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The City's Special Revenue Funds are as follows:

- 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. .
- Traffic Enforcement – to account for traffic fines collected from red light violations and associated program costs.

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

SPECIAL REVENUE FUNDS

	<u>Doelger Senior Center</u>	<u>Community Block Grant</u>	<u>Linda Vista Benefit Assessment</u>	<u>AB 1600 Public Facility Fees</u>	<u>Traffic Safety</u>
ASSETS					
Cash and investments	\$1,335		\$264,744	\$2,834,386	\$126,439
Accounts receivable, net	45,678	\$120,145			
Notes receivable		512,234			
Total Assets	\$47,013	\$632,379	\$264,744	\$2,834,386	\$126,439
LIABILITIES					
Accounts payable	\$22,589	\$96,847	\$9		\$330
Accrued payroll	8,597	4,120			
Due to other funds	15,827	19,178			
Deferred revenue		512,234			
Total Liabilities	47,013	632,379	9		330
FUND BALANCES					
Reserved for:					
Encumbrances		3,958			
Restricted purposes			\$264,735	\$2,834,386	126,109
Imprest cash funds	1,335				
Unreserved, Undesignated	(1,335)	(3,958)			
Total Fund Balances			264,735	2,834,386	126,109
Total Liabilities and Fund Balances	\$47,013	\$632,379	\$264,744	\$2,834,386	\$126,439

Grants	Traffic Enforcement	Total Nonmajor Governmental Funds
	\$51,859	\$3,278,763
\$577,128	84,019	826,970
132,644		644,878
<u>\$709,772</u>	<u>\$135,878</u>	<u>\$4,750,611</u>
\$154,500	\$24,046	\$298,321
4,620		17,337
42,004		77,009
132,644		644,878
<u>333,768</u>	<u>24,046</u>	<u>1,037,545</u>
457,138		461,096
	111,832	3,337,062
(81,134)		1,335
		<u>(86,427)</u>
<u>376,004</u>	<u>111,832</u>	<u>3,713,066</u>
<u>\$709,772</u>	<u>\$135,878</u>	<u>\$4,750,611</u>

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS				
	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	AB 1600 Public Facility Fees	Traffic Safety
REVENUES					
Fines and forfeitures					
Rents and interest			\$4,429	\$48,995	
Federal programs and grants	\$140,682	\$1,261,373			
Receipts from other agencies					
Charges and fees	407,990		30,176	162,037	\$69,587
Miscellaneous	160,423	142,407			
Total Revenues	709,095	1,403,780	34,605	211,032	69,587
EXPENDITURES					
Public safety					50,248
Public works			21,054		
Culture and recreation	1,287,995				
Economic and community development		1,020,790			
Debt service:					
Principal		174,000			
Interest		208,990			
Total Expenditures	1,287,995	1,403,780	21,054		50,248
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(578,900)		13,551	211,032	19,339
OTHER FINANCING SOURCES (USES)					
Transfers in	587,070				
Transfers out	(8,170)			(240,565)	
Total Other Financing Sources (Uses)	578,900			(240,565)	
NET CHANGE IN FUND BALANCES			13,551	(29,533)	19,339
BEGINNING FUND BALANCES			251,184	2,863,919	106,770
ENDING FUND BALANCES (DEFICIT)			\$264,735	\$2,834,386	\$126,109

<u>Grants</u>	<u>Traffic Enforcement</u>	<u>Total Nonmajor Governmental Funds</u>
	\$382,330	\$382,330
\$1,115		54,539
902,439		2,304,494
536,190		536,190
		669,790
		302,830
<u>1,439,744</u>	<u>382,330</u>	<u>4,250,173</u>
311,095	315,510	676,853
		21,054
359,967		1,647,962
647,278		1,668,068
		174,000
		208,990
<u>1,318,340</u>	<u>315,510</u>	<u>4,396,927</u>
<u>121,404</u>	<u>66,820</u>	<u>(146,754)</u>
		587,070
<u>(111,779)</u>		<u>(360,514)</u>
<u>(111,779)</u>		<u>226,556</u>
9,625	66,820	79,802
<u>366,379</u>	<u>45,012</u>	<u>3,633,264</u>
<u>\$376,004</u>	<u>\$111,832</u>	<u>\$3,713,066</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, 2010

	DOELGER SENIOR CENTER			COMMUNITY BLOCK GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures						
Rents and interest						
Federal programs and grants	\$140,714	\$140,682	(\$32)	\$1,942,707	\$1,261,373	(\$681,334)
Receipts from other agencies						
Charges and fees	418,324	407,990	(10,334)			
Miscellaneous	170,923	160,423	(10,500)	84,000	142,407	58,407
Total Revenues	729,961	709,095	(20,866)	2,026,707	1,403,780	(622,927)
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	643,239	652,613	(9,374)			
Services and supplies	727,264	631,649	95,615			
Capital outlay						
Other charges	8,959	3,733	5,226			
Total Culture and Recreation	1,379,462	1,287,995	91,467			
Economic and Community Development						
Salaries and benefits				474,887	474,585	302
Services and supplies				816,344	405,407	410,937
Capital outlay				120,946		120,946
Other charges				231,540	140,798	90,742
Debt Service:						
Principal				174,000	174,000	
Interest				208,990	208,990	
Total Economic and Community Development				2,026,707	1,403,780	622,927
Total Expenditures	1,379,462	1,287,995	91,467	2,026,707	1,403,780	622,927
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(649,501)	(578,900)	70,601			
OTHER FINANCING SOURCES (USES)						
Transfers in	681,691	587,070	(94,621)			
Transfers out	(8,170)	(8,170)				
Total Other Financing Sources (Uses)	673,521	578,900	(94,621)			
NET CHANGE IN FUND BALANCES	\$24,020		(\$24,020)			
BEGINNING FUND BALANCES						
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, 2010

	GRANTS			TRAFFIC ENFORCEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures					\$382,330	\$382,330
Rents and interest	\$1,000	\$1,115	\$115			
Federal programs and grants	3,448,894	902,439	(2,546,455)			
Receipts from other agencies	862,500	536,190	(326,310)			
Charges and fees						
Miscellaneous						
Total Revenues	4,312,394	1,439,744	(2,872,650)		382,330	382,330
EXPENDITURES						
Public Safety						
Salaries and benefits	421,823	130,394	291,429		44,308	(44,308)
Services and supplies	453,351	168,804	284,547		271,202	(271,202)
Capital outlay	9,458	7,331	2,127			
Other charges	8,471	4,566	3,905			
Total Public Safety	893,103	311,095	582,008		315,510	(315,510)
Public Works						
Services and supplies						
Capital outlay						
Total Public Works						
Culture and Recreation						
Salaries and benefits	252,432	285,307	(32,875)			
Services and supplies	105,568	74,660	30,908			
Capital outlay	2,000		2,000			
Other charges	2,500		2,500			
Total Culture and Recreation	362,500	359,967	2,533			
Economic and Community Development						
Salaries and benefits	54,858	55,859	(1,001)			
Services and supplies	1,533,420	136,825	1,396,595			
Capital outlay	678,025	171,950	506,075			
Other charges	720,000	282,644	437,356			
Debt Service:						
Principal						
Interest						
Total Economic and Community Development	2,986,303	647,278	2,339,025			
Total Expenditures	4,241,906	1,318,340	2,923,566		315,510	(315,510)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	70,488	121,404	50,916		66,820	66,820
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(141,898)	(111,779)	30,119			
Total Other Financing Sources (Uses)	(141,898)	(111,779)	30,119			
NET CHANGE IN FUND BALANCES	(\$71,410)	9,625	\$81,035		66,820	\$66,820
BEGINNING FUND BALANCES		366,379			45,012	
ENDING FUND BALANCES (DEFICIT)		\$376,004			\$111,832	

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, 2010

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$2,417,110	\$1,193,753	\$3,610,863
Accounts receivable, net	<u>43,403</u>	<u>1,532</u>	<u>44,935</u>
Total Current Assets	<u>2,460,513</u>	<u>1,195,285</u>	<u>3,655,798</u>
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	<u>472,428</u>	<u>232,367</u>	<u>704,795</u>
Total Capital Assets	<u>7,736,918</u>	<u>1,510,029</u>	<u>9,246,947</u>
Less accumulated depreciation	<u>(3,247,352)</u>	<u>(1,083,339)</u>	<u>(4,330,691)</u>
Net Capital Assets	<u>4,489,566</u>	<u>426,690</u>	<u>4,916,256</u>
Total Assets	<u>6,950,079</u>	<u>1,621,975</u>	<u>8,572,054</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>13,413</u>		<u>13,413</u>
NET ASSETS			
Invested in capital assets	4,489,566	426,690	4,916,256
Unrestricted	<u>2,447,100</u>	<u>1,195,285</u>	<u>3,642,385</u>
Total Net Assets	<u>\$6,936,666</u>	<u>\$1,621,975</u>	<u>\$8,558,641</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, 2010**

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$805,391		\$805,391
Lease revenue		\$375,000	375,000
Other revenues	60,122	93,223	153,345
Total Operating Revenues	865,513	468,223	1,333,736
OPERATING EXPENSES			
Services and supplies	433,606		433,606
Utilities	115,598		115,598
Insurance	8,871	3,519	12,390
Depreciation	189,727	43,704	233,431
Other charges		3,331	3,331
Total Operating Expenses	747,802	50,554	798,356
Operating Income	117,711	417,669	535,380
NONOPERATING REVENUES (EXPENSES)			
Interest income	41,477		41,477
Income Before Transfers	159,188	417,669	576,857
Transfers out	(338,669)	(450,294)	(788,963)
Change in Net Assets	(179,481)	(32,625)	(212,106)
BEGINNING NET ASSETS	7,116,147	1,654,600	8,770,747
ENDING NET ASSETS	\$6,936,666	\$1,621,975	\$8,558,641

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$877,940	\$471,486	\$1,349,426
Payments to suppliers	(560,307)	(6,850)	(567,157)
Cash Flows from Operating Activities	317,633	464,636	782,269
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(338,669)	(450,294)	(788,963)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	41,477		41,477
Net Cash Flows	20,441	14,342	34,783
Cash and investments at beginning of period	2,396,669	1,179,411	3,576,080
Cash and investments at end of period	<u>\$2,417,110</u>	<u>\$1,193,753</u>	<u>\$3,610,863</u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	\$117,711	\$417,669	\$535,380
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	189,727	43,704	233,431
Change in assets and liabilities:			
Accounts receivable	12,427	3,263	15,690
Accounts payable	(2,232)		(2,232)
Cash Flows from Operating Activities	<u>\$317,633</u>	<u>\$464,636</u>	<u>\$782,269</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, 2010

	Motor Vehicles	Central Services	PBX	Building Maintenance
ASSETS				
Current Assets:				
Cash and investments	\$1,597,604	\$139,183	\$698,719	\$156,185
Cash with fiscal agent				
Accounts receivable, net	39,884			
Inventories	173,086	33,885		9,193
Prepays				565
Total Current Assets	1,810,574	173,068	698,719	165,943
Long-Term Assets				
Prepaid PERS contribution				
Capital Assets:				
Land				
Construction in progress				
Buildings	35,817			
Equipment	13,523,806	287,290	490,792	47,123
Furniture and fixtures				6,093
Total Capital Assets	13,559,623	287,290	490,792	53,216
Less Accumulated Depreciation	(7,561,414)	(226,719)	(448,838)	(42,960)
Net Capital Assets	5,998,209	60,571	41,954	10,256
Total Assets	7,808,783	233,639	740,673	176,199
LIABILITIES				
Current Liabilities:				
Accounts payable	52,403	4,305	10,675	48,207
Accrued payroll	11,782	2,946		23,973
Interest payable				
Accrued claims payable				
PERS obligation bonds				
Total Current Liabilities	64,185	7,251	10,675	72,180
Long-Term Liabilities:				
Compensated absences	67,641	65,802		327,411
Accrued claims payable				
OPEB Obligation	89,780	30,633		198,011
PERS obligation bonds				
Total Long-Term Liabilities	157,421	96,435		525,422
Total Liabilities	221,606	103,686	10,675	597,602
NET ASSETS				
Invested in capital assets	5,998,209	60,571	41,954	10,256
Restricted for debt service				
Unrestricted	1,588,968	69,382	688,044	(431,659)
Total Net Assets (Deficit)	\$7,587,177	\$129,953	\$729,998	(\$421,403)

<u>Information Services</u>	<u>Self-Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$1,536,925	\$6,903,009	\$2,107,875	\$13,139,500
		815	815
400	35,444		75,728
			216,164
			565
<u>1,537,325</u>	<u>6,938,453</u>	<u>2,108,690</u>	<u>13,432,772</u>
		<u>28,737,532</u>	<u>28,737,532</u>
609,054	378,343		378,343
			609,054
2,554,317			35,817
46,614			16,903,328
			52,707
<u>3,209,985</u>	<u>378,343</u>		<u>17,979,249</u>
<u>(1,565,706)</u>			<u>(9,845,637)</u>
<u>1,644,279</u>	<u>378,343</u>		<u>8,133,612</u>
<u>3,181,604</u>	<u>7,316,796</u>	<u>30,846,222</u>	<u>50,303,916</u>
17,692	28,478		161,760
11,744	1,667		52,112
		158,992	158,992
	1,776,104		1,776,104
		930,000	930,000
<u>29,436</u>	<u>1,806,249</u>	<u>1,088,992</u>	<u>3,078,968</u>
106,811			567,665
	2,117,000		2,117,000
48,481			366,905
		32,140,000	32,140,000
<u>155,292</u>	<u>2,117,000</u>	<u>32,140,000</u>	<u>35,191,570</u>
<u>184,728</u>	<u>3,923,249</u>	<u>33,228,992</u>	<u>38,270,538</u>
1,644,279	378,343		8,133,612
		815	815
<u>1,352,597</u>	<u>3,015,204</u>	<u>(2,383,585)</u>	<u>3,898,951</u>
<u>\$2,996,876</u>	<u>\$3,393,547</u>	<u>(\$2,382,770)</u>	<u>\$12,033,378</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, 2010

	<u>Motor Vehicles</u>	<u>Central Services</u>	<u>PBX</u>	<u>Building Maintenance</u>
OPERATING REVENUES				
Charges to City departments	\$3,142,021	\$515,552	\$203,972	\$3,619,380
Other revenues	515,181	9,907	1,513	339,407
Total Operating Revenues	3,657,202	525,459	205,485	3,958,787
OPERATING EXPENSES				
Salaries and benefits	1,052,022	295,088		2,709,129
Services and supplies	962,186	229,041	31,908	707,146
Utilities	19,844	543	139,462	187,375
Insurance	289,421	768		3,327
Claims and settlements				
Depreciation	831,374	31,978	24,331	5,980
Other charges	44,289	1,440	24,556	381
Total Operating Expenses	3,199,136	558,858	220,257	3,613,338
Operating Income (Loss)	458,066	(33,399)	(14,772)	345,449
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	(426,689)			
Amortization				
Interest income	26,769	2,064	11,751	750
Interest expense				
Total Nonoperating Revenues (Expenses)	(399,920)	2,064	11,751	750
Income (Loss) Before Transfers	58,146	(31,335)	(3,021)	346,199
Transfers in	987,119	77,664		
Transfers out	(146,296)	(34,961)	(1,733)	(323,792)
Net Transfers	840,823	42,703	(1,733)	(323,792)
Change in Net Assets	898,969	11,368	(4,754)	22,407
BEGINNING NET ASSETS (DEFICITS)	6,688,208	118,585	734,752	(443,810)
ENDING NET ASSETS (DEFICITS)	\$7,587,177	\$129,953	\$729,998	(\$421,403)

<u>Information Services</u>	<u>Self-Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$2,425,839	\$3,314,768	\$2,780,143	\$16,001,675
150	92,714		958,872
<u>2,425,989</u>	<u>3,407,482</u>	<u>2,780,143</u>	<u>16,960,547</u>
1,433,823	197,230		5,687,292
532,688	207,046	7,579	2,677,594
32,510	627		380,361
1,444	991,298		1,286,258
	3,971,653		3,971,653
215,078			1,108,741
103,174	560		174,400
<u>2,318,717</u>	<u>5,368,414</u>	<u>7,579</u>	<u>15,286,299</u>
107,272	(1,960,932)	2,772,564	1,674,248
250			(426,439)
		(1,608,331)	(1,608,331)
28,012	112,702	815	182,863
		(1,942,807)	(1,942,807)
<u>28,262</u>	<u>112,702</u>	<u>(3,550,323)</u>	<u>(3,794,714)</u>
135,534	(1,848,230)	(777,759)	(2,120,466)
11,298			1,076,081
(124,295)	(178,232)		(809,309)
<u>(112,997)</u>	<u>(178,232)</u>		<u>266,772</u>
22,537	(2,026,462)	(777,759)	(1,853,694)
<u>2,974,339</u>	<u>5,420,009</u>	<u>(1,605,011)</u>	<u>13,887,072</u>
<u>\$2,996,876</u>	<u>\$3,393,547</u>	<u>(\$2,382,770)</u>	<u>\$12,033,378</u>

**CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Motor Vehicles</u>	<u>Central Services</u>	<u>PBX</u>	<u>Building Maintenance</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,224,568	\$525,459	\$205,485	\$3,958,787
Payments to suppliers	(1,384,801)	(238,315)	(171,820)	(892,940)
Payments to employees	(1,075,210)	(279,969)		(2,709,768)
Proceeds from claims	400,000			
Claims paid				
Cash Flows from Operating Activities	<u>1,164,557</u>	<u>7,175</u>	<u>33,665</u>	<u>356,079</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Transfers in	987,119	77,664		
Transfers out	(146,296)	(34,961)	(1,733)	(323,792)
Cash Flows from Noncapital Financing Activities	<u>840,823</u>	<u>42,703</u>	<u>(1,733)</u>	<u>(323,792)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,935,845)			(5,060)
Proceeds from sale of capital assets	82,495			
Cash Flows from Capital and Related Financing Activities	<u>(1,853,350)</u>			<u>(5,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	26,769	2,064	11,751	750
Net Cash Flows	<u>178,799</u>	<u>51,942</u>	<u>43,683</u>	<u>27,977</u>
Cash and investments at beginning of period	<u>1,418,805</u>	<u>87,241</u>	<u>655,036</u>	<u>128,208</u>
Cash and investments at end of period	<u>\$1,597,604</u>	<u>\$139,183</u>	<u>\$698,719</u>	<u>\$156,185</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$458,066	(\$33,399)	(\$14,772)	\$345,449
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	831,374	31,978	24,331	5,980
Change in assets and liabilities:				
Receivables, net	(32,634)			
Inventories	(64,897)	2,435		5,309
Prepays			22,128	(565)
Accounts payable	(4,164)	(8,958)	1,978	545
Accrued claims payable				
Accrued payroll	1,706	839		(150,013)
Compensated absences	(65,977)	(1,474)		46,661
OPEB obligation	41,083	15,754		102,713
Cash Flows from Operating Activities	<u>\$1,164,557</u>	<u>\$7,175</u>	<u>\$33,665</u>	<u>\$356,079</u>

<u>Information Services</u>	<u>Self-Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$2,425,589	\$3,372,038	\$2,780,143	\$16,492,069
(817,894)	(1,247,431)	(7,579)	(4,760,780)
(1,383,060)	(196,698)		(5,644,705)
			400,000
	(1,906,213)		(1,906,213)
<u>224,635</u>	<u>21,696</u>	<u>2,772,564</u>	<u>4,580,371</u>
		(790,000)	(790,000)
		(1,945,980)	(1,945,980)
11,298			1,076,081
(124,295)	(178,232)		(809,309)
<u>(112,997)</u>	<u>(178,232)</u>	<u>(2,735,980)</u>	<u>(2,469,208)</u>
(280,655)			(2,221,560)
250			82,745
<u>(280,405)</u>			<u>(2,138,815)</u>
<u>28,012</u>	<u>112,702</u>	<u>815</u>	<u>182,863</u>
(140,755)	(43,834)	37,399	155,211
<u>1,677,680</u>	<u>6,946,843</u>	<u>2,071,291</u>	<u>12,985,104</u>
<u>\$1,536,925</u>	<u>\$6,903,009</u>	<u>\$2,108,690</u>	<u>\$13,140,315</u>
\$107,272	(\$1,960,932)	\$2,772,564	\$1,674,248
215,078			1,108,741
(400)	(35,444)		(68,478)
			(57,153)
20,279			41,842
(168,357)	(47,900)		(226,856)
	2,065,440		2,065,440
4,044	532		(142,892)
22,452			1,662
24,267			183,817
<u>\$224,635</u>	<u>\$21,696</u>	<u>\$2,772,564</u>	<u>\$4,580,371</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, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Billing Services				
<u>Assets</u>				
Cash and investments	\$1,085,058	\$14,613,675	\$14,520,687	\$1,178,046
Receivables	1,296,070	2,626,879	3,039,181	883,768
Total Assets	\$2,381,128	\$17,240,554	\$17,559,868	\$2,061,814
<u>Liabilities</u>				
Accounts payable	\$2,381,128	\$17,508,342	\$17,827,656	\$2,061,814
 PTCRA				
<u>Assets</u>				
Cash and investments	\$398,678	\$2,516,319	\$2,743,674	\$171,323
Receivables	221,923	470,167	231,198	460,892
Other assets	18,331	4,230	14,937	7,624
Total Assets	\$638,932	\$2,990,716	\$2,989,809	\$639,839
<u>Liabilities</u>				
Accounts payable	\$214,643	\$1,925,404	\$1,921,889	\$218,158
Due to others	424,289	2,733,871	2,736,479	421,681
Total Liabilities	\$638,932	\$4,659,275	\$4,658,368	\$639,839
 SMPHESG				
<u>Assets</u>				
Cash and investments	\$439,260	\$3,888,043	\$3,680,712	\$646,591
Receivables	79,451	282,796	362,247	
Total Assets	\$518,711	\$4,170,839	\$4,042,959	\$646,591
<u>Liabilities</u>				
Accounts payable	\$18,426	\$3,356,771	\$3,365,038	\$10,159
Due to others	500,285	3,768,709	3,632,562	636,432
Total Liabilities	\$518,711	\$7,125,480	\$6,997,600	\$646,591

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	\$74,069	\$273,057	\$271,262	\$75,864
<u>Liabilities</u>				
Accounts payable	\$8,350	\$52,776	\$50,981	\$10,145
Due to others	65,719	265,114	265,114	65,719
Total Liabilities	\$74,069	\$317,890	\$316,095	\$75,864
<u>Peninsula Partnership</u>				
<u>Assets</u>				
Cash and investments	\$98,915	\$1,768,694	\$1,595,353	\$272,256
Receivables	220,117	174,045	220,117	174,045
Other assets		3,645		3,645
Total Assets	\$319,032	\$1,946,384	1,815,470	\$449,946
<u>Liabilities</u>				
Accounts payable	\$9,680	\$269,175	\$261,956	\$16,899
Due to others	309,352	1,671,549	1,547,854	433,047
Total Liabilities	\$319,032	\$1,940,724	\$1,809,810	\$449,946
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$2,095,980	\$23,059,788	\$22,811,688	\$2,344,080
Receivables	1,817,561	3,553,887	3,852,743	1,518,705
Other assets	18,331	7,875	14,937	11,269
Total Assets	\$3,931,872	\$26,621,550	\$26,679,368	\$3,874,054
<u>Liabilities</u>				
Accounts payable	\$2,632,227	\$23,112,468	\$23,427,520	\$2,317,175
Due to others	1,299,645	8,439,243	8,182,009	1,556,879
Total Liabilities	\$3,931,872	\$31,551,711	\$31,609,529	\$3,874,054



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

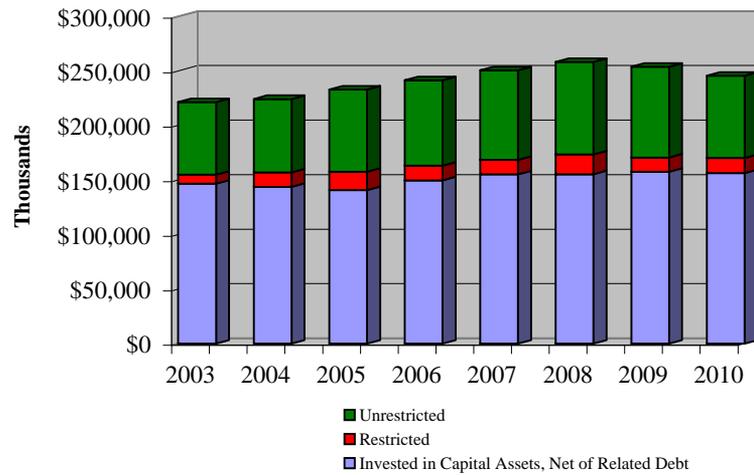
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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 Eight Fiscal Years
(Accrual Basis of Accounting)



	June 30,				
	2003	2004	2005	2006	2007
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
Restricted	7,225,405	12,231,497	7,361,686	6,304,192	9,032,201
Unrestricted	58,271,382	49,372,484	55,142,657	57,663,215	57,260,439
Total governmental activities net assets	\$140,414,870	\$140,719,108	\$146,281,666	\$154,076,852	\$159,672,219
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
Restricted	1,047,654	1,047,605	9,252,661	6,978,418	4,371,497
Unrestricted	8,261,377	17,813,030	20,407,241	20,678,496	24,848,980
Total business-type activities net assets	\$80,999,610	\$83,485,502	\$86,713,952	\$87,282,415	\$90,895,975
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
Restricted	8,273,059	13,279,102	16,614,347	13,282,610	13,403,698
Unrestricted	66,532,759	67,185,514	75,549,898	78,341,711	82,109,419
Total primary government net assets	\$221,414,480	\$224,204,610	\$232,995,618	\$241,359,267	\$250,568,194
	2008	2009	2010		
Governmental activities					
Invested in capital assets, net of related debt	\$92,883,528	\$91,354,782	\$90,670,525		
Restricted	13,869,264	13,104,841	13,931,086		
Unrestricted	54,502,547	51,980,355	43,329,957		
Total governmental activities net assets	\$161,255,339	\$156,439,978	\$147,931,568		
Business-type activities					
Invested in capital assets, net of related debt	\$62,401,418	\$66,137,475	\$65,670,580		
Restricted	4,218,833	4,597			
Unrestricted	30,305,199	31,253,864	32,019,212		
Total business-type activities net assets	\$96,925,450	\$97,395,936	\$97,689,792		
Primary government					
Invested in capital assets, net of related debt	\$155,284,946	\$157,492,257	\$156,341,105		
Restricted	18,088,097	13,109,438	13,931,086		
Unrestricted	84,807,746	83,234,219	75,349,169		
Total primary government net assets	\$258,180,789	\$253,835,914	\$245,621,360		

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

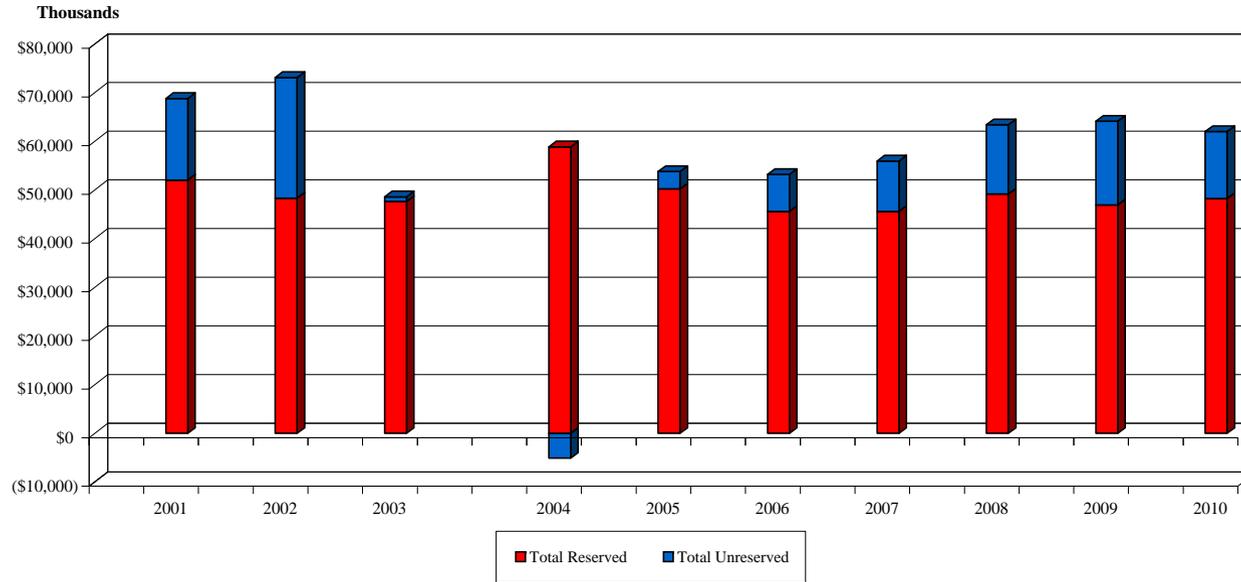
	For The Fiscal Years Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$3,861,142	\$7,049,253	\$7,864,080	\$8,170,802	\$7,444,142	\$8,370,140	9,401,885	\$9,435,028
Public safety	29,896,315	31,706,399	36,824,085	34,815,945	39,270,270	41,515,902	42,404,296	44,054,707
Public works	5,819,840	5,808,559	6,454,908	7,099,777	6,429,613	6,277,793	6,526,712	5,725,707
Streets and infrastructure	1,909,043	2,296,403	2,647,535	2,346,510	3,567,017	4,496,272	3,823,885	3,661,752
Culture and recreation	11,471,728	12,118,778	12,239,462	14,319,938	14,817,138	17,185,257	17,045,290	18,130,986
Economic and community development	10,272,554	6,718,322	8,509,016	10,254,528	8,033,736	6,802,421	9,274,398	9,395,160
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	1,498,377	376,641
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>	<u>89,974,843</u>	<u>90,779,981</u>
Business-type activities:								
Water	8,440,424	9,026,033	9,254,676	8,759,733	9,287,617	10,777,580	11,496,966	11,230,423
Civic center	626,682	654,354	675,630	606,319	615,099	598,634	749,560	717,905
Transfer station	1,270,705	1,291,865	1,290,494	1,514,890	1,322,444	1,005,081	65,987	54,118
Sanitation district	12,115,172	11,672,157	13,079,301	14,633,188	14,084,248	15,506,062	17,006,931	16,742,058
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>	<u>29,319,444</u>	<u>28,744,504</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>	<u>\$119,294,287</u>	<u>\$119,524,485</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$376,564	\$143,481	\$166,527	\$221,542	\$96,257	\$111,829	\$117,873	\$128,702
Public safety	3,658,856	4,066,392	4,285,174	4,456,640	4,029,069	3,676,585	4,953,076	4,939,418
Public works	2,044,763	1,849,348	1,967,014	1,736,993	1,176,476	959,193	1,123,139	1,431,784
Streets and infrastructure	1,179,774	998,664	1,140,519	967,326	1,111,118	1,076,212	1,247,967	907,565
Culture and recreation	2,466,170	2,810,198	2,731,652	2,483,548	2,674,550	2,848,327	2,975,580	2,567,160
Economic and community development	2,215,902	2,143,008	2,459,591	2,386,374	2,673,444	2,333,758	2,717,488	2,135,626
Nondepartmental	288,268	932,656	2,145,568	352,195	795,596	\$454,839	462,733	341,860
Operating grants and contributions	12,013,823	8,504,372	10,036,375	11,296,078	10,128,248	9,780,388	7,310,809	7,391,970
Capital grants and contributions	2,997,194	597,162	1,173,226	4,628,183	1,504,218	2,306,965	534,330	2,271,751
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>	<u>21,442,995</u>	<u>22,115,836</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	12,752,887	12,272,749
Civic center	869,306	892,122	918,213	933,137	959,500	985,189	1,011,711	805,391
Transfer station	1,591,840	1,615,257	1,613,410	1,616,423	1,622,442	2,086,047	375,000	375,000
Sanitation district	13,114,197	13,269,512	14,191,177	13,900,269	15,273,552	16,858,914	16,410,870	15,851,654
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>	<u>30,550,468</u>	<u>29,304,794</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>	<u>\$51,993,463</u>	<u>\$51,420,630</u>
Net (Expense)/Revenue								
Governmental activities	(\$37,429,312)	(\$44,598,155)	(\$49,364,732)	(\$49,813,037)	(\$57,301,176)	(\$63,026,157)	(\$68,531,848)	(\$68,664,145)
Business-type activities	5,140,623	4,046,582	5,055,991	1,866,657	4,577,063	5,003,633	1,231,024	560,290
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>	<u>(\$67,300,824)</u>	<u>(\$68,103,855)</u>

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

	For The Fiscal Years Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$30,964,095	\$29,262,868
Sales taxes	8,949,909	8,972,708	9,294,700	9,619,289	10,677,978	11,411,106	10,520,797	9,016,619
Utility users tax	5,246,566	5,467,435	5,644,684	6,132,745	6,312,871	6,875,368	6,870,869	6,779,160
Franchise fees	2,281,204	2,471,180	2,534,935	2,680,415	2,736,020	2,788,859	3,378,546	3,432,346
Other taxes	1,927,177	2,068,815	2,232,036	3,877,653	3,918,576	3,919,957	4,134,141	3,962,240
Motor vehicle in-lieu	6,091,761	4,803,122	682,042	726,666	569,826	470,726	362,136	315,203
Investment earnings	3,503,897	713,346	2,024,600	2,530,208	4,259,540	4,013,587	1,703,334	960,155
Other revenues	941,110	373,413	4,352,038	1,566,401	2,028,616	2,514,957	2,700,781	3,706,703
Transfers	4,222,495	4,209,488	4,594,355	4,556,759	4,109,381	1,967,892	3,081,788	2,720,441
Total governmental activities	<u>48,590,581</u>	<u>44,902,395</u>	<u>54,927,290</u>	<u>57,608,223</u>	<u>62,896,543</u>	<u>64,609,277</u>	<u>63,716,487</u>	<u>60,155,735</u>
Business-type activities:								
Property taxes	939,013	1,026,537	1,136,181	1,188,249	1,300,831	\$1,389,793	1,452,957	1,376,028
Investment earnings	706,251	123,277	727,399	843,264	1,224,333	1,138,848	311,498	486,593
Other revenues	250,772	1,498,984	903,234	1,227,052	620,714	465,093	556,795	591,386
Transfers	(4,222,495)	(4,209,488)	(4,594,355)	(4,556,759)	(4,109,381)	(1,967,892)	(3,081,788)	(2,720,441)
Total business-type activities	<u>(2,326,459)</u>	<u>(1,560,690)</u>	<u>(1,827,541)</u>	<u>(1,298,194)</u>	<u>(963,503)</u>	<u>1,025,842</u>	<u>(760,538)</u>	<u>(266,434)</u>
Total primary government	<u>\$46,264,122</u>	<u>\$43,341,705</u>	<u>\$53,099,749</u>	<u>\$56,310,029</u>	<u>\$61,933,040</u>	<u>\$65,635,119</u>	<u>\$62,955,949</u>	<u>\$59,889,301</u>
Change in Net Assets								
Governmental activities	\$11,161,269	\$304,240	\$5,562,558	\$7,795,186	\$5,595,367	\$1,583,120	(\$4,815,361)	(\$8,508,410)
Business-type activities	2,814,164	2,485,892	3,228,450	568,463	3,613,560	6,029,475	470,486	293,856
Total primary government	<u>\$13,975,433</u>	<u>\$2,790,132</u>	<u>\$8,791,008</u>	<u>\$8,363,649</u>	<u>\$9,208,927</u>	<u>\$7,612,595</u>	<u>(\$4,344,875)</u>	<u>(\$8,214,554)</u>



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



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$21,133,806	\$20,806,148	\$20,567,853	\$20,204,534	\$21,342,822	\$21,757,037	\$21,610,095	\$21,565,875	\$21,566,507	\$21,460,127
Unreserved	11,167,827	11,365,284	11,679,539	11,843,779	14,448,324	17,954,473	20,026,623	21,845,434	21,782,963	20,817,474
Total General Fund	\$32,301,633	\$32,171,432	\$32,247,392	\$32,048,313	\$35,791,146	\$39,711,510	\$41,636,718	\$43,411,309	\$43,349,470	\$42,277,601 (a)
All Other Governmental Funds										
Reserved	\$30,877,790	\$27,499,700	\$27,048,025	\$38,657,154	\$28,849,256	\$23,828,456	\$23,997,000	\$27,576,108	\$25,361,720	\$26,791,488
Unreserved, reported in:										
Special revenue funds	(8,362,999)	(4,296,111)	(28,229,422)	(26,551,366)	(26,358,019)	(28,624,382)	(28,488,626)	(23,682,598)	(20,036,126)	(20,313,715)
Capital project funds	13,969,512	17,706,488	17,502,063	9,609,432	15,490,285	18,259,088	18,780,851	16,075,592	15,423,021	13,238,998
Total all other governmental funds	\$36,484,303	\$40,910,077	\$16,320,666	\$21,715,220	\$17,981,522	\$13,463,162	\$14,289,225	\$19,969,102	\$20,748,615	\$19,716,771 (a)
All Governmental Funds										
Total Reserved	\$52,011,596	\$48,305,848	\$47,615,878	\$58,861,688	\$50,192,078	\$45,585,493	\$45,607,095	\$49,141,983	\$46,928,227	\$48,251,615
Total Unreserved	16,774,340	24,775,661	952,180	(5,098,155)	3,580,590	7,589,179	10,318,848	14,238,428	17,169,858	13,742,757
Total All Governmental Funds	\$68,785,936	\$73,081,509	\$48,568,058 (b)	\$53,763,533	\$53,772,668	\$53,174,672	\$55,925,943	\$63,380,411	\$64,098,085	\$61,994,372

(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,			
	2001	2002	2003	2004
Revenues				
Taxes	\$37,283,455	\$39,190,492	\$42,619,588	\$42,083,182
Licenses, permits and fees	1,717,826	1,550,157	1,710,137	1,538,705
Fines and forfeitures	1,952,893	1,919,172	2,468,498	2,584,331
Use of money and property	5,239,340	3,423,313	4,655,827	3,973,562
Intergovernmental revenues	5,742,356	11,113,990	15,423,663	6,294,903
Charges for services	8,484,939	8,429,965	7,323,517	7,407,716
Other	917,018	1,548,411	1,818,067	2,086,069
Total Revenues	61,337,827	67,175,500	76,019,297	65,968,468
Expenditures				
Current:				
General government	3,221,234	4,316,653	3,668,450	6,275,456
Public safety	24,477,735	26,244,842	29,289,862	29,348,401
Public works	4,344,717	4,728,791	5,343,382	5,554,845
Culture and recreation	9,198,923	10,483,474	10,895,484	11,422,401
Community development	5,712,316	9,632,934	10,205,969	6,728,371
Capital projects	11,600,677	12,070,574	10,260,963	9,358,983
Debt service:				
Principal repayment	527,813	144,326	95,542	100,023
Interest and fiscal charges	1,987,374	2,040,552	1,032,337	667,851
Total Expenditures	61,070,789	69,662,146	70,791,989	69,456,331
Excess (deficiency) of revenues over (under) expenditures	267,038	(2,486,646)	5,227,308	(3,487,863)
Other Financing Sources (Uses)				
Transfers in	14,605,237	14,820,229	13,598,763	11,814,022
Transfers out	(11,335,312)	(11,038,062)	(9,566,179)	(7,631,875)
Loan proceeds	516,282	2,130,399		4,500,000
Sale of capital assets	4,020,780	869,653	774,194	1,191
Total other financing sources (uses)	7,806,987	6,782,219	4,806,778	8,683,338
Residual equity transfer out				
GASB 34 Implementation adjustment			(34,547,537)	
Net Change in fund balances	\$8,074,025	\$4,295,573	(\$24,513,451)	\$5,195,475
Debt service as a percentage of noncapital expenditures	(a)	(a)	1.9%	1.3%

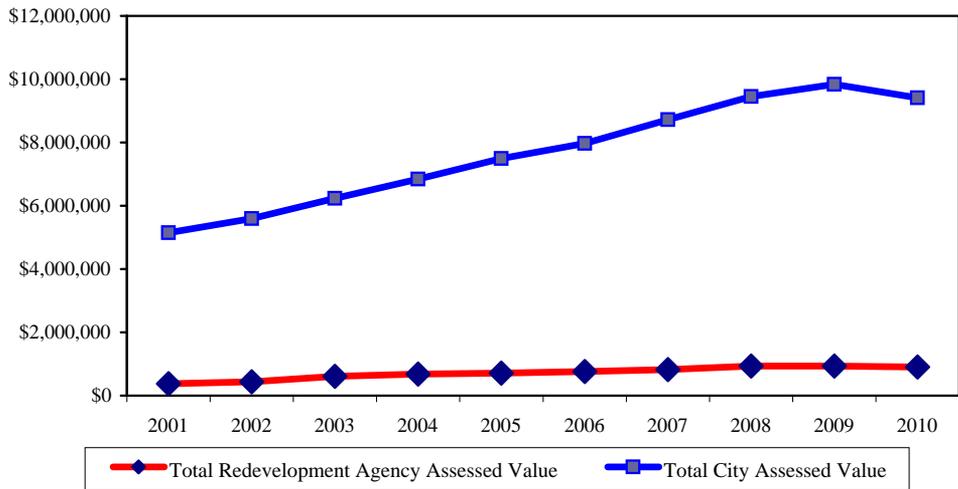
NOTE:

(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,

2005	2006	2007	2008	2009	2010
\$46,437,398	\$51,409,010	\$54,942,019	\$58,503,214	\$58,265,663	\$55,022,812
1,840,586	1,779,575	1,850,696	1,558,126	1,728,788	1,399,042
2,584,993	2,527,979	2,106,353	1,986,902	2,638,628	2,842,822
4,134,619	3,682,476	5,069,211	5,837,640	4,223,929	4,578,244
7,334,878	11,217,670	8,267,077	8,736,129	4,887,424	6,336,813
7,576,630	7,347,459	7,037,911	6,853,338	8,133,070	7,517,777
5,286,001	6,594,371	3,129,369	3,202,504	3,590,101	4,159,677
75,195,105	84,558,540	82,402,636	86,677,853	83,467,603	81,857,187
7,885,826	7,867,397	7,483,067	7,664,184	8,464,269	8,449,067
34,599,971	34,747,286	37,591,200	40,150,051	41,096,189	41,391,460
5,838,199	6,111,691	5,766,831	5,790,515	5,627,447	5,384,642
11,050,212	12,132,440	13,361,317	14,189,456	14,993,277	13,571,549
8,437,272	14,053,768	8,089,467	6,854,996	9,193,905	9,258,231
13,750,189	12,009,663	9,754,278	6,209,739	4,645,217	7,205,608
104,714	361,522	256,767	272,150	287,785	305,684
626,872	1,058,505	1,519,210	1,906,552	1,479,099	848,328
82,293,255	88,342,272	83,822,137	83,037,643	85,787,188	86,414,569
(7,098,150)	(3,783,732)	(1,419,501)	3,640,210	(2,319,585)	(4,557,382)
12,124,753	8,833,353	8,718,603	7,413,734	7,164,378	6,811,899
(7,583,837)	(6,658,468)	(5,769,183)	(6,079,476)	(4,127,119)	(4,358,230)
		904,670	2,480,000		
2,566,369	1,010,851	316,682			
7,107,285	3,185,736	4,170,772	3,814,258	3,037,259	2,453,669
\$9,135	(\$597,996)	\$2,751,271	\$7,454,468	\$717,674	(\$2,103,713)
1.1%	1.8%	2.4%	2.8%	2.1%	1.4%

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



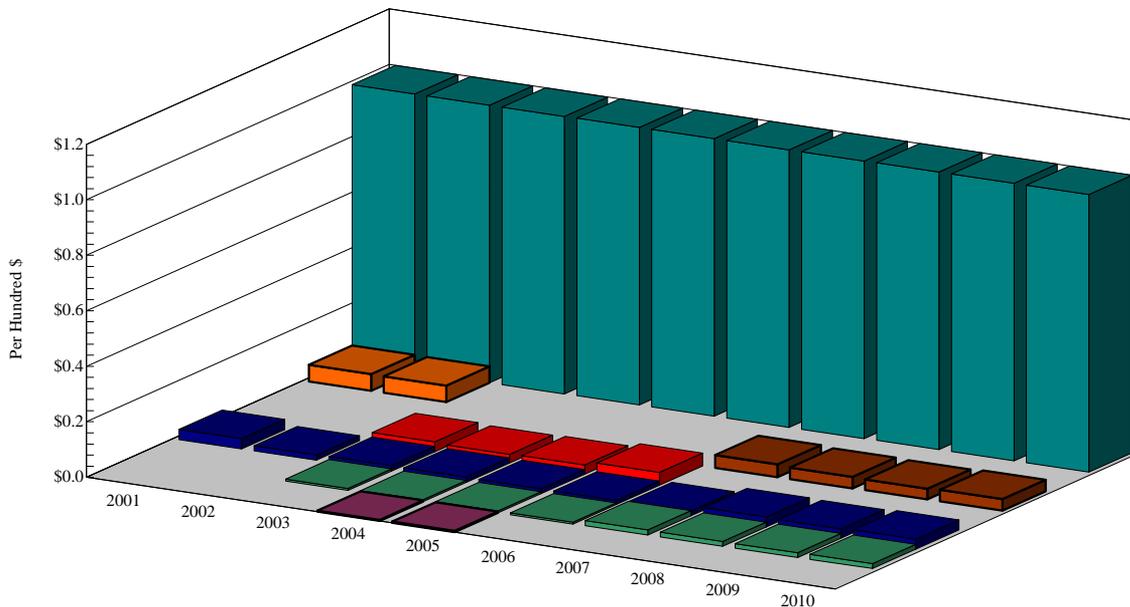
Fiscal Year Ended June 30	City				Redevelopment Agency				Total Direct Tax Rate (2)
	Secured	Unsecured	Exemptions	Total Assessed Value (1)	Secured	Unsecured	Exemptions	Total Assessed Value (1)	
2001	\$4,526,329	\$132,850	\$112,196	\$4,771,375	\$359,902	\$11,813	\$6,118	\$377,833	1.00%
2002	4,918,573	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%
2009	8,589,324	212,333	103,778	8,905,435	881,309	48,519	6,474	936,302	1.00%
2010	8,181,880	224,478	104,176	8,510,534	846,570	47,811	6,443	900,824	1.00%

(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>
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
2009	1.0000		0.0333	0.0165			0.0384	1.0882
2010	1.0000		0.0360	0.0182			0.0417	1.0959

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

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

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

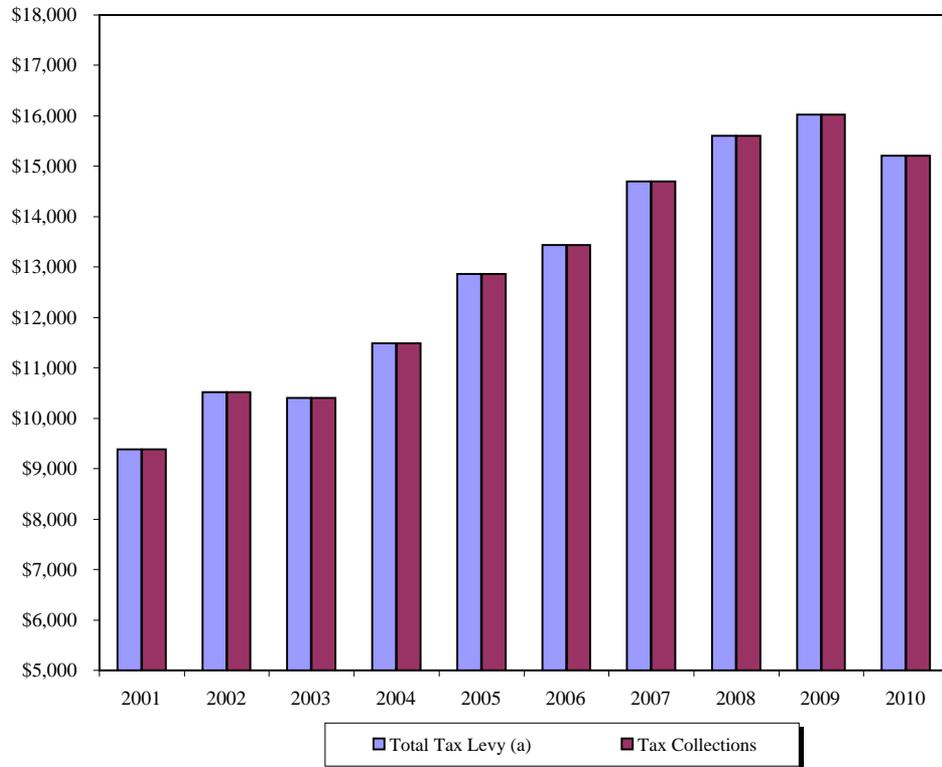
Taxpayer	2009-10			2000-2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Seton Medical Center	\$211,396,707	1	2.6%	\$163,834,759	1	3.6%
Westlake Kimco	148,388,530	2	1.8%			
Pacific Plaza	139,568,621	3	1.7%			
Westlake Associates (Apartments)	115,794,815	4	1.4%			
Daly City Serramonte Center, LLC	110,981,820	5	1.4%			
LINC Franciscan Mobile Home Park	48,312,285	6	0.6%			
Skyline Heights Partners	47,214,807	7	0.6%	31,940,250	5	0.7%
Serramonte Corporate Center (Kaiser)	38,084,182	8	0.5%			
Lavaca Portfolio Investors	33,392,055	9	0.4%	28,537,013	6	0.6%
Daly City Partners	31,592,059	10	0.4%	26,998,744	7	0.6%
Gelsar, Inc.				94,752,669	2	2.1%
Serramonte Plaza				54,282,360	3	1.2%
John Daly Boulevard Associates, LP				37,708,985	4	0.8%
Westlake Development Company, Inc.				16,265,093	8	0.4%
Bay Area Apartment Communities, Inc.				14,706,217	9	0.3%
Serramonte Medical Offices				14,565,600	10	0.3%
Subtotal	\$924,725,881		11.3%	\$483,591,690		10.7%

Total Assessed Valuation:

Fiscal Year 2009-2010	\$8,181,880,071
Fiscal Year 2000-2001	\$4,526,329,217

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)**



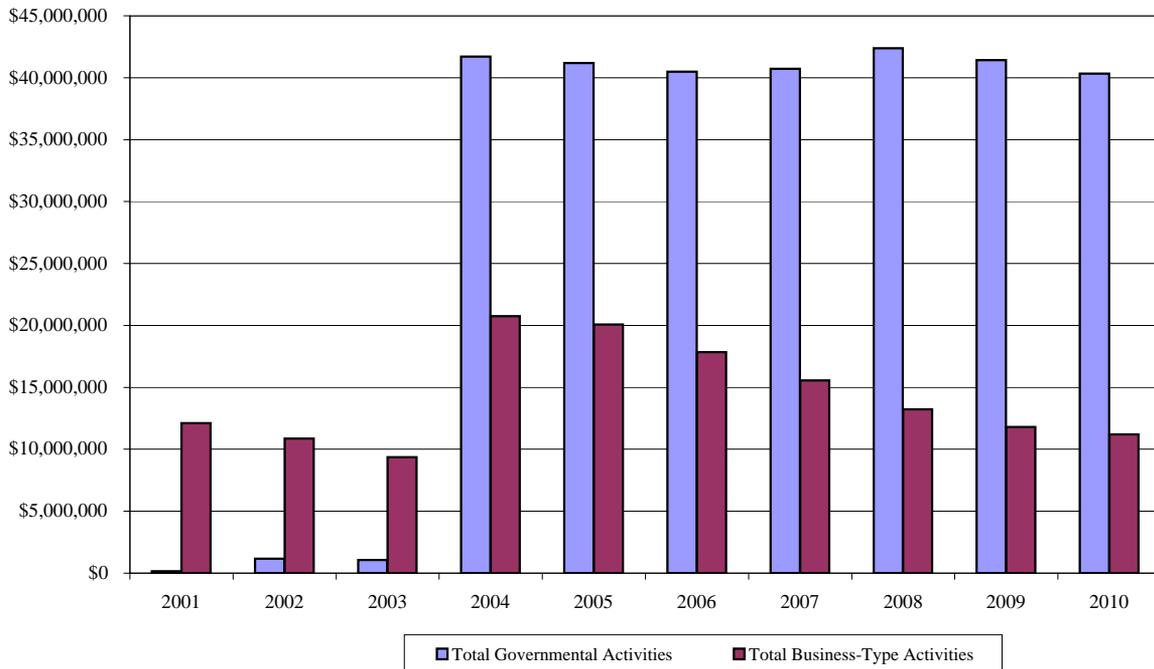
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2001	\$9,387	\$9,387	100.00%		\$9,387	100.00%
2002	10,524	10,524	100.00%		10,524	100.00%
2003	10,401	10,401	100.00%		10,401	100.00%
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%
2009	16,029	16,029	100.00%		16,029	100.00%
2010	15,204	15,204	100.00%		15,204	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	Line of Credit	Capital Lease	HUD		CHFA HELP Loan	Promissory Note	Total
			Section 108 Loan	PERS Pension Obligation Bonds			
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
2009		269,545	3,912,000	33,860,000	904,670	2,480,000	41,426,215
2010		137,861	3,738,000	33,070,000	904,670	2,480,000	40,330,531

Business-Type Activities

Fiscal Year	Sewer	Water	State Water	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Certificates of Participation	Certificates of Participation	Resources Board Loan				
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	1.97%	522.80
2009		8,030,000	3,771,308	11,801,308	53,227,523	1.85%	496.99
2010		7,635,000	3,576,713	11,211,713	51,542,244	n/a (b)	475.56

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, 2010**

2009-10 Assessed Valuation	\$8,510,534,014
Redevelopment Incremental Valuation	<u>650,470,574</u>
Adjusted Assessed Valuation	<u><u>\$7,860,063,440</u></u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Total Debt 06/30/10	% Applicable (1)	City's Share of Debt 06/30/10
San Mateo Community College District	\$624,979,994	6.068%	\$37,923,786
South San Francisco Unified School District	34,975,043	11.181%	3,910,560
Jefferson Union High School District	101,208,937	48.995%	49,587,319
Brisbane School District	7,505,437	20.134%	1,511,145
Jefferson School District	49,725,000	84.885%	<u>42,209,066</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			 <u>135,141,876</u>
 <u>OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	\$349,089,816	6.068%	\$21,182,770
San Mateo County Board of Education Certificates of Participation	12,885,000	6.068%	781,862
San Mateo County Flood Control District Certificates of Participation	23,365,000	31.254%	7,302,497
South San Francisco Unified School District Certificates of Participation	2,675,000	11.181%	<u>299,092</u>
 TOTAL OVERLAPPING GENERAL FUND DEBT			 <u>29,566,221</u>
 <u>DIRECT DEBT</u>			
City of Daly City Pension Obligation Bonds	\$33,070,000	100.000%	<u>\$33,070,000</u>
 TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			 <u>\$62,636,221</u>
 COMBINED TOTAL DEBT			 <u><u>\$197,778,097</u></u> (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.

Ratios to 2009-10 Assessed Valuation

Total Overlapping Tax and Assessment Debt	1.59%
Combined Total Debt	2.32%

Source: California Municipal Statistics, Inc.

**CITY OF DALY CITY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2010**

ASSESSED VALUATION:

Total property assessed value, net of exempt real property	\$8,510,534,014
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$319,145,026
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$7,635,000
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Less: Tax Allocation Bonds and Certificate of Participation not subject to limit	7,635,000
---	-----------

Amount of debt subject to limit	0
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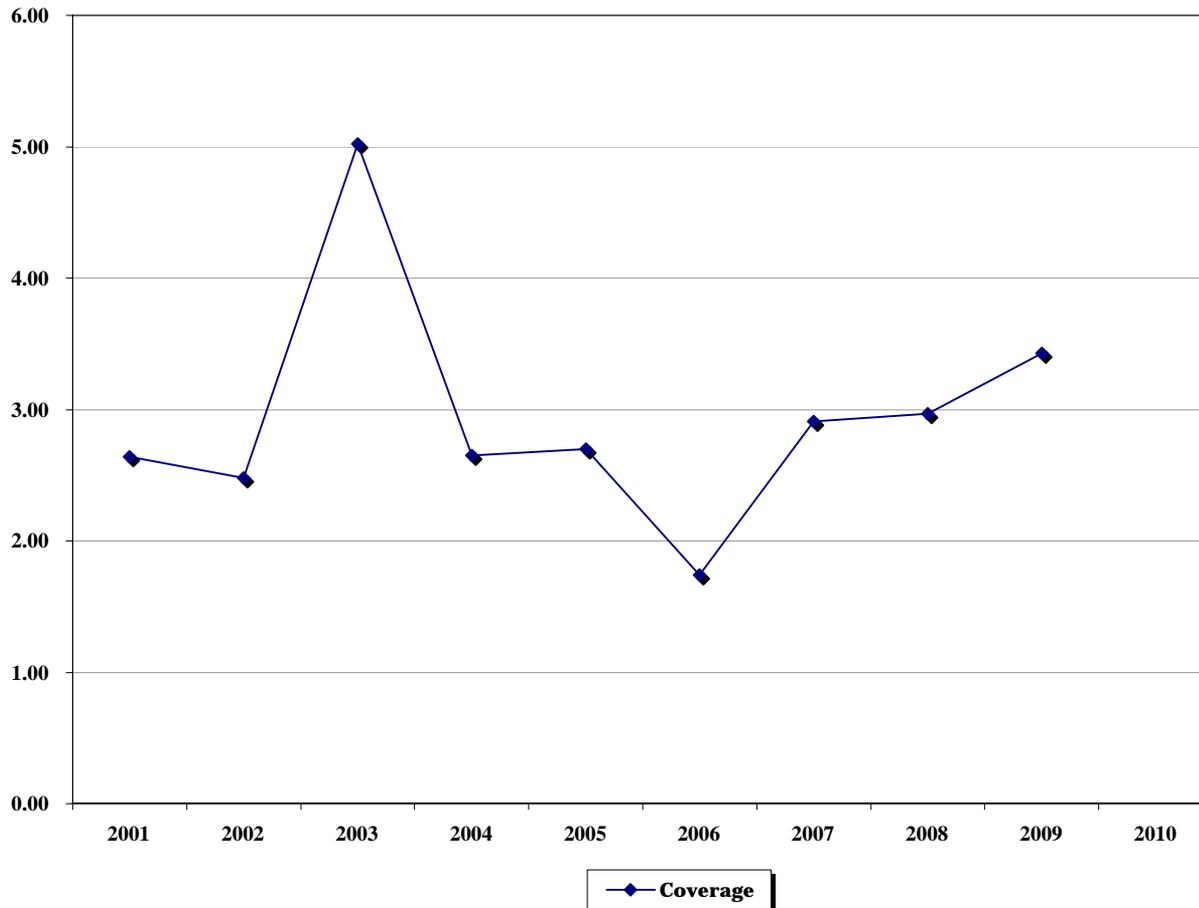
LEGAL BONDED DEBT MARGIN	\$319,145,026
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
(in thousand dollars)				
2001	\$178,927	0	\$178,927	0.00%
2002	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%
2009	333,954	0	333,954	0.00%
2010	319,145	0	319,145	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**



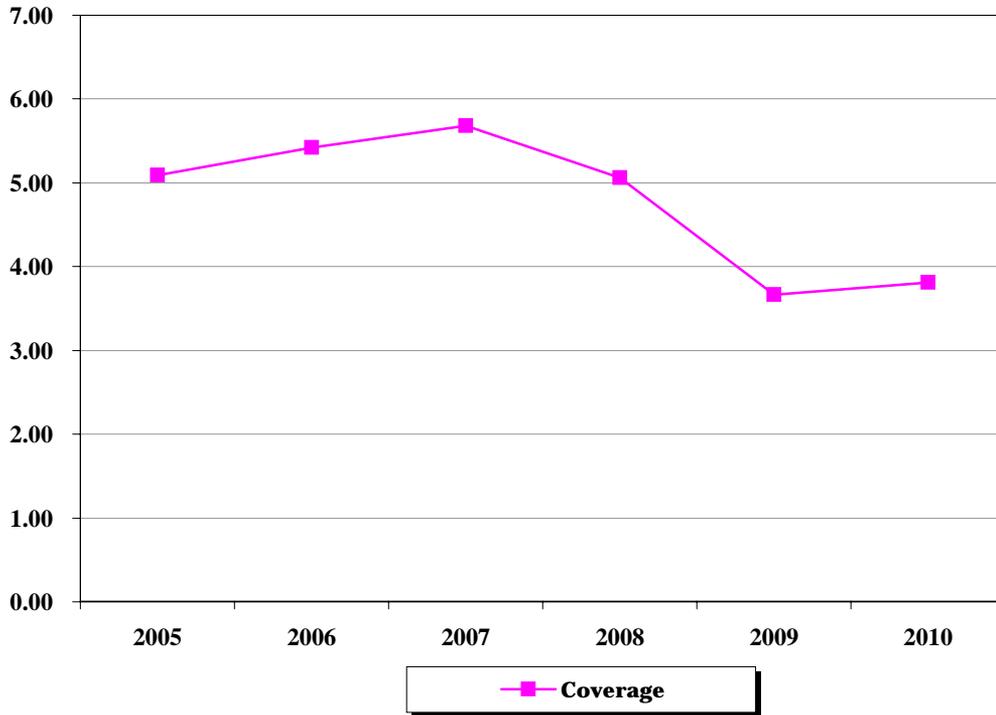
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2001	\$13,844,767	\$8,811,238	\$5,033,529	\$1,190,000	\$713,848	\$1,903,848	2.64
2002	14,216,890	9,491,285	4,725,605	1,255,000	650,778	1,905,778	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
2009	18,179,017	15,176,375	3,002,642	855,000	21,375	876,375	3.43
2010	17,683,827	14,312,825	3,371,002	0	0	0	

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 Expem

Source: City of Daly City Annual Financial Statements

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

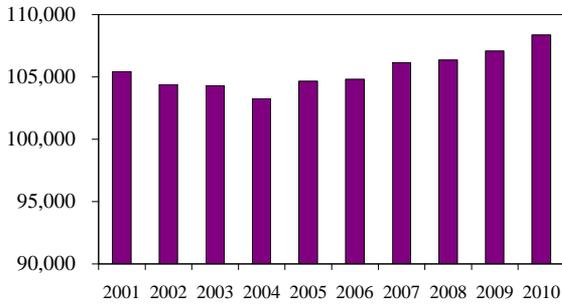


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$11,783,383	\$7,948,731	\$3,834,652	\$365,000	\$388,939	\$753,939	5.09
2006	11,842,561	7,749,256	4,093,305	350,000	404,534	754,534	5.42
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
2009	13,115,342	10,347,582	2,767,760	385,000	370,284	755,284	3.66
2010	12,699,761	9,832,511	2,867,250	395,000	356,809	751,809	3.81

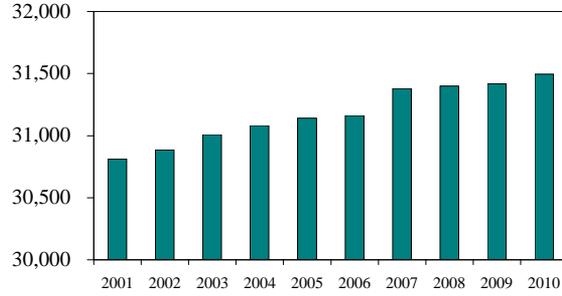
Notes: (1) Includes all Water Utility Operating Revenue, Nonoperating Interest Revenue, Connection Fees and other Nonoperating Revenues
(2) Includes all Water Utility Operating Expenses and Interest Expense less Depreciation Expense
(3) Not applicable prior to 2005

Source: City of Daly City Annual Financial Statements

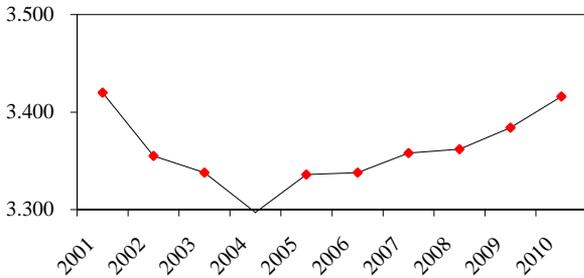
**CITY OF DALY CITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



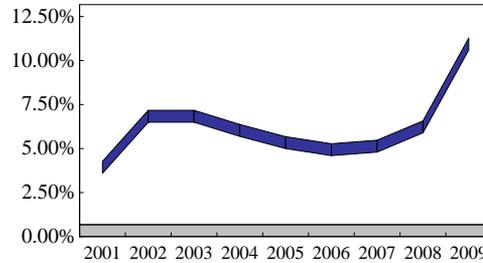
■ Daly City Population



■ Occupied Housing Units



—●— Persons per Occupied Housing Unit



■ Unemployment Rate (%)

Year	Daly City Population as of January (1)	Occupied Housing Units as of January (1)	Persons per Occupied Housing Unit (1)	Unemployment Rate Annual Average (%) (2)	Per Capita Personal Income (3)	Total Personal Income (3) (in thousands)	San Mateo County Population (1)	City Population % of County
2001	105,427	30,812	3.420	3.6%	n/a	n/a	720,147	14.64%
2002	104,407	30,886	3.355	6.5%	n/a	n/a	717,006	14.56%
2003	104,305	31,010	3.338	6.5%	n/a	n/a	717,041	14.55%
2004	103,269	31,082	3.297	5.7%	n/a	n/a	712,386	14.50%
2005	104,661	31,140	3.336	5.0%	\$22,946	\$2,401,551	723,453	14.47%
2006	104,820	31,162	3.338	4.6%	25,315	2,653,518	724,104	14.48%
2007	106,160	31,378	3.358	4.8%	27,656	2,935,961	733,386	14.48%
2008	106,361	31,401	3.362	5.9%	26,513	2,819,949	739,171	14.39%
2009	107,099	31,419	3.384	10.6%	26,797	2,869,932	745,563	14.36%
2010	108,383	31,495	3.416	n/a	n/a	n/a	754,061	14.37%

Sources:

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

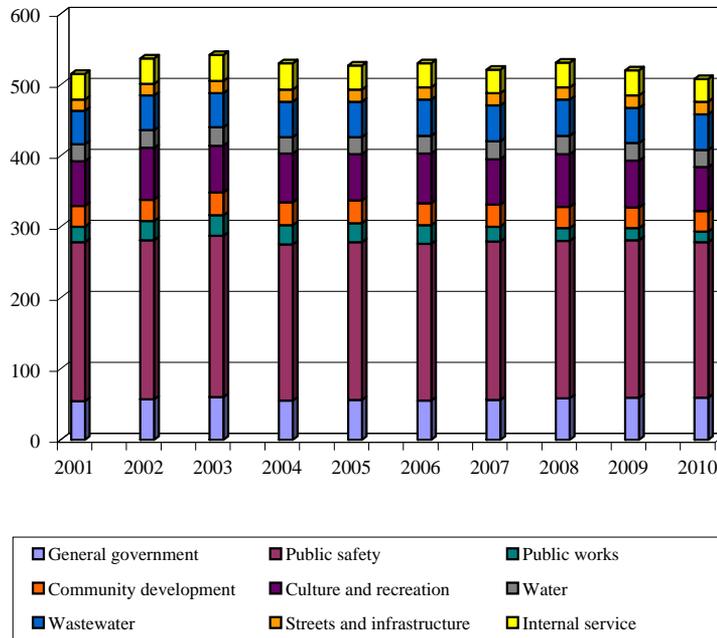
CITY OF DALY CITY
Principal Employers
Current Year and Nine Years Ago

Employer	2009-10			2000-2001		
	Number of Employees (1)	Rank	Percentage of Total City Employment	Number of Employees (1)	Rank	Percentage of Total City Employment
Seton Medical Center	1,659	1	14.7%	1,510	1	13.7%
City of Daly City	705	2	6.3%	765	2	6.9%
Jefferson High School District	693	3	6.1%	650	4	5.9%
Jefferson Elementary School District	584	4	5.2%	685	3	6.2%
Cow Palace	405	5	3.6%	328	7	3.0%
Genesys Telecommunications Laboratories	400	6	3.5%			
Target Stores - Serramonte	298	7	2.6%			
McDonald's (4 stores)	250	8	2.2%	240	10	2.2%
Walgreens (3 stores)	227	9	2.0%			
St. Francis Convalescent Pavilion	203	10	1.8%	355	6	3.2%
US Postal Service International Mail Facility				611	5	5.5%
Macy's				323	8	2.9%
Digidesign				300	9	2.7%
Subtotal	<u>5,424</u>		<u>48.1%</u>	<u>5,767</u>		<u>52.2%</u>
Total Daly City Employment	<u>11,275</u> (3)			<u>11,048</u> (2)		

Note: (1) Includes both full-time and part-time employees
(2) Based on 2002 Economic Census - data updated only every 5 years
(3) Based on 2007 Economic Census - data updated only every 5 years

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

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



	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Function										
General government	54	57	60	55	56	55	56	58	59	59
Public safety	224	224	227	220	222	221	223	222	222	219
Public works	22	27	29	27	27	26	21	18	17	15
Community development	29	30	32	32	32	31	31	30	29	29
Culture and recreation	63	73	66	69	65	70	64	74	66	62
Water	24	25	26	23	24	25	25	26	25	24
Wastewater	47	49	48	50	50	51	51	51	49	50
Streets and infrastructure	16	16	17	17	17	17	17	17	18	18
Internal service	36	36	37	37	34	34	33	35	35	32
Total	515	537	542	530	527	530	521	531	520	508

Source: City of Daly City

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Function/Program					
Public safety (calendar year data)					
Fire					
Fire calls for service	5,878	5,850	5,712	5,660	5,745
Fire inspections conducted	3,922	2,955	2,987	3,248	3,169
Police					
Police calls for service	77,607	79,402	91,145	91,464	86,979
Law violations					
Part I crimes	2,308	2,210	2,526	2,664	2,458
Part II crimes	4,376	4,135	5,212	4,619	4,564
Physical arrests (adults)	1,790	1,707	2,071	2,065	2,068
Physical arrests (juvenile)	510	436	496	577	523
Traffic violations	11,234	10,279	16,176	17,500	14,926
Parking violations	n/a	80,035	72,753	68,851	67,849
Public works					
Street repairs - asphalt patching (sq. ft.)	36,473	35,947	27,477	17,596	11,470
Street slurry seal (ft.)	20,205	23,296	32,231	41,360	68,519
Street resurfacing (ft.)	31,282	26,595	9,472	9,055	17,403
Traffic signal responses	205	239	108	84	100
Street light responses	373	464	561	415	431
Street signs replaced	n/a	n/a	596	528	1,218
Streets swept (miles)	n/a	n/a	21,245	19,675	20,624
Line striping and curb painting (linear ft.)	n/a	n/a	7,240	7,988	8,800
Sidewalks inspected (miles)	n/a	n/a	35	25	15
Weeds and rubbish responses	n/a	n/a	355	465	495
Culture and recreation					
Recreation					
Recreation class participants	n/a	n/a	n/a	n/a	9,600
Performing Arts Center participants	n/a	n/a	n/a	n/a	500
Youth recreation playground program participants	n/a	n/a	n/a	n/a	1,000
Volunteer support hours	n/a	n/a	n/a	n/a	45,000
Senior meals served	n/a	n/a	n/a	n/a	23,190
Number of health fair events	n/a	n/a	n/a	n/a	6
Health fair events attendance	n/a	n/a	n/a	n/a	2,000
Daly City Peninsula Partnership # of agencies	n/a	n/a	n/a	n/a	60
Facility rentals (non City events)	n/a	n/a	n/a	n/a	1,300
Library					
Volumes in collection - all formats	156,458	159,614	174,065	182,954	189,402
Total volumes borrowed	434,471	470,770	519,180	597,841	592,208
# of uses of electronic resources	n/a	n/a	94,500	139,138	142,852
Youth services program attendance	10,875	9,323	14,051	11,923	11,661
Water					
Water service connections	22,425	22,505	22,614	22,610	22,745
Water main breaks	64	74	79	90	56
Average daily consumption (thousands of gallons)	8,450	7,930	7,920	7,860	7,890
Wastewater					
Sewer service connections	22,873	22,990	23,025	23,035	23,052
Sewer main blockages	1	21	10	11	14
Average daily treatment (thousands of gallons)	7,010	6,948	6,653	7,260	7,440

Source: City of Daly City

Note: n/a denotes information not available.

2006	2007	2008	2009	2010
6,086	6,012	6,206	6,308	n/a
3,576	4,305	4,544	3,951	n/a
79,953	75,190	81,375	55,098	n/a
2,656	2,448	2,349	2,006	n/a
4,807	4,607	4,082	4,428	n/a
1,995	1,861	1,644	1,896	n/a
479	481	365	333	n/a
13,119	9,124	8,359	13,345	n/a
60,056	56,070	74,512	91,549	n/a
22,338	20,610	5,655	4,350	40,067
49,141	63,659	65,472	79,960	57,250
18,127	5,973	3,907	0	9,963
98	83	93	71	67
444	407	402	393	371
689	548	1,796	436	560
21,346	21,754	19,629	17,956	19,956
2,290	8,671	3,403	5,732	3,785
18	13	17	20	16
475	493	387	445	396
9,600	7,500	10,000	8,000	7,500
525	530	550	900	900
900	900	900	900	500
45,000	45,000	45,000	45,000	50,000
21,229	21,130	22,218	24,804	23,821
6	4	0	2	2
2,250	2,000	0	1,000	1,100
63	60	64	65	n/a
1,300	900	900	750	800
197,034	206,581	211,999	217,529	225,109
591,336	625,783	632,935	664,348	729,420
151,316	185,068	200,601	207,800	234,308
14,818	9,864	15,195	19,296	17,021
22,887	23,034	22,814	22,790	22,843
49	58	55	72	60
7,240	7,324	7,785	7,317	7,521
23,087	29,000	29,000	29,000	29,000
10	6	7	7	1
7,436	7,370	7,270	6,820	6,817

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Function/Program					
Public safety					
Fire stations	5	5	5	5	5
Police stations	1	1	1	1	1
Police patrol vehicles	28	33	33	33	33
Public works					
Miles of streets	112	112	112	112	112
Street lights	3,200	3,200	3,200	3,200	3,200
Traffic signals (# of intersections)	39	39	40	40	40
Miles of storm drains	45	45	45	45	45
Culture and recreation					
Parks and recreation					
City parks	14	14	14	15	15
City parks acreage	200	200	200	200	200
Park trees	2,500	2,500	2,500	2,500	2,500
Playgrounds	26	26	26	26	26
Picnic areas	23	23	23	23	23
Tot lots	9	9	9	9	9
Dog off-leash areas	2	2	2	2	2
Street landscaped medians (miles)	21	21	21	21	21
Roadway landscaping acreage	500	500	500	500	500
Street trees	2,800	2,800	2,800	2,800	2,800
Community centers and clubhouses	12	12	12	12	13
Senior centers	1	1	1	1	1
Performing arts centers	1	1	1	1	1
Swimming pools (property of school district)	2	2	2	2	2
Gymnasiums	3	3	3	3	3
Tennis courts	7	7	7	7	7
Artificial turf sports fields				1	1
Outdoor basketball courts	15	15	15	15	15
Baseball/softball diamonds	8	8	8	8	8
Soccer/football fields				1	1
Night sport lighted facilities	9	9	9	9	9
Library					
City Libraries (# of branches)	4	4	4	4	4
Water					
Miles of water mains	187	205	205	205	205
Fire hydrants	1,431	1,445	1,425	1,425	1,472
Storage capacity (thousands of gallons)	22,981	22,981	22,981	22,981	22,981
Wastewater					
Number of treatment plants	1	1	1	1	1
Miles of sanitary sewers	176	176	176	177	177
Miles of combined sewers	14	14	14	14	14
Treatment capacity (thousands of gallons)					
Dry weather	8,000	8,000	8,000	8,000	8,000
Wet weather	25,000	25,000	25,000	25,000	25,000

Source: City of Daly City

Note: n/a denotes information is not available.

Fiscal Year				
2006	2007	2008	2009	2010
5	5	5	5	5
1	1	1	1	1
33	31	31	30	30
112	112	112	112	112
3,200	3,200	3,200	3,200	3,200
40	40	40	40	40
45	45	70	70	70
15	15	15	15	15
200	200	200	200	200
2,500	2,500	2,400	2,400	2,400
26	26	26	26	26
23	23	23	23	23
9	9	9	9	9
2	2	2	2	2
21	21	21	21	21
500	500	500	500	500
2,800	2,700	2,700	2,700	2,700
13	13	14	14	14
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
3	3	4	4	4
7	7	9	9	9
1	2	2	2	2
15	15	15	15	15
8	8	8	8	8
1	1	1	1	1
9	9	9	9	9
4	4	4	4	4
205	187	187	187	187
1,472	1,437	1,489	1,497	1,497
22,981	22,981	22,981	22,981	24,490
1	1	1	1	1
177	177	177	177	177
14	14	14	14	14
8,000	8,000	8,000	8,000	8,000
25,000	25,000	25,000	25,000	25,000

