

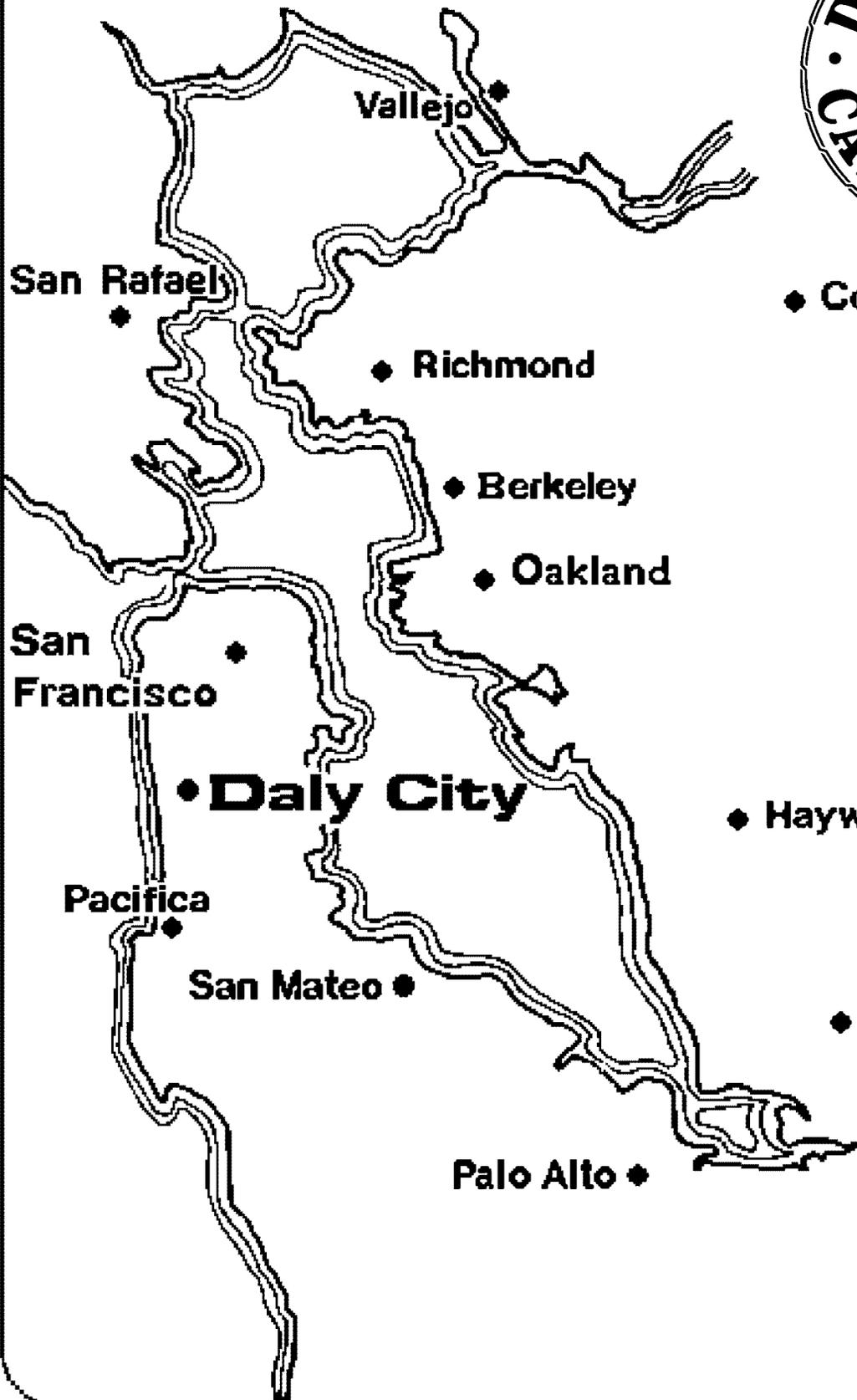


COMPREHENSIVE

**ANNUAL
FINANCIAL
REPORT**

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

for the FISCAL YEAR ended June 30, 2011



◆ Concord

◆ Richmond

◆ Berkeley

◆ Oakland

◆ Hayward

◆ Fremont

Palo Alto ◆

San Jose
◆

CITY OF DALY CITY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011



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

**Donald W. McVey
Director**



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CITY OF DALY CITY

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

October 21, 2011

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, 2011. 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 101,920 (based on 2010 census) 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

Fiscal Challenges and the Local Economy

For the Silicon Valley and the surrounding areas including Daly City, there is some hope that the area has reached an economic bottom and may now see a very modest recovery beginning. However, attempting to translate Daly City's fiscal 2011 results into future predictions is quite difficult. National and international economic news remains volatile, swinging from positive to negative from week-to-week, if not-day-to-day. Regional results even across Northern California vary widely. As a result of the Great Recession past local financial results no longer trend as they once did. This combination of variables makes future revenue predictions problematic. As will be seen in the discussions of major revenue sources that follow, there is no clear trend from one source to another.

Total General Fund revenues for fiscal 2011 were up by 1.8 percent, leaving Daly City slightly in the black. Most of this increase was attributable to one-time money from State true-ups or federal stimulus dollars. But even the smallest surplus is encouraging after two years of General Fund deficits.

Local property tax values seem to have stabilized. In fiscal 2011 the base secured property tax increased just slightly – one quarter of one percent – after a five percent decline in fiscal 2010. Based on data from the County Assessor's Office, it appears that property tax will increase by at least two percent in fiscal 2012.

The 75 percent of sales tax Daly City receives directly, which excludes the 25 percent passed through the State, has seen a 5.9 percent increase in fiscal 2011 over the previous year. That follows two years of back-to-back eight percent declines. The sales tax increase was generally across all sales categories, which may indicate that the gain is a result of pent up demand after several years of austerity.

Utility users tax declined by 2.1 percent in fiscal 2011, marking the third straight year of decline in utility taxes. With an increase in sales tax, one would predict a concurrent increase in utility taxes, but that is not the case. Of particular interest is that the tax on cellular telephone service declined 8.7 percent, the first time since the tax was put in place, while the tax on basic land line service actually increased for the second year after declining for the previous eight years.

The national news on local government is that staff reductions are continuing, and that is true for Daly City as well. In order to achieve a balanced General Fund the City has and will need to continue to reduce the number of employees. In conjunction with staff reductions, all controllable costs have been reduced yet again, which has a negative impact on the local economy.

The Uncertainty of Redevelopment

As a part of the State's attempt to balance its budget for fiscal 2012, a pair of bills were passed by the legislature and signed by the Governor to raise \$1.7 billion state-wide in 2012 and an on-going \$600 million each year thereafter. The net result of the two bills would be to give redevelopment agencies the choice between paying a significant portion of revenues to the State in 2011 and then a reduced portion of revenues each year in perpetuity, or to be dissolved.

Consequently, the League of California Cities and the California Redevelopment Association brought suit on constitutional grounds. The State Supreme Court has agreed to take immediate jurisdiction and expects to render a decision by January 15, 2012, the day the first payment to the State is due. There are three potential outcomes of the case. The court may find both bills unconstitutional, voiding the State's attempted takeaway. It may find only the first bill constitutional, thereby dissolving all redevelopment agencies in the state. Lastly, it may find both bills constitutional, triggering the payments to the State and allowing redevelopment agencies to continue to exist, but with far fewer resources to carry out their mission.

The Daly City Redevelopment Agency owes significant debt to the City's General Fund, the repayment of which is used to fund operating costs. The standing of the City in relationship to repayment is uncertain as it relates to the possible dissolution of the Redevelopment Agency.

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. As a result, the City Council adopted a five-year revenue and rate increase plan for the Water Utility, which began in fiscal 2011 with a 9% rate increase. 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. 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. There was no increase in rates for the Sanitation District in fiscal 2011.

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.

Although the General Fund results were slightly positive in fiscal 2011, there are increased costs associated with pension expenses in 2012 that may result in further deficits without additional cost reductions. Wage and benefit concessions negotiated with approximately half of the City's bargaining units will begin to reduce costs in

fiscal 2012, and further concessions will be sought from the remaining bargaining groups in the upcoming round of labor negotiations. In addition, there is an on-going structural deficit that must be addressed in order for Daly City to be a sustainable organization. Retiree healthcare, infrastructure repairs and maintenance, and underfunded operating expenses need to be dealt with as the City moves forward. Developing long-term plans for addressing this structural deficit will be a primary focus in the years ahead.

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, 2010. This was the 24th consecutive year that the City of Daly City has received this prestigious award. In order to be awarded a Certificate of Achievement, a 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.

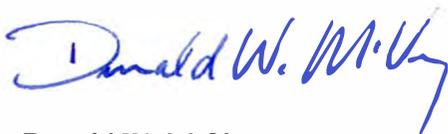
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 2012 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.

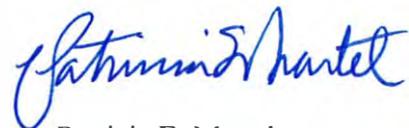
ACKNOWLEDGMENT

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 2011. Special acknowledgment is due the staff of the Accounting Division for their continued outstanding level of performance, allowing this report to continue to meet the highest standards of financial reporting.

Respectfully submitted,



Donald W. McVey
Director of Finance
and Administrative Services



Patricia E. Martel
City Manager

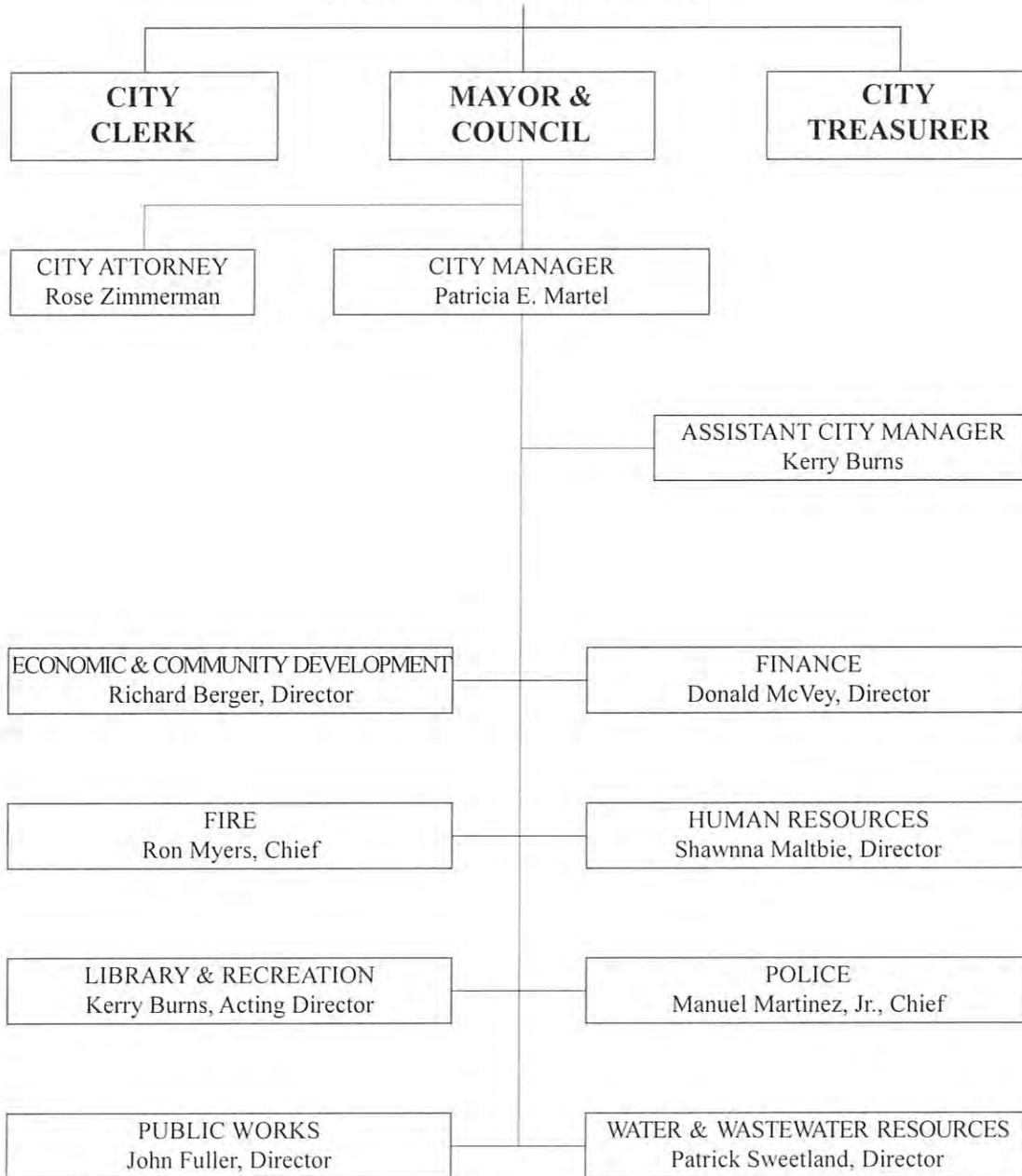


City of Daly City

ORGANIZATION STRUCTURE

Fiscal Years 2004-2005 and 2005-2006

CITIZENS OF DALY CITY



**CITY OF DALY CITY
CITY COUNCIL
JUNE 30, 2011**

Carol L. Klatt, Mayor

Sal Torres, Vice Mayor

Raymond Buenaventura

David Canepa

Michael P. Guingona

Annette Hipona
City Clerk

Anthony J. Zidich
City Treasurer

ADMINISTRATION AND DEPARTMENT HEADS

Patricia E. Martel
Rose Zimmerman
Ron Myers
Manuel Martinez, Jr.
John Fuller
Shawna Marques-Maltbie
Patrick Sweetland
Donald W. McVey
Richard Berger
Kerry Burns

City Manager
City Attorney
Fire Chief
Police Chief
Director of Public Works
Director of Human Resources
Director of Water & Wastewater Resources
Director of Finance and Administrative Services
Director of Economic & Community Development
Acting Director of Library and Recreation Services

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, 2010

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.



Linda C. Davidson

President

Jeffrey R. Emer

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, 2011, 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, 2011 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.

As disclosed in Note 16, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into a "voluntary alternative redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Redevelopment Agency of the City of Daly City, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Redevelopment Agency of the City of Daly City will continue as a going concern. The activities of the Redevelopment Agency of the City of Daly City are included in the Redevelopment Agency Special Revenue Fund of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of July 1, 2010, the City adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. As discussed in Note 11 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 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 21, 2011

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, 2011.

FISCAL 2011 FINANCIAL HIGHLIGHTS

- At June 30, 2011, net assets totaled \$249.3 million, an increase of \$3.7 million from the prior year total of \$245.6 million.
- Total City revenues, including program and general revenues, were \$117.0 million, while total expenses were \$113.3 million in fiscal 2011.
- Net assets of governmental activities were \$146.3 million, while net assets of business-type activities were \$103.0 million. Total capital assets decreased by \$3.0 million.
- Governmental program revenues were \$25.1 million compared with \$22.1 million in fiscal 2010. Business-type program revenues were \$30.0 million compared with \$29.3 million in fiscal 2010.
- Governmental general revenues were \$58.9 million, an increase of \$1.4 million from the prior year. Business-type general revenues were \$3.0 million, an increase of \$0.6 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	
	2011	2010	2011	2010	2011	2010
Cash and investments	\$ 64,209	\$ 62,353	\$ 36,994	\$ 31,594	\$ 101,203	\$ 93,947
Other assets	52,480	53,884	5,164	4,332	57,644	58,216
Capital assets	<u>91,478</u>	<u>94,546</u>	<u>76,947</u>	<u>76,882</u>	<u>168,425</u>	<u>171,428</u>
Total assets	<u>208,167</u>	<u>210,783</u>	<u>119,105</u>	<u>112,808</u>	<u>327,272</u>	<u>323,591</u>
Long-term liabilities	39,077	40,331	10,602	11,212	49,679	51,543
Other liabilities	<u>22,787</u>	<u>22,520</u>	<u>5,504</u>	<u>3,906</u>	<u>28,291</u>	<u>26,426</u>
Total liabilities	<u>61,864</u>	<u>62,851</u>	<u>16,106</u>	<u>15,118</u>	<u>77,970</u>	<u>77,969</u>
Net assets:						
Invested in capital assets, net of related debt	87,925	90,671	66,345	65,671	154,270	156,342
Restricted	17,883	13,931			17,883	13,931
Unrestricted	<u>40,495</u>	<u>43,330</u>	<u>36,654</u>	<u>32,019</u>	<u>77,149</u>	<u>75,349</u>
Total net assets	<u>\$ 146,303</u>	<u>\$ 147,932</u>	<u>\$ 102,999</u>	<u>\$ 97,690</u>	<u>\$ 249,302</u>	<u>\$ 245,622</u>

Governmental Activities

The City's net assets from governmental activities decreased \$1.6 million (1.1 percent) to \$146.3 million in 2011 from \$147.9 million in 2010. 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 increased \$1.9 million principally as a result of higher property tax and sales tax revenues in 2011 compared to 2010. Other individual increases and decreases are not considered material.
- Other assets decreased \$1.4 million to \$52.5 million in 2011 from \$53.9 million in 2010 mainly due to lower prepaid PERS contribution.
- Capital assets decreased \$3.0 million mainly due to the excess of depreciation over capital asset additions. This decrease in capital assets was accompanied by a \$2.7 million decrease in net assets invested in capital assets.
- Long-term liabilities decreased \$1.3 million mainly due to the \$0.9 million payment on the PERS pension obligation bonds. Other individual increases and decreases are not considered material.

- Restricted net assets increased \$4.0 million and unrestricted net assets decreased \$2.8 million. Unrestricted net assets of \$40.5 million are available to finance on-going operations, before allowance for such things as cash flow requirements and other planned but not legally committed expenditures.

Business-type Activities

The net assets of business-type activities increased \$5.3 million (5.4 percent) to a total of \$103.0 million in fiscal 2011 from \$97.7 million in 2010. Increases and decreases of individual assets and liabilities are not considered material.

- Cash and investments increased \$5.4 million due to higher water sales and the \$2.0 million transfer from the Daly City Redevelopment Agency to the Water Utility Fund for various water system improvement projects. This was also due to higher accounts payable balance in the Sanitation District Fund due to June 2011 invoices that were not paid until July 2011. Other individual increases and decreases are not considered material.
- 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 well #4 replacement, secondary clarifiers weir replacement and Civic Center South HVAC improvement. Total net capital assets remained constant at \$76.9 million because the capital asset additions and the depreciation expense were almost equal during 2011. The net assets invested in capital assets net of related debt increased \$0.7 million.
- Restricted net assets remained at zero as of June 30, 2011 while unrestricted net assets increased \$4.6 million.

CHANGES IN NET ASSETS

Table 2 shows that total governmental revenues increased \$4.5 million (5.6 percent) while total business-type activity revenues increased \$1.2 million (3.9 percent) in fiscal 2011. Expenses decreased \$4.5 million (4.9 percent) for governmental activities while business-type activity expenses decreased \$1.7 million (6.0 percent).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 12,786	\$ 12,452	\$ 29,952	\$ 29,305	\$ 42,738	\$ 41,757
Operating grants & contributions	10,609	7,392			10,609	7,392
Capital grants & contributions	<u>1,745</u>	<u>2,272</u>	<u>-</u>	<u>-</u>	<u>1,745</u>	<u>2,272</u>
Total program revenues	<u>25,140</u>	<u>22,116</u>	<u>29,952</u>	<u>29,305</u>	<u>55,092</u>	<u>51,421</u>
General revenues:						
Property tax	29,886	29,263	1,378	1,376	31,264	30,639
Sales tax	10,178	9,017			10,178	9,017
Motor vehicle in-lieu	493	315			493	315
Other taxes	14,297	14,174			14,297	14,174
Investment earnings	712	960	414	486	1,126	1,446
Other	<u>3,314</u>	<u>3,707</u>	<u>1,252</u>	<u>591</u>	<u>4,566</u>	<u>4,298</u>
Total general revenues	<u>58,880</u>	<u>57,436</u>	<u>3,044</u>	<u>2,453</u>	<u>61,924</u>	<u>59,889</u>
Total revenues	<u>84,020</u>	<u>79,552</u>	<u>32,996</u>	<u>31,758</u>	<u>117,016</u>	<u>111,310</u>
Expenses:						
General government	9,269	9,435			9,269	9,435
Public safety	42,430	44,055			42,430	44,055
Public works	6,350	5,726			6,350	5,726
Streets & infrastructure	3,133	3,662			3,133	3,662
Culture & recreation	16,182	18,131			16,182	18,131
Economic & community development	8,581	9,395			8,581	9,395
Debt service	362	376			362	376
Water utility			10,538	11,230	10,538	11,230
Sewer			15,711	16,742	15,711	16,742
Civic center			682	718	682	718
Transfer station	-	-	98	54	98	54
Total expenses	<u>86,307</u>	<u>90,780</u>	<u>27,029</u>	<u>28,744</u>	<u>113,336</u>	<u>119,524</u>
Increase(decrease) in net assets before transfers	(2,287)	(11,228)	5,967	3,014	3,680	(8,214)
Transfers	<u>658</u>	<u>2,720</u>	<u>(658)</u>	<u>(2,720)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(1,629)	(8,508)	5,309	294	3,680	(8,214)
Net assets, July 1	<u>147,932</u>	<u>156,440</u>	<u>97,690</u>	<u>97,396</u>	<u>245,622</u>	<u>253,836</u>
Net assets, June 30	<u>\$ 146,303</u>	<u>\$ 147,932</u>	<u>\$ 102,999</u>	<u>\$ 97,690</u>	<u>\$ 249,302</u>	<u>\$ 245,622</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, 2011
(in thousands)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue (Expense)</u>
General government	\$ 5,008	\$ 9,269	\$ (4,261)
Public safety	5,605	42,430	(36,825)
Public works	2,483	6,350	(3,867)
Streets & infrastructure	3,057	3,133	(76)
Culture & recreation	3,826	16,182	(12,356)
Economic & community development	5,161	8,581	(3,420)
All others		362	(362)
Total governmental activities	<u>\$ 25,140</u>	<u>\$ 86,307</u>	<u>\$ (61,167)</u>

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2011, 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 total fund balance increased \$0.5 million to \$42.9 million at June 30, 2011. General Fund revenues increased \$1.1 million mainly due to an increase in sales taxes. General Fund expenditures decreased \$0.6 million in 2011 compared to 2010 mainly due to lower salaries and benefits.

The Gas Tax Special Revenue Fund total fund balance increased \$1.3 million to \$5.5 million as of June 30, 2011. This amount represents 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 \$0.4 million 2011. Gas Tax Fund expenditures decreased \$0.9 million due to fewer roadway projects completed in 2011.

Redevelopment Agency Fund fund balance as of June 30, 2011 was \$0.5 million compared to the \$1.5 million fund deficit as of June 30, 2010. Redevelopment Agency Fund revenues increased \$0.5 million due to higher incremental property tax revenues. Redevelopment Agency Fund expenditures decreased \$2.2 million mainly due to a lower SERAF payment to the State of California, from \$2.4 million in 2010 down to \$0.5 million in 2011.

The Capital Projects Fund had \$16.6 total fund balance at June 30, 2011 compared to the \$16.1 million fund balance at June 30, 2010. The Capital Projects Fund fund balance is all designated for specific capital projects that will benefit the community as a whole. Capital Projects Fund expenditures decreased \$0.8 million in 2011 compared to 2010 due to fewer capital improvement projects completed in 2011.

Proprietary Funds

At June 30, 2011, the City had two major proprietary funds, the Water Utility Fund and the Sanitation District Fund.

Water Utility revenues increased \$0.8 million or 6.5 percent compared to the previous year due to higher water sales. There was a 9 percent water rate increase in fiscal 2011. Expenses decreased \$0.2 million or 2.0 percent, mostly due to lower capital outlays.

Sanitation District revenues decreased \$0.2 million or 1.0 percent over the prior year due to lower sewer service charges. Sewer service charges are billed based on the previous year's winter water usage. There was no sewer rate increase in fiscal 2011. Expenses increased \$0.2 million or 1.0 percent mostly from higher costs of services and supplies.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process, and fiscal 2011 represents the first year of a two-year budget. Two individual budget years are proposed to the City Council at the same time, with midbudget adjustments at the end of the first of the two years. This process provides more opportunity for long-term planning, but does require 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 2011 are not considered material.

CAPITAL ASSETS

At the end of fiscal 2011 the City had \$168.4 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	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 20,705	\$ 20,705	\$ 2,863	\$ 2,863	\$ 23,568	\$ 23,568
Buildings & improvements	38,071	39,874	3,310	3,558	41,381	43,432
Streets & infrastructure	23,840	24,352			23,840	24,352
Sewage facilities			25,281	26,259	25,281	26,259
Wells & pump stations			4,190	4,367	4,190	4,367
Water reservoirs			8,605	8,807	8,605	8,807
Water mains			11,173	11,724	11,173	11,724
Sanitation subsurface lines			12,514	13,122	12,514	13,122
Equipment	7,516	7,975	5,034	5,214	12,550	13,189
Furniture & fixtures	56	89			56	89
Construction in progress	<u>1,290</u>	<u>1,551</u>	<u>3,977</u>	<u>968</u>	<u>5,267</u>	<u>2,519</u>
Total net capital assets	<u>\$ 91,478</u>	<u>\$ 94,546</u>	<u>\$ 76,947</u>	<u>\$ 76,882</u>	<u>\$168,425</u>	<u>\$171,428</u>

Local roadway projects of various types were in the design phase or under construction, with a total available budget for the coming 2012 fiscal year of \$12.0 million.

Various water master plan projects were completed as part of the Water Utility enterprise fund's \$0.9 million investment in additional infrastructure in 2011. The Sanitation District contributed an additional \$1.9 million to the City's enterprise fund infrastructure in 2011.

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, 2010</u>	<u>Balance at June 30, 2011</u>
<u>Capital Lease for Civic Center Energy Management Project</u> Issued August 13, 2001 Final Maturity August 13, 2010	4.69%	\$1,184	\$138	\$0
<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	\$3,738	\$3,552
<u>Pension Obligation Bonds</u> Issued June 1, 2004 Final Maturity June 1, 2024	2.65% to 5.896%	\$36,235	\$33,070	\$32,140
<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	\$3,577	\$3,377
<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	\$7,635	\$7,225
<u>Redevelopment Agency HELP Loan from California Housing Finance Agency</u> Issued January 30, 2007 Final Maturity January 30, 2017	3%	\$1,500	\$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 2.4 percent for the San Francisco-Oakland-San Jose region and 3.6 percent for the U.S. City average for the year ended June 2011. This is up from the prior period, when the index was 1.1 percent both locally and nationally.

The Daly City annual average unemployment rate was 11.0 percent in December 2010, up from 10.6 percent in December 2009. This compares with 8.9 percent and 8.6 percent respectively for San Mateo County as a whole. California, and especially Northern California, remained in an economic downturn during fiscal 2011.

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. 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, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 1F)	\$64,208,986	\$36,994,558	\$101,203,544
Cash with fiscal agent (Note 1F)	239		239
Accounts receivable, net	4,678,676	2,966,275	7,644,951
Inventories (Note 1G)	336,110	1,936,187	2,272,297
Prepays (Note 1G)	45,586	170,710	216,296
Internal balances (Note 6)	(90,379)	90,379	
Notes receivable (Note 12)	1,017,060		1,017,060
Property held for development (Note 1C)	19,422,546		19,422,546
Prepaid PERS pension contribution (Note 7)	27,070,755		27,070,755
Capital assets (Note 4)			
Nondepreciable capital assets	21,994,870	6,839,424	28,834,294
Depreciable capital assets, net	69,482,687	70,107,598	139,590,285
Total Assets	208,167,136	119,105,131	327,272,267
LIABILITIES			
Accounts payable	3,163,107	3,079,015	6,242,122
Accrued payroll	824,896	100,757	925,653
Deposits payable	1,815,298	14,328	1,829,626
Interest payable	352,624	76,470	429,094
OPEB obligation, due in more than one year (Note 8)	4,556,613	824,886	5,381,499
Compensated absences (Note 1J)			
Due within one year	6,000,000	850,000	6,850,000
Due in more than one year	3,023,424	558,696	3,582,120
Accrued claims payable (Note 10)			
Due within one year	1,386,453		1,386,453
Due in more than one year	1,664,671		1,664,671
Long-term debt (Note 5)			
Due within one year	3,759,000	629,447	4,388,447
Due in more than one year	35,317,670	9,972,805	45,290,475
Total Liabilities	61,863,756	16,106,404	77,970,160
NET ASSETS (Note 11)			
Invested in capital assets, net of related debt	87,925,557	66,344,770	154,270,327
Restricted for:			
Debt service	239		239
Redevelopment projects	6,879,238		6,879,238
Streets and roads	5,502,869		5,502,869
Infrastructure	4,665,965		4,665,965
Other	834,942		834,942
Total Restricted Net Assets	17,883,253		17,883,253
Unrestricted	40,494,570	36,653,957	77,148,527
Total Net Assets	\$146,303,380	\$102,998,727	\$249,302,107

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$9,269,313	\$540,836	\$3,553,097	\$913,778	(\$4,261,602)		(\$4,261,602)
Public safety	42,429,411	4,689,990	870,984	43,192	(36,825,245)		(36,825,245)
Public works	6,350,402	1,533,714	400,000	549,360	(3,867,328)		(3,867,328)
Streets and infrastructure	3,133,030	1,219,820	1,669,589	167,872	(75,749)		(75,749)
Culture and recreation	16,181,808	2,732,104	1,023,509	70,438	(12,355,757)		(12,355,757)
Economic and community development	8,581,051	2,070,063	3,091,384		(3,419,604)		(3,419,604)
Interest on long-term debt	361,793				(361,793)		(361,793)
Total Governmental Activities	86,306,808	12,786,527	10,608,563	1,744,640	(61,167,078)		(61,167,078)
Business-type Activities:							
Water Utility	10,537,952	13,014,097				\$2,476,145	2,476,145
Civic Center	681,758	831,384				149,626	149,626
Transfer Station	98,655	375,000				276,345	276,345
Sanitation District	15,710,913	15,731,505				20,592	20,592
Total Business-type Activities	27,029,278	29,951,986				2,922,708	2,922,708
Total	\$113,336,086	\$42,738,513	\$10,608,563	\$1,744,640	(61,167,078)	2,922,708	(58,244,370)
General revenues:							
Taxes:							
Property tax					29,886,156	1,377,982	31,264,138
Sales tax					10,178,386		10,178,386
Utility users tax					6,635,130		6,635,130
Franchise fees					3,471,922		3,471,922
Other taxes					4,189,893		4,189,893
Motor vehicle in lieu, unrestricted					493,293		493,293
Investment earnings					711,989	413,972	1,125,961
Miscellaneous					3,313,961	1,252,433	4,566,394
Transfers (Note 6)					658,160	(658,160)	
Total general revenues and transfers					59,538,890	2,386,227	61,925,117
Change in Net Assets					(1,628,188)	5,308,935	3,680,747
Net Assets-Beginning					147,931,568	97,689,792	245,621,360
Net Assets-Ending					\$146,303,380	\$102,998,727	\$249,302,107

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 1F)	\$22,682,258	\$5,172,150	\$5,165,587	\$16,776,044	\$447,541	\$50,243,580
Accounts receivable, net	2,776,239	412,337	11,263	146,900	1,310,794	4,657,533
Due from other funds (Note 6)	66,524					66,524
Inventories (Note 1G)	197,392					197,392
Prepays (Note 1G)	34,219		11,367			45,586
Notes receivable (Note 12)					1,017,060	1,017,060
Long-term interfund receivables (Note 6)	23,842,357					23,842,357
Property held for development (Note 1C)			19,422,546			19,422,546
Total Assets	\$49,598,989	\$5,584,487	\$24,610,763	\$16,922,944	\$2,775,395	\$99,492,578
LIABILITIES						
Accounts payable	\$1,649,014	\$81,618	\$139,135	\$283,193	\$827,619	\$2,980,579
Accrued payroll	736,590		3,799		29,250	769,639
Due to other funds (Note 6)					66,524	66,524
Deposits payable	1,644,623		170,675			1,815,298
Deferred revenue	2,635,262				1,017,060	3,652,322
Long-term interfund payables (Note 6)			23,842,357			23,842,357
Total Liabilities	6,665,489	81,618	24,155,966	283,193	1,940,453	33,126,719
FUND BALANCES						
Fund Balance (Note 11)						
Nonspendable	21,438,707					21,438,707
Restricted		5,502,869	23,014,721	4,665,965	834,942	34,018,497
Assigned	12,229,191			11,973,786		24,202,977
Unassigned	9,265,602		(22,559,924)			(13,294,322)
Total Fund Balances	42,933,500	5,502,869	454,797	16,639,751	834,942	66,365,859
Total Liabilities and Fund Balances	\$49,598,989	\$5,584,487	\$24,610,763	\$16,922,944	\$2,775,395	\$99,492,578

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, 2011

Total fund balances reported on the Governmental Funds Balance Sheet \$66,365,859

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 84,078,937

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	13,965,645
Accounts receivable	21,143
Inventories	138,718
Internal balances	(90,379)
Prepays	
Capital assets	7,398,620
Prepaid PERS pension contribution	27,070,755
Accounts payable	(182,528)
Accrued payroll	(55,257)
Interest payable	(155,102)
Accrued claims payable	(3,051,124)
Compensated absences	(538,714)
OPEB obligation	(539,367)
Long-term debt - due within one year	(1,080,000)
Long-term debt - due in more than one year	(31,060,000)

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. 3,652,322

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	(6,936,670)
Interest payable	(197,522)
OPEB Obligation	(4,017,246)
Compensated absences	(8,484,710)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$146,303,380

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, 2011

	General	Gas Tax	Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$23,029,549		\$6,856,607			\$29,886,156
Gas tax		\$2,817,368				2,817,368
Sales tax	9,155,864	1,448,173				10,604,037
Utility users tax	6,635,130					6,635,130
Franchise fees	3,471,922					3,471,922
Other taxes	4,683,186					4,683,186
Licenses and permits	1,468,663					1,468,663
Fines and forfeitures	2,772,583					2,772,583
Rents and interest	3,876,398	58,809	178,705	\$216,376	\$3,674	4,333,962
Federal programs and grants	75,596	149,089		573,801	3,594,082	4,392,568
Receipts from other agencies	711,721	1,688,372			734,692	3,134,785
Charges and fees	5,978,429		8,190	1,985,813	533,351	8,505,783
Miscellaneous	3,187,324		872	94,653	300,439	3,583,288
Total Revenues	65,046,365	6,161,811	7,044,374	2,870,643	5,166,238	86,289,431
EXPENDITURES						
Current:						
General government	8,612,120					8,612,120
Public safety	40,445,728				669,339	41,115,067
Public works	5,116,622				20,318	5,136,940
Culture and recreation	11,369,657				1,708,522	13,078,179
Economic and community development	3,686,380		2,360,900		2,852,744	8,900,024
Capital projects		2,873,460		2,628,567		5,502,027
Debt service						
Principal				137,861	186,000	323,861
Interest			282,833	6,466	200,982	490,281
Total Expenditures	69,230,507	2,873,460	2,643,733	2,772,894	5,637,905	83,158,499
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,184,142)	3,288,351	4,400,641	97,749	(471,667)	3,130,932
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 6)	5,515,108			400,590	574,710	6,490,408
Transfers out (Note 6)	(786,899)	(1,944,203)	(2,483,802)		(34,949)	(5,249,853)
Total Other Financing Sources (Uses)	4,728,209	(1,944,203)	(2,483,802)	400,590	539,761	1,240,555
NET CHANGE IN FUND BALANCES	544,067	1,344,148	1,916,839	498,339	68,094	4,371,487
BEGINNING FUND BALANCES (DEFICITS)	42,389,433	4,158,721	(1,462,042)	16,141,412	766,848	61,994,372
ENDING FUND BALANCES	\$42,933,500	\$5,502,869	\$454,797	\$16,639,751	\$834,942	\$66,365,859

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, 2011

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 \$4,371,487

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance.	1,669,635
Net retirements are deducted from fund balance	
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$1,128,382 which has already been allocated to serviced funds).	(4,003,472)

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	323,861
Interest accrued is deducted from fund balance	(17,941)

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	(1,981,389)
Compensated absences	274,458
OPEB Obligation	(1,327,142)

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>(937,685)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$1,628,188)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$22,605,492	\$22,605,492	\$23,029,549	\$424,057
Sales tax	8,798,811	8,798,811	9,155,864	357,053
Utility users tax	6,746,640	6,746,640	6,635,130	(111,510)
Franchise fees	3,518,850	3,518,850	3,471,922	(46,928)
Other taxes	4,314,141	4,314,141	4,683,186	369,045
Licenses and permits	1,230,857	1,235,357	1,468,663	233,306
Fines and forfeitures	3,036,503	3,036,503	2,772,583	(263,920)
Rents and interest	3,887,337	3,887,337	3,876,398	(10,939)
Federal programs and grants	44,069	76,798	75,596	(1,202)
Receipts from other agencies	535,300	671,746	711,721	39,975
Charges and fees	5,715,639	5,715,639	5,978,429	262,790
Miscellaneous	3,190,210	3,208,447	3,187,324	(21,123)
Total Revenues	63,623,849	63,815,761	65,046,365	1,230,604
EXPENDITURES:				
Current Operations:				
General Government				
Legislative				
Salaries and benefits	176,540	176,540	173,873	2,667
Services and supplies	38,002	38,002	37,142	860
Other charges	12,313	12,313	10,313	2,000
Total Legislative	226,855	226,855	221,328	5,527
Legal				
Salaries and benefits	786,579	786,579	813,178	(26,599)
Services and supplies	130,224	130,224	96,816	33,408
Other charges	9,624	9,624	7,108	2,516
Total Legal	926,427	926,427	917,102	9,325
Administrative				
Salaries and benefits	5,473,156	5,473,156	5,991,317	(518,161)
Services and supplies	1,076,789	1,076,789	922,270	154,519
Other charges	681,100	718,512	560,103	158,409
Total Administrative	7,231,045	7,268,457	7,473,690	(205,233)
Total General Government	8,384,327	8,421,739	8,612,120	(190,381)
Public Safety				
Police				
Salaries and benefits	19,958,791	20,124,366	19,989,172	135,194
Services and supplies	3,736,523	3,770,484	3,767,661	2,823
Capital outlay	10,000	31,620	3,591	28,029
Other charges	159,310	162,910	169,596	(6,686)
Total Police	23,864,624	24,089,380	23,930,020	159,360
Fire				
Salaries and benefits	12,903,827	12,903,827	13,301,517	(397,690)
Services and supplies	1,366,644	1,364,224	1,274,390	89,834
Capital outlay	42,129	42,129	13,984	28,145
Other charges	65,866	65,866	68,119	(2,253)
Total Fire	14,378,466	14,376,046	14,658,010	(281,964)

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety Communications				
Salaries and benefits	1,778,997	1,778,997	1,631,834	147,163
Services and supplies	220,990	220,990	215,887	5,103
Other charges	12,582	12,582	9,977	2,605
Total Public Safety Communications	2,012,569	2,012,569	1,857,698	154,871
Total Public Safety	40,255,659	40,477,995	40,445,728	32,267
Public Works				
Salaries and benefits	4,031,563	4,031,563	3,734,198	297,365
Services and supplies	1,454,720	1,453,519	1,313,740	139,779
Other charges	57,600	57,600	68,684	(11,084)
Total Public Works	5,543,883	5,542,682	5,116,622	426,060
Culture and Recreation				
Library				
Salaries and benefits	2,575,912	2,575,912	2,582,063	(6,151)
Services and supplies	1,009,453	1,019,691	975,483	44,208
Other charges	15,695	20,159	16,957	3,202
Total Library	3,601,060	3,615,762	3,574,503	41,259
Recreation Services				
Salaries and benefits	4,766,846	4,771,846	4,607,164	164,682
Services and supplies	3,651,051	3,651,051	3,136,090	514,961
Capital outlay	1,710	1,710	607	1,103
Other charges	57,451	57,451	51,293	6,158
Total Recreation Services	8,477,058	8,482,058	7,795,154	686,904
Total Culture and Recreation	12,078,118	12,097,820	11,369,657	728,163
Economic and Community Development				
Salaries and benefits	2,894,302	2,894,302	2,935,845	(41,543)
Services and supplies	488,905	543,405	459,913	83,492
Capital outlay	600	600		600
Other charges	296,755	296,755	290,622	6,133
Total Economic and Community Development	3,680,562	3,735,062	3,686,380	48,682
Total Expenditures	69,942,549	70,275,298	69,230,507	1,044,791
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,318,700)	(6,459,537)	(4,184,142)	2,275,395
OTHER FINANCING SOURCES (USES)				
Transfers in	5,936,653	5,936,653	5,515,108	(421,545)
Transfers out	(722,411)	(768,862)	(786,899)	(18,037)
Total Other Financing Sources (Uses)	5,214,242	5,167,791	4,728,209	(439,582)
NET CHANGE IN FUND BALANCE	(\$1,104,458)	(\$1,291,746)	544,067	\$1,835,813
BEGINNING FUND BALANCE			42,389,433	
ENDING FUND BALANCE			542,933,500	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gas tax	\$2,830,827	\$2,830,827	\$2,817,368	(\$13,459)
Sales tax	1,265,000	1,265,000	1,448,173	183,173
Rents and interest	41,543	41,543	58,809	17,266
Federal programs and grants	2,740,261	2,740,261	149,089	(2,591,172)
Receipts from other agencies	<u>1,567,337</u>	<u>1,645,548</u>	<u>1,688,372</u>	<u>42,824</u>
Total Revenues	<u>8,444,968</u>	<u>8,523,179</u>	<u>6,161,811</u>	<u>(2,361,368)</u>
EXPENDITURES:				
Capital projects	<u>9,347,535</u>	<u>9,425,746</u>	<u>2,873,460</u>	<u>6,552,286</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(902,567)</u>	<u>(902,567)</u>	<u>3,288,351</u>	<u>4,190,918</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,365,748)</u>	<u>(2,365,748)</u>	<u>(1,944,203)</u>	<u>421,545</u>
NET CHANGE IN FUND BALANCES	<u>(\$3,268,315)</u>	<u>(\$3,268,315)</u>	<u>1,344,148</u>	<u>\$4,612,463</u>
BEGINNING FUND BALANCE			<u>4,158,721</u>	
ENDING FUND BALANCE			<u><u>\$5,502,869</u></u>	

See accompanying notes to financial statements

CITY OF DALY CITY
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property tax	\$6,467,000	\$6,467,000	\$6,856,607	\$389,607
Rents and interest	122,702	122,702	178,705	56,003
Charges and fees	9,000	9,000	8,190	(810)
Miscellaneous	200	200	872	672
	<u>6,598,902</u>	<u>6,598,902</u>	<u>7,044,374</u>	<u>445,472</u>
Total Revenues				
EXPENDITURES:				
Economic and Community Development:				
Salaries and benefits	315,772	315,772	319,371	(3,599)
Services and supplies	1,246,103	1,246,103	113,300	1,132,803
Pass thru payments	732,000	732,000	808,163	(76,163)
SERAF payments	500,320	500,320	500,804	(484)
Capital outlay	55,282	55,282	8,435	46,847
Other charges	1,177,297	1,177,297	610,827	566,470
	<u>4,026,774</u>	<u>4,026,774</u>	<u>2,360,900</u>	<u>1,665,874</u>
Total Economic and Community Development				
Debt Service:				
Interest	2,636,404	2,636,404	282,833	2,353,571
	<u>6,663,178</u>	<u>6,663,178</u>	<u>2,643,733</u>	<u>4,019,445</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(64,276)</u>	<u>(64,276)</u>	<u>4,400,641</u>	<u>4,464,917</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,483,802)</u>	<u>(2,483,802)</u>	<u>(2,483,802)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$2,548,078)</u>	<u>(\$2,548,078)</u>	<u>1,916,839</u>	<u>\$4,464,917</u>
BEGINNING FUND BALANCE (DEFICIT)			<u>(1,462,042)</u>	
ENDING FUND BALANCE			<u>\$454,797</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
ASSETS					
Current Assets:					
Cash and investments (Note 1F)	\$7,699,804	\$25,731,289	\$3,563,465	\$36,994,558	\$13,965,406
Cash with fiscal agent (Note 1F)					239
Accounts receivable, net (Note 1H)	1,815,084	1,012,688	23,885	2,851,657	21,143
Inventories (Note 1G)	450,995	1,485,192		1,936,187	138,718
Prepays (Note 1G)	170,710			170,710	
Total Current Assets	10,136,593	28,229,169	3,587,350	41,953,112	14,125,506
Noncurrent Assets:					
Accounts receivable, net (Note 1H)		114,618		114,618	
Prepaid PERS pension contribution (Note 7)					27,070,755
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		54,884,306		54,884,306	
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	5,114,024	4,655,079	493,340	10,262,443	16,450,681
Furniture and fixtures	21,824	28,694		50,518	52,707
Construction in progress	907,231	2,391,082	678,562	3,976,875	68,667
Total Capital Assets	42,556,800	83,094,657	9,714,054	135,365,511	16,986,215
Less accumulated depreciation	(14,667,446)	(39,343,162)	(4,407,881)	(58,418,489)	(9,587,595)
Net Capital Assets	27,889,354	43,751,495	5,306,173	76,947,022	7,398,620
Total Noncurrent Assets	27,889,354	43,866,113	5,306,173	77,061,640	34,469,375
Total Assets	38,025,947	72,095,282	8,893,523	119,014,752	48,594,881
Current Liabilities:					
Accounts payable	816,482	2,090,430	12,593	2,919,505	182,528
Retentions payable	57,104	102,406		159,510	
Accrued payroll	31,897	68,860		100,757	55,257
Deposits payable	14,328			14,328	
Interest payable	27,218	49,252		76,470	155,102
Accrued claims payable (Note 10)					1,386,453
Compensated absences (Note 1J)	260,000	590,000		850,000	
Long-term debt (Note 5)	425,000	204,447		629,447	1,080,000
Total Current Liabilities	1,632,029	3,105,395	12,593	4,750,017	2,859,340
Noncurrent Liabilities:					
Compensated absences (Note 1J)	135,299	423,397		558,696	538,714
Accrued claims payable (Note 10)					1,664,671
OPEB obligation	311,028	513,858		824,886	539,367
Long-term debt (Note 5)	6,800,000	3,172,805		9,972,805	31,060,000
Total Noncurrent Liabilities	7,246,327	4,110,060		11,356,387	33,802,752
Total Liabilities	8,878,356	7,215,455	12,593	16,106,404	36,662,092
NET ASSETS (Note 11)					
Invested in capital assets, net of related debt	20,664,354	40,374,243	5,306,173	66,344,770	7,398,620
Restricted for:					
Debt service					239
Unrestricted	8,483,237	24,505,584	3,574,757	36,563,578	4,533,930
Total Net Assets	\$29,147,591	\$64,879,827	\$8,880,930	102,908,348	\$11,932,789

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

Net assets of business-type activities

90,379
\$102,998,727

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, 2011

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$13,014,097	\$125,747		\$13,139,844	
Sewer service charges		15,196,762		15,196,762	
Connection charges		408,996		408,996	
Rental income			5831,384	831,384	
Lease revenue			375,000	375,000	
Charges to City departments					\$15,845,776
Other revenues	408,455	77,606	766,372	1,252,433	278,846
Total Operating Revenues	13,422,552	15,809,111	1,972,756	31,204,419	16,124,622
OPERATING EXPENSES					
Salaries and benefits	2,858,898	6,376,833		9,235,731	5,324,581
Services and supplies	1,626,388	5,628,190	333,617	7,588,195	2,817,864
Water purchases	2,983,852			2,983,852	
Utilities	883,564	918,521	124,143	1,926,228	377,217
Insurance	130,383	395,597	12,390	538,370	1,149,618
Claims and settlements					1,125,353
Depreciation and amortization (Note 4)	1,218,606	1,934,708	229,907	3,383,221	1,128,382
Other charges	722,667	989,016		1,711,683	310,188
Total Operating Expenses	10,424,358	16,242,865	700,057	27,367,280	12,233,203
Operating Income	2,998,194	(433,754)	1,272,699	3,837,139	3,891,419
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,377,982		1,377,982	
Gain (loss) on disposal of capital assets			(58,738)	(58,738)	11,772
Amortization					(1,666,777)
Interest income	75,305	306,336	32,331	413,972	149,403
Interest expense	(353,846)	(86,510)		(440,356)	(1,904,011)
Total Nonoperating Revenues (Expenses)	(278,541)	1,597,808	(26,407)	1,292,860	(3,409,613)
Income (Loss) Before Transfers	2,719,653	1,164,054	1,246,292	5,129,999	481,806
Transfers in (Note 6)	2,000,000	1,430,712		3,430,712	185,058
Transfers out (Note 6)	(2,158,670)	(1,006,199)	(924,003)	(4,088,872)	(767,453)
Net transfers	(158,670)	424,513	(924,003)	(658,160)	(582,395)
Change in net assets	2,560,983	1,588,567	322,289	4,471,839	(100,589)
BEGINNING NET ASSETS	26,586,608	63,291,260	8,558,641	98,436,509	12,033,378
ENDING NET ASSETS	\$29,147,591	\$64,879,827	\$8,880,930	102,908,348	\$11,932,789
Net change in net assets				4,471,839	
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.				837,096	
Change in net assets of business-type activities				\$5,308,935	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$13,283,959	\$15,756,745	\$1,993,806	\$31,034,510	\$16,179,207
Payments to suppliers	(6,039,934)	(6,629,524)	(470,970)	(13,140,428)	(4,556,108)
Payments to employees	(2,764,385)	(6,302,326)		(9,066,711)	(5,177,925)
Claims paid					(1,967,333)
Cash Flows from Operating Activities	4,479,640	2,824,895	1,522,836	8,827,371	4,477,841
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax		1,377,982		1,377,982	
Principal paid on noncapital debt					(930,000)
Interest paid on noncapital debt					(1,907,901)
Transfers in	2,000,000	1,430,712		3,430,712	185,058
Transfers out	(2,158,670)	(1,006,199)	(924,003)	(4,088,872)	(767,453)
Cash Flows from Noncapital Financing Activities	(158,670)	1,802,495	(924,003)	719,822	(3,420,296)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(936,627)	(1,891,499)	(678,562)	(3,506,688)	(431,118)
Proceeds from sale of capital assets					49,500
Principal paid on capital debt	(410,000)	(199,461)		(609,461)	
Interest paid on capital debt	(355,128)	(89,418)		(444,546)	
Cash Flows from Capital and Related Financing Activities	(1,701,755)	(2,180,378)	(678,562)	(4,560,695)	(381,618)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	75,305	306,336	32,331	413,972	149,403
Net Cash Flows	2,694,520	2,753,348	(47,398)	5,400,470	825,330
Cash and investments at beginning of period	5,005,284	22,977,941	3,610,863	31,594,088	13,140,315
Cash and investments at end of period	<u>\$7,699,804</u>	<u>\$25,731,289</u>	<u>\$3,563,465</u>	<u>\$36,994,558</u>	<u>\$13,965,645</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$2,998,194	(\$433,754)	\$1,272,699	\$3,837,139	\$3,891,419
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,218,606	1,934,708	229,907	3,383,221	1,128,382
Change in assets and liabilities:					
Accounts receivable, net	(133,315)	(52,366)	21,050	(164,631)	54,585
Inventories	51,121	104,915		156,036	77,446
Prepaids	13,132	300		13,432	565
Accounts payable	191,063	1,136,632	(820)	1,326,875	20,768
Retentions payable	51,604	59,953		111,557	
Accrued payroll	4,680	14,651		19,331	3,145
Deposits payable	(5,278)			(5,278)	
Accrued claims payable					(841,980)
Compensated absences	(16,164)	(92,810)		(108,974)	(28,951)
OPEB obligation	105,997	152,666		258,663	172,462
Cash Flows from Operating Activities	\$4,479,640	\$2,824,895	\$1,522,836	\$8,827,371	\$4,477,841

See accompanying notes to financial statements

CITY OF DALY CITY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 1F)	\$2,617,053
Receivables	1,621,300
Other assets	<u>8,555</u>
Total Assets	<u><u>\$4,246,908</u></u>
LIABILITIES	
Accounts payable	\$2,830,561
Due to others	<u>1,416,347</u>
Total Liabilities	<u><u>\$4,246,908</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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. As of July 1, 2010, the Traffic Enforcement fund, which is used to account for traffic fines collected from red light violations and associated program costs, was combined with the General 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. As of July 1, 2010, the AB 1600 Public Facility Fees Fund, which is used to account for the revenues derived from developer fees required under AB 1600 to be expended for infrastructure expansion caused by new development, was combined with the Capital Projects Fund.

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.

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	\$101,203,544
Restricted cash and investments	239
Cash and investments of the City	<u>101,203,783</u>
Cash and investments in Fiduciary Funds (separate statement)	<u>2,617,053</u>
Total cash and investments	<u><u>\$103,820,836</u></u>

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$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	AAA	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		\$8,946,621	\$8,946,621
Certificates of Deposit	\$1,025,055		1,025,055
Money Market Mutual Funds	239		239
California Local Agency Investment Fund	22,615,744		22,615,744
San Mateo County Investment Pool	70,221,741		70,221,741
Total Investments	\$93,862,779	\$8,946,621	102,809,400
Cash in Bank and on Hand			1,011,436
Total Cash and Investments			\$103,820,836

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, 2011, these investments have an average maturity of 237 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, 2011, these investments matured in an average of 1.5 years.

Mutual Funds investments are available for withdrawal on demand and at June 30, 2011 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, 2011 are provided by Standard and Poor's except as noted.

Investment Type	AAAm	Fitch A-/V2	Total Investments
Money Market Mutual Funds	\$239		\$239
San Mateo County Investment Pool		\$70,221,741	70,221,741
Total	<u>\$239</u>	<u>\$70,221,741</u>	<u>70,221,980</u>
<i>Not rated:</i>			
Certificates of Deposit			1,025,055
California Local Agency Investment Fund			22,615,744
<i>Exempt from rating requirement:</i>			
U.S. Government-Sponsored Enterprise Agencies			<u>8,946,621</u>
Total Investments			<u><u>\$102,809,400</u></u>

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (for example, broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The City's investment policy requires that securities transactions be executed on a delivery vs. payment basis. Funds are not wire-transferred until securities are delivered into safekeeping with the City's third party custodian. The custodial relationship is subject to an agreement for services which may be separate from the agreement for other banking services. The safekeeping requirement does not apply to securities which are physically delivered to the City.

As of June 30, 2011, the City's investments in Government National Mortgage Association in the amount of \$7,826,106 were held by the City's broker-dealer; an increased custodial credit risk.

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. 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. For the Water Utility enterprise fund, prepaids represent the unamortized portion of the certificates of participation issue costs. The consumption method of accounting is applied to prepaids.

H. WATER UTILITY ACCOUNTS RECEIVABLE

The City bills usage to water utility customers on a bimonthly basis 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 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, 2010	\$9,326,833	\$1,517,670	\$10,844,503
Additions	5,806,619	775,294	6,581,913
Payments	(6,110,028)	(884,268)	(6,994,296)
Balance June 30, 2011	<u>\$9,023,424</u>	<u>\$1,408,696</u>	<u>\$10,432,120</u>
Duc within onc year	<u>\$6,000,000</u>	<u>\$850,000</u>	<u>\$6,850,000</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.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2011, the City had made commitments of approximately \$8.8 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 calculated 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, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Governmental activities:					
Capital assets not being depreciated:					
Land	\$20,705,468				\$20,705,468
Construction in progress	1,550,973	\$315,765		(\$577,336)	1,289,402
Total capital assets not being depreciated	22,256,441	315,765		(577,336)	21,994,870
Capital assets being depreciated:					
Buildings & improvements	56,193,284				56,193,284
Streets & infrastructure	65,609,280	1,184,760		35,186	66,829,226
Vehicles, equipment, furniture and fixtures	20,877,059	482,309	(\$1,622,427)	542,150	20,279,091
Park structures and improvements	5,733,818	117,917			5,851,735
Total capital assets being depreciated	148,413,441	1,784,986	(1,622,427)	577,336	149,153,336
Less accumulated depreciation for:					
Buildings & improvements	20,530,865	1,684,531			22,215,396
Streets & infrastructure	41,257,504	1,731,460			42,988,964
Vehicles, equipment, furniture and fixtures	12,813,436	1,478,618	(1,584,699)		12,707,355
Park structures and improvements	1,521,691	237,243			1,758,934
Total accumulated depreciation	76,123,496	5,131,852	(1,584,699)		79,670,649
Net depreciable assets	72,289,945	(3,346,866)	(37,728)	\$577,336	69,482,687
Governmental activity capital assets, net	\$94,546,386	(\$3,031,101)	(\$37,728)		\$91,477,557

The gross cost of the capital assets acquired through capital leases for building and improvements is \$1,187,447 at June 30, 2011.

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
<i>Business-type activities:</i>					
Capital assets not being depreciated:					
Land	\$2,862,549				\$2,862,549
Construction in progress	968,316	\$3,023,231		(\$14,672)	3,976,875
Total capital assets not being depreciated	3,830,865	3,023,231		(14,672)	6,839,424
Capital assets being depreciated:					
Buildings	7,582,968				7,582,968
Sewage facilities	54,889,070	37,412	(\$42,176)		54,884,306
Wells & pump stations	7,011,400				7,011,400
Water reservoirs	12,361,510				12,361,510
Mains & subsurface lines	36,372,942				36,372,942
Equipment	10,304,126	446,046	(502,401)	14,672	10,262,443
Furniture and fixtures	50,518				50,518
Total capital assets being depreciated	128,572,534	483,458	(544,577)	14,672	128,526,087
Less accumulated depreciation for:					
Buildings	4,025,223	247,854			4,273,077
Sewage facilities	28,629,541	1,016,151	(42,176)		29,603,516
Wells & pump stations	2,644,094	177,074			2,821,168
Water reservoirs	3,554,612	201,462			3,756,074
Mains & subsurface lines	11,527,156	1,158,637			12,685,793
Equipment	5,089,961	582,043	(443,662)		5,228,342
Furniture and fixtures	50,519				50,519
Total accumulated depreciation	55,521,106	3,383,221	(485,838)		58,418,489
Net depreciable assets	73,051,428	(2,899,763)	(58,739)	14,672	70,107,598
Business-type activity capital assets, net	\$76,882,293	\$123,468	(\$58,739)		\$76,947,022

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	\$493,020
Public safety	189,080
Public works	4,179
Culture and recreation	1,570,382
Economic and community development	10,193
Streets and infrastructure	1,736,616
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,128,382</u>
Total Governmental Activities	<u><u>\$5,131,852</u></u>
Business-Type Activities	
Water Utility	\$1,218,606
Sanitation District	1,934,708
Civic Center	189,727
Transfer Station	<u>40,180</u>
Total Business-Type Activities	<u><u>\$3,383,221</u></u>

Note 5.
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2011, are as follows:

	Original Issue Amount	Balance June 30, 2010	Retirements	Balance June 30, 2011	Current Portion
<i>Governmental Activity Debt</i>					
2002 Capital Lease, 4.69%, due fiscal year 2011	\$1,184,477	\$137,861	\$137,861		
Housing & Urban Development Section 108 Loan 2.31%-6.01%, due 2023	4,500,000	3,738,000	186,000	\$3,552,000	\$199,000
2004 Series A-1 Pension Obligation Bonds 2.650%-5.896%, due 2024	36,235,000	33,070,000	930,000	32,140,000	1,080,000
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 2012	2,480,000	2,480,000		2,480,000	2,480,000
Total Governmental Activity		40,330,531	1,253,861	39,076,670	3,759,000
<i>Business-Type Activity Debt</i>					
State Water Resources Control Board Loan 2.5%, due 2025	4,450,128	3,576,713	199,461	3,377,252	204,447
2004 Certificates of Participation 3%-5%, due 2024	9,860,000	7,635,000	410,000	7,225,000	425,000
Total Business-Type Activity		11,211,713	609,461	10,602,252	629,447
Total City Long-Term Obligations		\$51,542,244	\$1,863,322	\$49,678,922	\$4,388,447

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, 2011, the lease is paid in full.

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 Federal 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, 2011, total principal and interest remaining on the note is \$4,930,032. For fiscal year 2011, principal and interest paid were \$386,982 and total block grant revenues were \$1,425,700.

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 2011, principal and interest paid were \$2,837,902.

On January 30, 2007, the City's Redevelopment Agency entered into a loan agreement with California Housing Finance Agency in the 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 home ownership 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, 2011 is \$1,020,220, which consists of \$904,670 principal and \$115,550 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 received 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, 2011 total principal and interest remaining on the note is \$4,044,298. For fiscal year 2011, principal and interest paid were \$288,879 and total Sanitation District Enterprise net revenues were \$3,523,275.

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, 2011 total principal and interest remaining on the certificates is \$9,810,795. For fiscal year 2011, principal and interest paid were \$751,996 and total net revenues were \$3,779,589.

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
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	2,100,000	1,717,329	725,671	317,891
2017-2021	15,611,670	6,715,605	4,070,857	1,147,031
2022-2025	12,618,000	1,486,305	3,146,755	276,703
	<u>\$39,076,670</u>	<u>\$17,746,170</u>	<u>\$10,602,252</u>	<u>\$3,252,841</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, 2011 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	\$2,765
	Community Block Grant Special Revenue Fund	30,982
	Grants Special Revenue Fund	32,777
		<u>\$66,524</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 0.570 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 2011 additions to loans payable amounted to \$146,429 of interest, as the terms of the agreement stipulate that any unpaid interest shall be added to the principal. During fiscal 2011, the Agency repaid the City \$2,500,000 in interest. At June 30, 2011, the total amount of loans payable from the Agency to the General Fund was \$23,842,357

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2011 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Transfer Amount</u>
General Fund	Capital Projects Fund	\$78,894
	Nonmajor Governmental Funds	574,710
	Internal Service Funds	133,295
Gas Tax Special Revenue Fund	General Fund	1,944,203
Redevelopment Agency Special Revenue Fund	General Fund	483,802
	Water Utility Enterprise Fund	2,000,000
Water Utility Enterprise Fund	General Fund	725,700
	Capital Projects Fund	1,482
	Sanitation District Enterprise Fund	1,430,712
	Internal Service Funds	776
Sanitation District Enterprise Fund	General Fund	985,331
	Internal Service Funds	20,868
Nonmajor Governmental Funds	Capital Projects Fund	4,830
	Internal Service Funds	30,119
Nonmajor Enterprise Funds	General Fund	788,963
	Capital Projects Fund	135,040
Internal Service Funds	General Fund	587,109
	Capital Projects Fund	180,344
		<u>\$10,106,178</u>

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

INTERNAL BALANCES

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

Note 7.

RETIREMENT PLAN

CALPERS Safety and Miscellaneous Employees Plans

All employees meeting PERS membership requirements must participate in pension plans offered by the California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees, and their beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under the Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2011, 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%	N/A
Required employer contribution rates	13.965%	14.484%	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 \$27,070,755 at June 30, 2011. During fiscal 2011, the amortization of the prepayment amounted to \$1,666,777. 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, 2011, 2010 and 2009 amounted to \$8,400,169, \$8,724,201 and \$8,938,331, 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
2009	\$8,938,331	100%	---
2010	8,724,201	100%	---
2011	8,400,169	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
6/30/2007	\$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%
6/30/2009	210,435,991	194,959,202	15,476,789	92.6%	19,402,911	79.8%

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
6/30/2007	\$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%
6/30/2009	208,250,652	182,540,015	25,710,637	87.7%	29,297,750	87.8%

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

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, 2011, approximately 347 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 499 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, 2011 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 5% to 9.4% 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 Accrued Actuarial 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 2011, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Liability at June 30, 2010	<u>\$3,623,232</u>
Annual required contribution (ARC)	3,511,003
Interest on net OPEB obligation	162,722
Amortization of the net OPEB obligation	<u>(273,531)</u>
Net OPEB cost	<u>3,400,194</u>
Contributions made:	
City's portion of current year premiums paid	<u>(1,641,927)</u>
Change in net OPEB Liability	1,758,267
Net OPEB Obligation June 30, 2011	<u><u>\$5,381,499</u></u>

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

Fiscal Year	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2009	\$3,074,749	\$1,295,915	42%	\$1,778,834
6/30/2010	3,255,440	1,411,042	43%	2,623,232
6/30/2011	3,400,194	1,641,927	48%	5,381,499

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, 2011 actuarial study is presented below:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
1/1/2009	\$0	\$38,226,000	(\$38,226,000)	0%	\$47,798,000	-80%
1/1/2011	0	40,910,000	(40,910,000)	0%	45,974,000	-89%

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 in 1979 to provide for payment of costs associated with 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 statutory limit. During the fiscal year ended June 30, 2011, the City contributed \$230,857 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 present value liability for uninsured claims including a provision for claims incurred but not reported using a discount rate of 4% was computed as follows based on claims experience for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Beginning balance of claims payable	\$3,893,104	\$1,827,664
Increase in estimated claims liability	1,125,353	3,971,653
Claims paid	<u>(1,967,333)</u>	<u>(1,906,213)</u>
Ending balance of claims payable	<u>\$3,051,124</u>	<u>\$3,893,104</u>
Current Portion	<u>\$1,386,453</u>	<u>\$1,776,104</u>

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.

GOVERNMENTAL FUND BALANCES

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources.

For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's Fund Balances, as of June 30, 2011, are below:

Fund Balance Classifications	General Fund	Special Revenue		Capital Projects	Other Governmental Funds	Total
		Gas Tax	Redevelopment Agency			
Nonspendables:						
Items not in spendable form:						
Inventories	\$197,392					\$197,392
Prepaid expenses	34,219					34,219
Long-term interfund receivables	21,207,096					21,207,096
Total Nonspendable Fund Balances	21,438,707					21,438,707
Restricted for:						
Redevelopment projects			\$16,135,483			16,135,483
Low and moderate income housing projects			6,879,238			6,879,238
Gas Tax Projects		\$5,502,869				5,502,869
Capital Projects				\$4,665,965		4,665,965
Linda Vista Benefit Assessment					\$288,862	288,862
Traffic Safety					156,097	156,097
Grants					389,983	389,983
Total Restricted Fund Balances		5,502,869	23,014,721	4,665,965	834,942	34,018,497
Assigned to:						
Encumbrances	229,191					229,191
Operating Capital	12,000,000					12,000,000
Capital Projects				11,973,786		11,973,786
Total Assigned Fund Balances	12,229,191			11,973,786		24,202,977
Unassigned:						
General fund	9,265,602					9,265,602
Other governmental fund deficit residuals			(22,559,924)			(22,559,924)
Total Unassigned Fund Balances	9,265,602		(22,559,924)			(13,294,322)
Total Fund Balances	\$42,933,500	\$5,502,869	\$454,797	\$16,639,751	\$834,942	\$66,365,859

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 2011 the City made loans to 10 participants under this program. In fiscal 2011 CDBG loan program activity is as follows:

Beginning Balance	\$644,878
New loans	415,327
Loan repayments	<u>(43,145)</u>
Ending Balance	<u><u>\$1,017,060</u></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 square feet of retail space along Mission Street and 95 residential condominiums. Fifteen percent 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. A proposed second phase will consist of approximately 76,000 square feet of office and retail space when its construction is supported by market conditions.

In fiscal 2010, and prior to the completion of the Project, the original developer defaulted on its obligation to the Agency under the Development Agreement (DA) by not completing construction of the Project in accordance with the DA's Schedule of Performance 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 was substantially completed, but final completion was stalled. The Property became subject to a receivership and as of 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, Cathay Holdings, LLC, on September 27, 2010, sold the property to OliverMcMillan Daly City One, LLC (OMDCO). OMDCO requested the Agency 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 DA. 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
- Changing the Schedule of Performance to reflect the new schedule for completing the construction of Phase I

Since purchasing the property OMDCO has made a significant investment in various design and aesthetic improvements, and the project is substantially complete.

El Rancho Site

During fiscal 2004, the Agency entered into a Development Agreement with a developer under which the developer was 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.

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. The developer secured the necessary planning entitlements and sold the project to a developer/contractor to build and complete the project.

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, completed the foreclosure process and sold the property to Pacifica L 26 LLC. Leasing of the units began in March 2011. As of June 30, 2011 the building is 68% occupied. A lottery for the 11 affordable units within this property was held on May 17, 2011.

7555 Mission Street

In June of 2009, the Agency entered into a Development Agreement (DA) 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 DA, Habitat built 36 affordable condominium units. The subject buildings are 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 has incorporated 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 project represented an opportunity to develop a unique project. It is 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. Overall, through its grant writing and fundraising efforts, Habitat will raise approximately \$9.5 million or 54 percent of the project cost.

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 is providing a total of \$1,264,328 in federal HOME funds. HOME and Agency funds are provided in the form of 45-year zero interest loans.

Preparation of the site for the proposed development included relocation of existing tenants, demolition of existing structures, 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 were 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 is estimated to be completed in approximately 3 years. As of June 30, 2011, the construction of the project is 40 percent complete.

The 7555 Mission Street units are being constructed on a key transit-oriented site that was 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 Building Maintenance Internal Service Fund and the PERS Contributions Internal Service Fund had deficits amounting to \$639,262 and \$3,211,468 respectively at June 30, 2011. 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 2007, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2010 and 2011. 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 second SERAF payment of \$500,804 in fiscal 2011.

Note 16.

SUBSEQUENT EVENT

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City, as the sponsoring community, opting into a "voluntary alternative redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 22, 2011.

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City's ordinance to opt-in to the voluntary alternative redevelopment program, adopted August 22, 2011, will become effective. The City will be required to make annual payments to the County Auditor-Controller and the Agency will no longer be subject to the suspension provisions. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$2,642,517.
2. If the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of October 21, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.



**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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Rents and interest		\$216,376	\$216,376
Federal programs and grants	\$1,005,089	573,801	(431,288)
Charges and fees	597,210	1,985,813	1,388,603
Miscellaneous		<u>94,653</u>	<u>94,653</u>
Total Revenues	<u>1,602,299</u>	<u>2,870,643</u>	<u>1,268,344</u>
EXPENDITURES			
Capital projects	5,685,345	2,628,567	3,056,778
Debt Service:			
Principal	137,860	137,861	(1)
Interest	<u>6,466</u>	<u>6,466</u>	
Total Expenditures	<u>5,829,671</u>	<u>2,772,894</u>	<u>3,056,777</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,227,372)</u>	<u>97,749</u>	<u>4,325,121</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	914,791	400,590	(514,201)
Transfers out	<u>(10,000)</u>		<u>10,000</u>
Total Other Financing Sources (Uses)	<u>904,791</u>	<u>400,590</u>	<u>(504,201)</u>
NET CHANGE IN FUND BALANCES	<u>(\$3,322,581)</u>	<u>498,339</u>	<u>\$3,820,920</u>
BEGINNING FUND BALANCE		<u>16,141,412</u>	
ENDING FUND BALANCE		<u><u>\$16,639,751</u></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.
- 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.

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	SPECIAL REVENUE FUNDS			
	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	Traffic Safety
ASSETS				
Cash and investments	\$1,360		\$288,862	\$157,319
Accounts receivable, net	38,409	\$97,775		
Notes receivable		542,118		
Total Assets	\$39,769	\$639,893	\$288,862	\$157,319
LIABILITIES				
Accounts payable	\$26,664	\$58,192		\$1,222
Accrued payroll	10,340	8,601		
Due to other funds	2,765	30,982		
Deferred revenue		542,118		
Total Liabilities	39,769	639,893		1,222
FUND BALANCES				
Restricted			\$288,862	156,097
Total Fund Balances			288,862	156,097
Total Liabilities and Fund Balances	\$39,769	\$639,893	\$288,862	\$157,319

Grants	Total Nonmajor Governmental Funds
	\$447,541
\$1,174,610	1,310,794
<u>474,942</u>	<u>1,017,060</u>
<u>\$1,649,552</u>	<u>\$2,775,395</u>
\$741,541	\$827,619
10,309	29,250
32,777	66,524
474,942	1,017,060
<u>1,259,569</u>	<u>1,940,453</u>
<u>389,983</u>	<u>834,942</u>
389,983	834,942
<u>\$1,649,552</u>	<u>\$2,775,395</u>

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	Traffic Safety
REVENUES				
Rents and interest			\$3,674	
Federal programs and grants	\$144,367	\$1,351,636		
Receipts from other agencies				
Charges and fees	408,720		40,771	\$83,860
Miscellaneous	168,070	74,064		
Total Revenues	721,157	1,425,700	44,445	83,860
EXPENDITURES				
Public safety				\$3,872
Public works			20,318	
Culture and recreation	1,291,037			
Economic and community development		1,038,718		
Debt service:				
Principal		186,000		
Interest		200,982		
Total Expenditures	1,291,037	1,425,700	20,318	53,872
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(569,880)		24,127	29,988
OTHER FINANCING SOURCES (USES)				
Transfers in	574,710			
Transfers out	(4,830)			
Total Other Financing Sources (Uses)	569,880			
NET CHANGE IN FUND BALANCES			24,127	29,988
BEGINNING FUND BALANCES			264,735	126,109
ENDING FUND BALANCES (DEFICIT)			\$288,862	\$156,097

<u>Grants</u>	<u>Total Nonmajor Governmental Funds</u>
	53,674
\$2,098,079	3,594,082
734,692	734,692
	533,351
<u>58,305</u>	<u>300,439</u>
<u>2,891,076</u>	<u>5,166,238</u>
615,467	669,339
	20,318
417,485	1,708,522
1,814,026	2,852,744
	186,000
	200,982
<u>2,846,978</u>	<u>5,637,905</u>
<u>44,098</u>	<u>(471,667)</u>
	574,710
(30,119)	<u>(34,949)</u>
<u>(30,119)</u>	<u>539,761</u>
13,979	68,094
<u>376,004</u>	<u>766,848</u>
<u>\$389,983</u>	<u>\$834,942</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, 2011

	DOELGER SENIOR CENTER			COMMUNITY BLOCK GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest						
Federal programs and grants	\$144,441	\$144,367	(\$74)	\$1,985,116	\$1,351,636	(\$633,480)
Receipts from other agencies				4,500		(4,500)
Charges and fees	440,835	408,720	(32,115)			
Miscellaneous	198,144	168,070	(30,074)	63,840	74,064	10,224
Total Revenues	783,420	721,157	(62,263)	2,053,456	1,425,700	(627,756)
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	657,345	659,560	(2,215)			
Services and supplies	677,039	627,357	49,682			
Other charges	5,709	4,120	1,589			
Total Culture and Recreation	1,340,093	1,291,037	49,056			
Economic and Community Development						
Salaries and benefits				512,825	513,356	(531)
Services and supplies				801,939	378,776	423,163
Capital outlay				121,746		121,746
Other charges				229,965	146,586	83,379
Debt Service:						
Principal				186,000	186,000	
Interest				200,982	200,982	
Total Economic and Community Development				2,053,457	1,425,700	627,757
Total Expenditures	1,340,093	1,291,037	49,056	2,053,457	1,425,700	627,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(556,673)	(569,880)	(13,207)	(1)		1
OTHER FINANCING SOURCES (USES)						
Transfers in	556,673	574,710	18,037			
Transfers out	(4,830)	(4,830)				
Total Other Financing Sources (Uses)	551,843	569,880	18,037			
NET CHANGE IN FUND BALANCES	(\$4,830)		\$4,830	(\$1)		\$1
BEGINNING FUND BALANCES						
ENDING FUND BALANCES (DEFICIT)						

LINDA VISTA BENEFIT ASSESSMENT			TRAFFIC SAFETY			GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,995	\$3,674	\$1,679				\$3,445,360	\$2,098,079	(\$1,347,281)
						856,372	734,692	(121,680)
40,770	40,771	1	\$73,656	\$83,860	\$10,204			
						55,591	58,305	2,714
42,765	44,445	1,680	73,656	83,860	10,204	4,357,323	2,891,076	(1,466,247)
			11,412	368	11,044	379,747	267,460	112,287
			48,336	38,911	9,425	223,486	144,451	79,035
			20,000	13,491	6,509	391,833	197,731	194,102
			5,800	1,102	4,698	7,096	5,825	1,271
			85,548	53,872	31,676	1,002,162	615,467	386,695
17,466	16,900	566						
4,000	3,418	582						
21,466	20,318	1,148						
						318,623	360,824	(42,201)
						61,743	56,661	5,082
						380,366	417,485	(37,119)
						56,092	46,537	9,555
						2,128,025	262,837	1,865,188
						278,260	46,449	231,811
						491,562	1,458,203	(966,641)
						2,953,939	1,814,026	1,139,913
21,466	20,318	1,148	85,548	53,872	31,676	4,336,467	2,846,978	1,489,489
21,299	24,127	2,828	(11,892)	29,988	41,880	20,856	44,098	23,242
						(30,119)	(30,119)	
						(30,119)	(30,119)	
\$21,299	24,127	\$2,828	(\$11,892)	29,988	\$41,880	(\$9,263)	13,979	\$23,242
	264,735			126,109			376,004	
	\$288,862			\$156,097			\$389,983	



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, 2011

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$2,348,663	\$1,214,802	\$3,563,465
Accounts receivable, net	22,453	1,432	23,885
Total Current Assets	<u>2,371,116</u>	<u>1,216,234</u>	<u>3,587,350</u>
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	472,428	20,912	493,340
Construction in progress	678,562		678,562
Total Capital Assets	<u>8,415,480</u>	<u>1,298,574</u>	<u>9,714,054</u>
Less accumulated depreciation	<u>(3,437,080)</u>	<u>(970,801)</u>	<u>(4,407,881)</u>
Net Capital Assets	<u>4,978,400</u>	<u>327,773</u>	<u>5,306,173</u>
Total Assets	<u>7,349,516</u>	<u>1,544,007</u>	<u>8,893,523</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>12,593</u>		<u>12,593</u>
NET ASSETS			
Invested in capital assets	4,978,400	327,773	5,306,173
Unrestricted	<u>2,358,523</u>	<u>1,216,234</u>	<u>3,574,757</u>
Total Net Assets	<u><u>\$7,336,923</u></u>	<u><u>\$1,544,007</u></u>	<u><u>\$8,880,930</u></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, 2011

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$831,384		\$831,384
Lease revenue		\$375,000	375,000
Other revenues	<u>666,609</u>	<u>99,763</u>	<u>766,372</u>
Total Operating Revenues	<u>1,497,993</u>	<u>474,763</u>	<u>1,972,756</u>
OPERATING EXPENSES			
Services and supplies	333,617		333,617
Utilities	124,143		124,143
Insurance	8,871	3,519	12,390
Depreciation	<u>189,727</u>	<u>40,180</u>	<u>229,907</u>
Total Operating Expenses	<u>656,358</u>	<u>43,699</u>	<u>700,057</u>
Operating Income	<u>841,635</u>	<u>431,064</u>	<u>1,272,699</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	32,331		32,331
Gain (loss) on disposal of capital assets		<u>(58,738)</u>	<u>(58,738)</u>
Income Before Transfers	873,966	372,326	1,246,292
Transfers out	<u>(473,709)</u>	<u>(450,294)</u>	<u>(924,003)</u>
Change in Net Assets	400,257	(77,968)	322,289
BEGINNING NET ASSETS	<u>6,936,666</u>	<u>1,621,975</u>	<u>8,558,641</u>
ENDING NET ASSETS	<u><u>\$7,336,923</u></u>	<u><u>\$1,544,007</u></u>	<u><u>\$8,880,930</u></u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Civic Center	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,518,944	\$474,862	\$1,993,806
Payments to suppliers	(467,451)	(3,519)	(470,970)
Cash Flows from Operating Activities	1,051,493	471,343	1,522,836
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(473,709)	(450,294)	(924,003)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(678,562)		(678,562)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	32,331		32,331
Net Cash Flows	(68,447)	21,049	(47,398)
Cash and investments at beginning of period	2,417,110	1,193,753	3,610,863
Cash and investments at end of period	\$2,348,663	\$1,214,802	\$3,563,465
Reconciliation of operating income to net cash flows from operating activities:			
Operating income	\$841,635	\$431,064	\$1,272,699
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	189,727	40,180	229,907
Change in assets and liabilities:			
Accounts receivable	20,951	99	21,050
Accounts payable	(820)		(820)
Cash Flows from Operating Activities	\$1,051,493	\$471,343	\$1,522,836

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, 2011

	Motor Vehicles	Central Services	PBX	Building Maintenance
ASSETS				
Current Assets:				
Cash and investments	\$2,198,955	\$235,026	\$702,631	\$32,855
Cash with fiscal agent				
Accounts receivable, net	10,928			
Inventories	110,339	19,963		8,416
Total Current Assets	2,320,222	254,989	702,631	41,271
Long-Term Assets				
Prepaid PERS contribution				
Capital Assets:				
Land				
Buildings	35,817			
Equipment	12,795,901	265,220	490,792	47,123
Furniture and fixtures				6,093
Construction in progress				
Total Capital Assets	12,831,718	265,220	490,792	53,216
Less Accumulated Depreciation	(7,340,696)	(228,567)	(472,670)	(46,823)
Net Capital Assets	5,491,022	36,653	18,122	6,393
Total Assets	7,811,244	291,642	720,753	47,664
LIABILITIES				
Current Liabilities:				
Accounts payable	70,786	4,749	10,224	54,235
Accrued payroll	9,343	1,767		26,711
Interest payable				
Accrued claims payable				
PERS obligation bonds				
Total Current Liabilities	80,129	6,516	10,224	80,946
Long-Term Liabilities:				
Compensated absences	35,069	12,398		311,902
Accrued claims payable				
OPEB Obligation	128,856	44,489		294,078
PERS obligation bonds				
Total Long-Term Liabilities	163,925	56,887		605,980
Total Liabilities	244,054	63,403	10,224	686,926
NET ASSETS				
Invested in capital assets	5,491,022	36,653	18,122	6,393
Restricted for debt service				
Unrestricted	2,076,168	191,586	692,407	(645,655)
Total Net Assets (Deficit)	\$7,567,190	\$228,239	\$710,529	(\$639,262)

Information Services	Self-Insurance	PERS Contributions	Total
\$1,757,332	\$7,025,967	\$2,012,640	\$13,965,406
		239	239
149	10,066		21,143
			138,718
<u>1,757,481</u>	<u>7,036,033</u>	<u>2,012,879</u>	<u>14,125,506</u>
		<u>27,070,755</u>	<u>27,070,755</u>
	378,343		378,343
			35,817
2,851,645			16,450,681
46,614			52,707
68,667			68,667
<u>2,966,926</u>	<u>378,343</u>		<u>16,986,215</u>
<u>(1,498,839)</u>			<u>(9,587,595)</u>
<u>1,468,087</u>	<u>378,343</u>		<u>7,398,620</u>
<u>3,225,568</u>	<u>7,414,376</u>	<u>29,083,634</u>	<u>48,594,881</u>
29,927	12,607		182,528
15,963	1,473		55,257
		155,102	155,102
	1,386,453		1,386,453
		1,080,000	1,080,000
<u>45,890</u>	<u>1,400,533</u>	<u>1,235,102</u>	<u>2,859,340</u>
109,430	69,915		538,714
	1,664,671		1,664,671
71,944			539,367
		31,060,000	31,060,000
<u>181,374</u>	<u>1,734,586</u>	<u>31,060,000</u>	<u>33,802,752</u>
<u>227,264</u>	<u>3,135,119</u>	<u>32,295,102</u>	<u>36,662,092</u>
1,468,087	378,343		7,398,620
		239	239
<u>1,530,217</u>	<u>3,900,914</u>	<u>(3,211,707)</u>	<u>4,533,930</u>
<u>\$2,998,304</u>	<u>\$4,279,257</u>	<u>(\$3,211,468)</u>	<u>\$11,932,789</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, 2011

	Motor Vehicles	Central Services	PBX	Building Maintenance
OPERATING REVENUES				
Charges to City departments	\$3,166,150	\$482,738	\$182,294	\$3,498,908
Other revenues	103,809	14,730	543	70,308
Total Operating Revenues	3,269,959	497,468	182,837	3,569,216
OPERATING EXPENSES				
Salaries and benefits	778,122	199,962		2,621,527
Services and supplies	1,237,976	203,952	31,908	705,094
Utilities	20,496	499	132,408	193,499
Insurance	289,421	768		3,327
Claims and settlements				
Depreciation	858,050	30,227	23,832	3,863
Other charges		8,843	21,710	3,864
Total Operating Expenses	3,184,065	444,251	209,858	3,531,174
Operating Income (Loss)	85,894	53,217	(27,021)	38,042
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	12,197			
Amortization				
Interest income	25,699	2,366	9,285	1,196
Interest expense				
Total Nonoperating Revenues (Expenses)	37,896	2,366	9,285	1,196
Income (Loss) Before Transfers	123,790	55,583	(17,736)	39,238
Transfers in		77,664		
Transfers out	(143,777)	(34,961)	(1,733)	(257,097)
Net Transfers	(143,777)	42,703	(1,733)	(257,097)
Change in Net Assets	(19,987)	98,286	(19,469)	(217,859)
BEGINNING NET ASSETS (DEFICITS)	7,587,177	129,953	729,998	(421,403)
ENDING NET ASSETS (DEFICITS)	\$7,567,190	\$228,239	\$710,529	(\$639,262)

Information Services	Self-Insurance	PERS Contributions	Total
\$2,395,275	\$3,371,099	\$2,749,312	\$15,845,776
150	89,306		278,846
<u>2,395,425</u>	<u>3,460,405</u>	<u>2,749,312</u>	<u>16,124,622</u>
1,461,747	263,223		5,324,581
418,963	212,510	7,461	2,817,864
29,734	581		377,217
1,444	854,658		1,149,618
	1,125,353		1,125,353
212,410			1,128,382
273,931	1,840		310,188
<u>2,398,229</u>	<u>2,458,165</u>	<u>7,461</u>	<u>12,233,203</u>
(2,804)	1,002,240	2,741,851	3,891,419
(425)			11,772
		(1,666,777)	(1,666,777)
21,558	89,060	239	149,403
		(1,904,011)	(1,904,011)
<u>21,133</u>	<u>89,060</u>	<u>(3,570,549)</u>	<u>(3,409,613)</u>
<u>18,329</u>	<u>1,091,300</u>	<u>(828,698)</u>	<u>481,806</u>
107,394			185,058
(124,295)	(205,590)		(767,453)
<u>(16,901)</u>	<u>(205,590)</u>		<u>(582,395)</u>
1,428	885,710	(828,698)	(100,589)
<u>2,996,876</u>	<u>3,393,547</u>	<u>(2,382,770)</u>	<u>12,033,378</u>
<u>\$2,998,304</u>	<u>\$4,279,257</u>	<u>(\$3,211,468)</u>	<u>\$11,932,789</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Motor Vehicles	Central Services	PBX	Building Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,298,915	\$497,468	\$182,837	\$3,569,216
Payments to suppliers	(1,466,763)	(199,696)	(186,477)	(898,414)
Payments to employees	(774,057)	(240,689)		(2,538,231)
Claims paid				
Cash Flows from Operating Activities	1,058,095	57,083	(3,640)	132,571
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Transfers in		77,664		
Transfers out	(143,777)	(34,961)	(1,733)	(257,097)
Cash Flows from Noncapital Financing Activities	(143,777)	42,703	(1,733)	(257,097)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(388,166)	(6,309)		
Proceeds from sale of capital assets	49,500			
Cash Flows from Capital and Related Financing Activities	(338,666)	(6,309)		
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	25,699	2,366	9,285	1,196
Net Cash Flows	601,351	95,843	3,912	(123,330)
Cash and investments at beginning of period	\$1,597,604	\$139,183	\$698,719	\$156,185
Cash and investments at end of period	\$2,198,955	\$235,026	\$702,631	\$32,855
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$85,894	\$53,217	(\$27,021)	\$38,042
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	858,050	30,227	23,832	3,863
Change in assets and liabilities:				
Receivables, net	28,956			
Inventories	62,747	13,922		777
Prepays				565
Accounts payable	18,383	444	(451)	6,028
Accrued claims payable				
Accrued payroll	(2,439)	(1,179)		2,738
Compensated absences	(32,572)	(53,404)		(15,509)
OPEB obligation	39,076	13,856		96,067
Cash Flows from Operating Activities	\$1,058,095	\$57,083	(\$3,640)	\$132,571

Information Services	Self-Insurance	PERS Contributions	Total
\$2,395,676	\$3,485,783	\$2,749,312	\$16,179,207
(711,837)	(1,085,460)	(7,461)	(4,556,108)
(1,431,446)	(193,502)		(5,177,925)
	(1,967,333)		(1,967,333)
<u>252,393</u>	<u>239,488</u>	<u>2,741,851</u>	<u>4,477,841</u>
		(930,000)	(930,000)
		(1,907,901)	(1,907,901)
107,394			185,058
(124,295)	(205,590)		(767,453)
<u>(16,901)</u>	<u>(205,590)</u>	<u>(2,837,901)</u>	<u>(3,420,296)</u>
			(431,118)
			49,500
<u>(36,643)</u>			<u>(381,618)</u>
21,558	89,060	239	149,403
220,407	122,958	(95,811)	825,330
<u>\$1,536,925</u>	<u>\$6,903,009</u>	<u>\$2,108,690</u>	<u>\$13,140,315</u>
<u>\$1,757,332</u>	<u>\$7,025,967</u>	<u>\$2,012,879</u>	<u>\$13,965,645</u>
(\$2,804)	\$1,002,240	\$2,741,851	\$3,891,419
212,410			1,128,382
251	25,378		54,585
			77,446
			565
12,235	(15,871)		20,768
	(841,980)		(841,980)
4,219	(194)		3,145
2,619	69,915		(28,951)
23,463			172,462
<u>\$252,393</u>	<u>\$239,488</u>	<u>\$2,741,851</u>	<u>\$4,477,841</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, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>Billing Services</u>				
<u>Assets</u>				
Cash and investments	\$1,178,046	\$13,294,890	\$13,426,983	\$1,045,953
Receivables	883,768	2,842,340	2,656,252	1,069,856
Total Assets	<u>\$2,061,814</u>	<u>\$16,137,230</u>	<u>\$16,083,235</u>	<u>\$2,115,809</u>
<u>Liabilities</u>				
Accounts payable	<u>\$2,061,814</u>	<u>\$16,596,520</u>	<u>\$16,542,525</u>	<u>\$2,115,809</u>

PTCRA

<u>Assets</u>				
Cash and investments	\$171,323	\$2,745,816	\$2,765,244	\$151,895
Receivables	460,892	378,475	460,892	378,475
Other assets	7,624	1,066	4,230	4,460
Total Assets	<u>\$639,839</u>	<u>\$3,125,357</u>	<u>\$3,230,366</u>	<u>\$534,830</u>
<u>Liabilities</u>				
Accounts payable	\$218,158	\$1,880,953	\$1,896,412	\$202,699
Due to others	421,681	2,627,222	2,716,772	332,131
Total Liabilities	<u>\$639,839</u>	<u>\$4,508,175</u>	<u>\$4,613,184</u>	<u>\$534,830</u>

SMPHESG

<u>Assets</u>				
Cash and investments	<u>\$646,591</u>	<u>\$3,818,537</u>	<u>\$3,412,495</u>	<u>\$1,052,633</u>
<u>Liabilities</u>				
Accounts payable	\$10,159	\$3,540,564	\$3,107,124	\$443,599
Due to others	636,432	3,838,125	3,865,523	609,034
Total Liabilities	<u>\$646,591</u>	<u>\$7,378,689</u>	<u>\$6,972,647</u>	<u>\$1,052,633</u>

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	\$75,864	\$397,362	\$323,644	\$149,582
<u>Liabilities</u>				
Accounts payable	\$10,145	\$127,411	\$81,689	\$55,867
Due to others	65,719	335,346	307,350	93,715
Total Liabilities	\$75,864	\$462,757	\$389,039	\$149,582
<u>Peninsula Partnership</u>				
<u>Assets</u>				
Cash and investments	\$272,256	\$1,488,073	\$1,543,339	\$216,990
Receivables	174,045	172,969	174,045	172,969
Other assets	3,645	4,095	3,645	4,095
Total Assets	\$449,946	\$1,665,137	1,721,029	\$394,054
<u>Liabilities</u>				
Accounts payable	\$16,899	\$309,848	\$314,160	\$12,587
Due to others	433,047	1,487,971	1,539,551	381,467
Total Liabilities	\$449,946	\$1,797,819	\$1,853,711	\$394,054
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$2,344,080	\$21,744,678	\$21,471,705	\$2,617,053
Receivables	1,518,705	3,393,784	3,291,189	1,621,300
Other assets	11,269	5,161	7,875	8,555
Total Assets	\$3,874,054	\$25,143,623	\$24,770,769	\$4,246,908
<u>Liabilities</u>				
Accounts payable	\$2,317,175	\$22,455,296	\$21,941,910	\$2,830,561
Due to others	1,556,879	8,288,664	8,429,196	1,416,347
Total Liabilities	\$3,874,054	\$30,743,960	\$30,371,106	\$4,246,908



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 of Taxable Real 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)

Operating Information

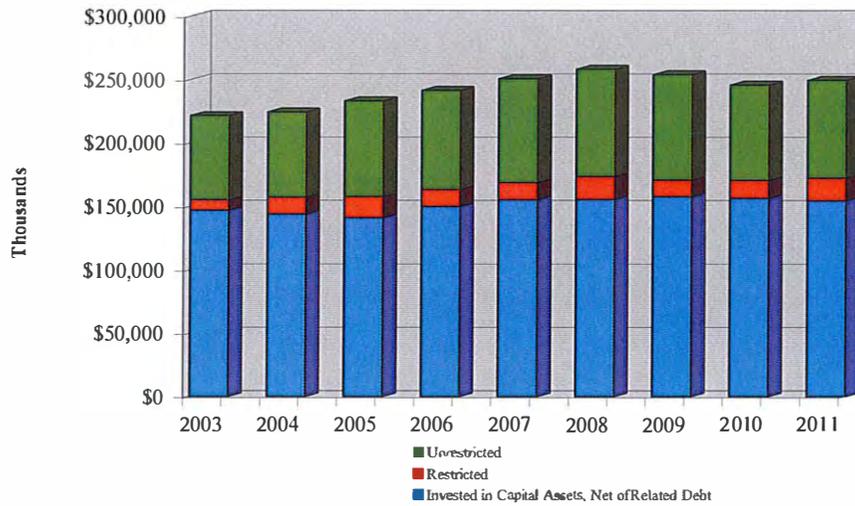
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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 Nine 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					
Governmental activities					
Invested in capital assets, net of related debt	\$92,883,528	\$91,354,782	\$90,670,525	\$87,925,557	
Restricted	13,869,264	13,104,841	13,931,086	17,883,253	
Unrestricted	54,502,547	51,980,355	43,329,957	40,494,570	
Total governmental activities net assets	\$161,255,339	\$156,439,978	\$147,931,568	\$146,303,380	
Business-type activities					
Invested in capital assets, net of related debt	\$62,401,418	\$66,137,475	\$65,670,580	\$66,344,770	
Restricted	4,218,833	4,597			
Unrestricted	30,305,199	31,253,864	32,019,212	36,653,957	
Total business-type activities net assets	\$96,925,450	\$97,395,936	\$97,689,792	\$102,998,727	
Primary government					
Invested in capital assets, net of related debt	\$155,284,946	\$157,492,257	\$156,341,105	\$154,270,327	
Restricted	18,088,097	13,109,438	13,931,086	17,883,253	
Unrestricted	84,807,746	83,234,219	75,349,169	77,148,527	
Total primary government net assets	\$258,180,789	\$253,835,914	\$245,621,360	\$249,302,107	

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

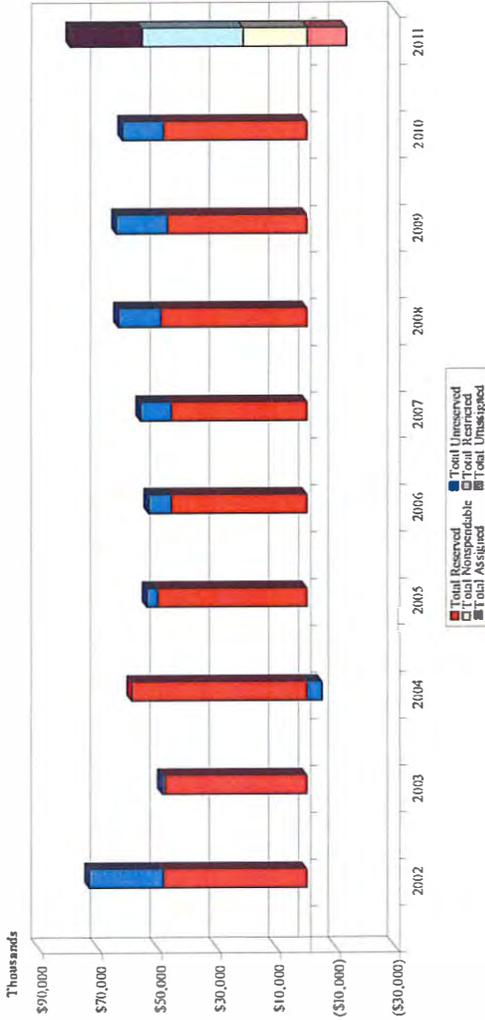
	For The Fiscal Years Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$3,861,142	\$7,049,253	\$7,864,080	\$8,170,802	\$7,444,142	\$8,370,140	9,401,885	\$9,435,028	\$9,269,311
Public safety	29,896,315	31,706,399	36,824,085	34,815,945	39,270,370	41,515,902	42,404,296	44,054,707	-2,429,411
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	6,350,402
Streets and infrastructure	1,909,043	2,296,403	2,647,535	2,346,510	3,567,017	4,496,272	3,827,885	3,661,752	3,133,030
Culture and recreation	11,471,728	12,118,778	12,239,462	14,319,978	14,817,138	17,185,257	17,045,299	18,130,986	16,181,808
Economic and community development	10,272,534	6,718,322	8,509,016	10,254,528	8,033,736	6,802,421	9,274,398	9,393,160	8,581,051
Nondepartmental	407,667	277,871	304,420	275,911	287,243	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	361,793
Total governmental activities expenses	64,670,626	66,643,436	75,470,378	78,341,916	81,490,152	86,574,253	89,974,843	90,779,981	86,306,808
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	10,537,952
Civic center	626,682	654,354	675,630	606,319	615,099	598,634	749,560	717,905	681,758
Transfer station	1,270,705	1,291,865	1,290,494	1,514,890	1,322,444	1,095,081	65,987	54,118	98,655
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	15,710,913
Total business-type activities expenses	22,452,983	22,644,409	24,300,101	25,514,130	25,309,408	27,887,357	29,319,444	28,744,504	27,029,278
Total primary government expenses	\$87,123,609	\$89,287,845	\$99,770,479	\$103,856,046	\$106,799,560	\$114,461,610	\$119,294,287	\$119,524,485	\$113,336,086
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	\$540,836
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	4,689,990
Public works	2,044,763	1,849,348	1,967,014	1,736,993	1,176,476	959,139	1,123,139	1,331,784	1,533,714
Streets and infrastructure	1,179,774	998,664	1,140,519	967,326	1,111,118	1,076,212	1,247,967	907,565	1,219,820
Culture and recreation	2,466,170	2,810,198	2,731,652	2,483,348	2,674,550	2,848,327	2,975,580	2,567,160	2,732,104
Economic and community development	288,268	2,215,902	2,459,591	2,386,374	2,673,444	2,333,758	2,717,488	2,135,626	2,070,063
Nondepartmental	288,268	932,656	2,145,568	352,195	795,596	\$454,839	462,735	341,860	
Operating grants and contributions	12,013,823	8,504,372	10,036,375	11,296,078	10,128,218	9,780,388	7,310,809	7,391,970	10,608,563
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	1,744,640
Total governmental activities program revenues	27,241,314	22,045,281	26,105,646	28,528,879	24,188,976	23,548,096	21,442,925	22,115,836	25,139,730
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	13,014,097
Civic center	869,306	892,122	918,213	933,137	959,500	985,189	1,011,711	805,391	831,384
Transfer station	1,591,840	1,615,257	1,613,410	1,616,423	1,632,442	2,086,047	375,000	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	15,731,505
Operating grants and contributions	385,293								
Capital grants and contributions	1,430,442								
Total business-type activities program revenues	27,593,606	26,690,991	29,356,092	27,380,787	29,886,471	32,890,990	30,550,468	29,304,794	29,951,986
Total primary government program revenues	\$54,834,920	\$48,736,272	\$55,461,738	\$55,909,666	\$54,073,447	\$56,439,086	\$51,993,463	\$51,420,630	\$55,091,716
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)	(\$61,167,078)
Business-type activities	\$140,623	4,046,582	5,055,991	1,866,657	4,577,063	5,003,633	1,231,034	560,290	2,922,708
Total primary government net expense	(\$32,288,689)	(\$40,551,573)	(\$44,308,741)	(\$47,946,380)	(\$52,724,113)	(\$58,022,524)	(\$67,300,814)	(\$68,103,855)	(\$58,244,370)

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

	For The Fiscal Years Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$29,886,156
Sales taxes	8,949,909	8,972,708	9,294,700	9,619,289	10,677,978	11,411,106	10,570,797	9,016,619	10,178,386
Utility users tax	5,246,566	5,467,435	5,644,684	6,132,715	6,312,871	6,875,368	6,870,869	6,779,160	6,635,130
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	3,471,922
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	4,189,893
Motor vehicle in-lieu	6,091,761	4,803,122	682,042	726,666	369,826	470,726	362,136	315,203	493,293
Investment earnings	3,503,897	713,346	2,024,600	2,530,208	4,259,540	4,013,587	1,703,334	960,155	711,989
Other revenues	941,110	373,413	4,352,038	1,566,401	2,028,616	2,514,957	2,700,781	3,706,703	3,313,961
Transfers	4,222,495	4,209,488	4,591,355	4,556,759	4,109,381	1,967,892	3,081,788	2,720,441	658,160
Total governmental activities	48,590,581	44,902,395	54,927,290	57,608,223	62,896,543	64,609,277	63,716,487	60,155,735	59,538,890
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	1,377,982
Investment earnings	706,251	123,277	727,399	843,264	1,224,333	1,138,848	311,498	-486,593	413,972
Other revenues	250,772	1,498,984	903,234	1,227,052	620,714	465,093	556,795	591,386	1,252,433
Transfers	(4,222,495)	(4,209,488)	(4,591,355)	(4,556,759)	(4,109,381)	(1,967,892)	(3,081,788)	(2,720,441)	(658,160)
Total business-type activities	(2,326,459)	(1,560,690)	(1,827,541)	(1,298,191)	(963,503)	(1,025,842)	(760,538)	(266,434)	2,386,227
Total primary government	\$46,264,122	\$43,341,705	\$53,099,749	\$56,310,029	\$61,933,040	\$63,583,435	\$62,955,949	\$59,889,301	\$61,925,117
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)	(\$1,628,188)
Business-type activities	2,814,164	2,485,892	3,228,450	568,463	3,613,560	6,029,475	470,486	293,856	5,308,935
Total primary government	\$13,975,433	\$2,790,132	\$8,791,008	\$8,363,649	\$9,208,927	\$7,612,595	(\$4,344,875)	(\$8,214,554)	\$3,680,747



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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$20,806,148	\$20,567,853	\$20,204,514	\$21,342,822	\$21,757,037	\$21,610,095	\$21,565,875	\$21,566,507	\$21,460,127	\$21,438,707
Unreserved	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	12,229,191
Nonspendable										
Assigned										
Unassigned	\$32,171,432	\$32,247,392	\$32,048,313	\$33,591,146	\$39,711,510	\$41,636,718	\$43,411,309	\$43,334,970	\$42,277,601	\$42,933,500
Total General Fund	\$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	\$23,432,359
All Other Governmental Funds										
Reserved	\$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	\$34,018,497
Unreserved, reported in:										
Special revenue funds	(4,296,111)	(28,229,402)	(26,551,366)	(26,358,019)	(28,624,382)	(28,488,626)	(23,682,598)	(20,036,126)	(20,313,715)	(22,559,924)
Capital project funds	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	9,265,602
Restricted										
Assigned										
Unassigned	\$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	\$23,432,359
Total all other governmental funds	\$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	\$23,432,359
All Governmental Funds										
Total Reserved	\$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	\$21,438,707
Total Unreserved	24,775,661	952,180	(5,098,155)	3,580,590	7,589,179	10,318,848	14,236,428	17,169,858	13,742,757	34,018,497
Total Nonspendable										
Total Restricted										
Total Assigned										
Total Unassigned	\$73,081,509	\$48,568,058	\$53,763,533	\$53,772,668	\$53,174,672	\$55,925,943	\$63,380,411	\$64,098,085	\$61,994,372	\$66,365,859
Total All Governmental Funds	\$73,081,509	\$48,568,058	\$53,763,533	\$53,772,668	\$53,174,672	\$55,925,943	\$63,380,411	\$64,098,085	\$61,994,372	\$66,365,859

(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.

(c) In fiscal year 2011, the City implemented GASB 54. Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources.

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

	2002	2003	2004	2005
Revenues				
Taxes	\$39,190,492	\$42,619,588	\$42,083,182	\$46,437,398
Licenses, permits and fees	1,550,157	1,710,137	1,538,705	1,840,586
Fines and forfeitures	1,919,172	2,468,498	2,584,331	2,584,993
Use of money and property	3,423,313	4,655,827	3,973,562	4,134,619
Intergovernmental revenues	11,113,990	15,423,663	6,294,903	7,334,878
Charges for services	8,429,965	7,323,517	7,407,716	7,576,630
Other	1,548,411	1,818,067	2,086,069	5,286,001
Total Revenues	67,175,500	76,019,297	65,968,468	75,195,105
Expenditures				
Current:				
General government	4,316,653	3,668,450	6,275,456	7,885,826
Public safety	26,244,842	29,289,862	29,348,401	34,599,971
Public works	4,728,791	5,343,382	5,554,845	5,838,199
Culture and recreation	10,483,474	10,895,484	11,422,401	11,050,212
Community development	9,632,934	10,205,969	6,728,371	8,437,272
Capital projects	12,070,574	10,260,963	9,358,983	13,750,189
Debt service:				
Principal repayment	144,326	95,542	100,023	104,714
Interest and fiscal charges	2,040,552	1,032,337	667,851	626,872
Total Expenditures	69,662,146	70,791,989	69,456,331	82,293,255
Excess (deficiency) of revenues over (under) expenditures	(2,486,646)	5,227,308	(3,487,863)	(7,098,150)
Other Financing Sources (Uses)				
Transfers in	14,820,229	13,598,763	11,814,022	12,124,753
Transfers out	(11,038,062)	(9,566,179)	(7,631,875)	(7,583,837)
Loan proceeds	2,130,399		4,500,000	
Sale of capital assets	869,653	774,194	1,191	2,566,369
Total other financing sources (uses)	6,782,219	4,806,778	8,683,338	7,107,285
Residual equity transfer out				
GASB 34 Implementation adjustment		(34,547,537)		
Net Change in fund balances	\$4,295,573	(\$24,513,451)	\$5,195,475	\$9,135
Debt service as a percentage of noncapital expenditures	(a)	1.9%	1.3%	1.1%

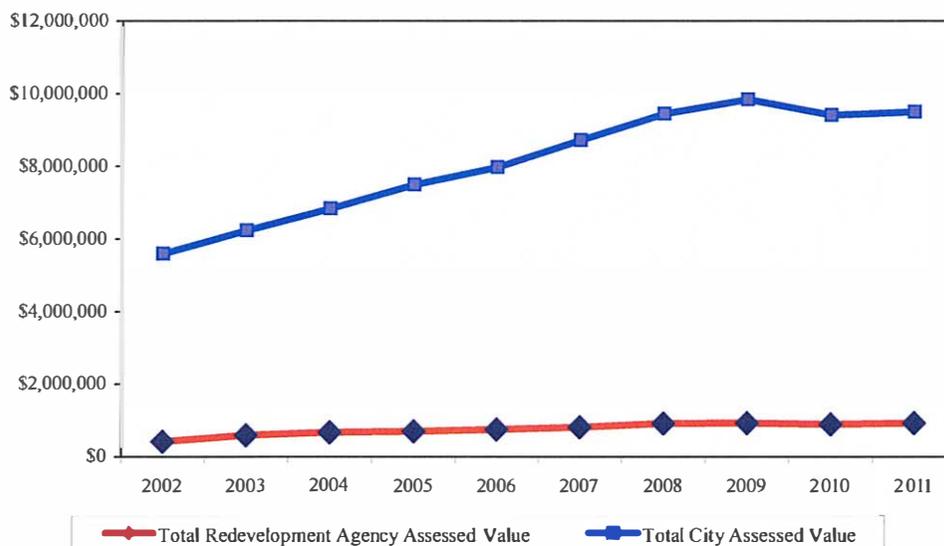
NOTE:

(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,

2006	2007	2008	2009	2010	2011
\$51,409,010	\$54,942,019	\$58,503,214	\$58,265,663	\$55,022,812	\$58,097,799
1,779,575	1,850,696	1,558,126	1,728,788	1,399,042	1,468,663
2,527,979	2,106,353	1,986,902	2,638,628	2,842,822	2,772,583
3,682,476	5,069,211	5,837,640	4,223,929	4,578,244	4,333,962
11,217,670	8,267,077	8,736,129	4,887,424	6,336,813	7,527,353
7,347,459	7,037,911	6,853,338	8,133,070	7,517,777	8,505,783
6,594,371	3,129,369	3,202,504	3,590,101	4,159,677	3,583,288
84,558,540	82,402,636	86,677,853	83,467,603	81,857,187	86,289,431
7,867,397	7,483,067	7,664,184	8,464,269	8,449,067	8,612,120
34,747,286	37,591,200	40,150,051	41,096,189	41,391,460	41,115,067
6,111,691	5,766,831	5,790,515	5,627,447	5,384,642	5,136,940
12,132,440	13,361,317	14,189,456	14,993,277	13,571,549	13,078,179
14,053,768	8,089,467	6,854,996	9,193,905	9,258,231	8,900,024
12,009,663	9,754,278	6,209,739	4,645,217	7,205,608	5,502,027
361,522	256,767	272,150	287,785	305,684	323,861
1,058,505	1,519,210	1,906,552	1,479,099	848,328	490,281
88,342,272	83,822,137	83,037,643	85,787,188	86,414,569	83,158,499
(3,783,732)	(1,419,501)	3,640,210	(2,319,585)	(4,557,382)	3,130,932
8,833,353	8,718,603	7,413,734	7,164,378	6,811,899	6,490,408
(6,658,468)	(5,769,183)	(6,079,476)	(4,127,119)	(4,358,230)	(5,249,853)
	904,670	2,480,000			
1,010,851	316,682				
3,185,736	4,170,772	3,814,258	3,037,259	2,453,669	1,240,555
(\$597,996)	\$2,751,271	\$7,454,468	\$717,674	(\$2,103,713)	\$4,371,487
1.8%	2.4%	2.8%	2.1%	1.4%	1.0%

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



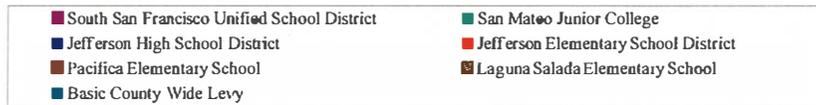
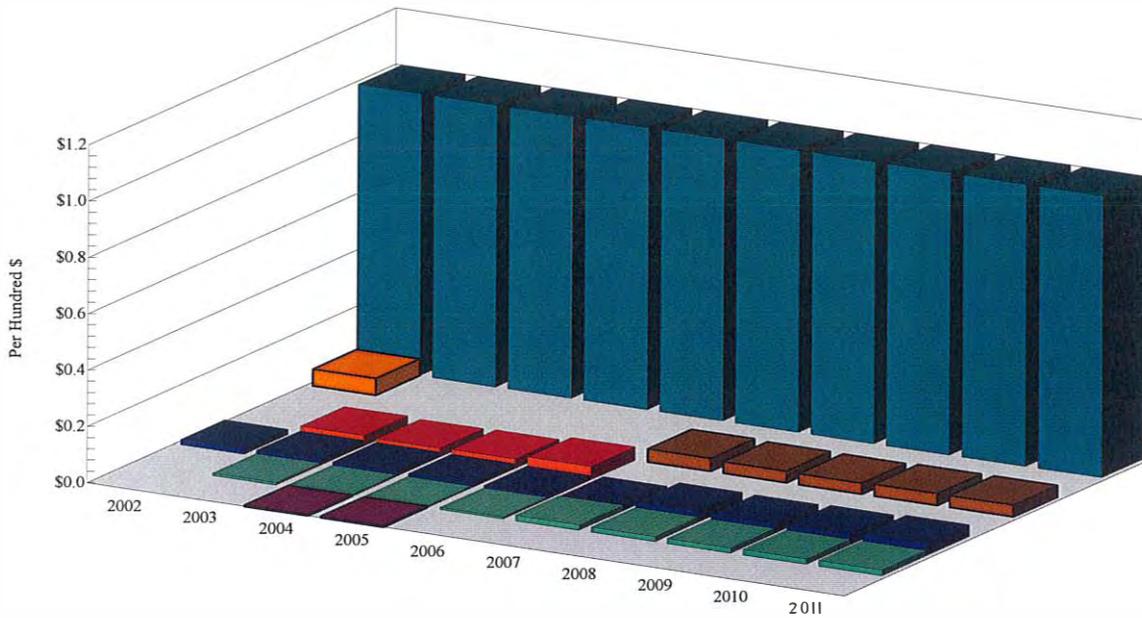
Fiscal Year Ended June 30	City				Redevelopment Agency			Total Assessed Value (1)	Total Direct Tax Rate (2)
	Secured	Unsecured	Exemptions	Total Assessed Value (1)	Secured	Unsecured	Exemptions		
2002	\$4,918,573	\$132,094	\$115,067	\$5,165,734	\$410,544	\$16,148	\$6,199	\$432,891	1.00%
2003	5,372,625	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%
2011	8,224,722	235,725	104,742	8,565,189	875,392	53,443	6,523	935,358	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**



Fiscal Year	Basic County Wide Levy	Jefferson Elementary School District	Jefferson High School District	San Mateo Junior College	So San Francisco Unified School District	Laguna Salada Elementary School	Pacifica Elementary School	Total
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
2011	1.0000		0.0416	0.0193			0.0412	1.1021

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.

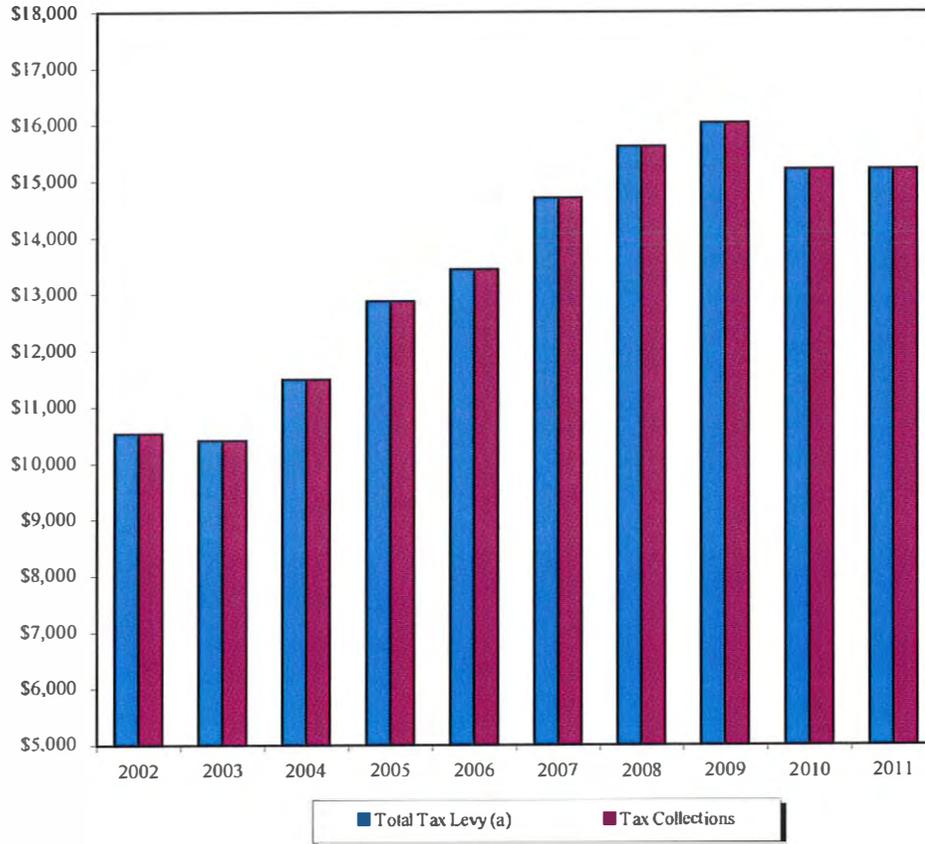
CITY OF DALY CITY
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2010-11			2001-2002		
	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	\$197,076,025	1	2.4%	\$164,392,700	1	3.3%
Westlake Kimco	148,036,837	2	1.8%			
Pacific Plaza	139,231,444	3	1.7%	20,994,999	8	0.4%
Westlake Associates (Apartments)	115,552,922	4	1.4%			
Daly City Serramonte Center, LLC	110,499,796	5	1.3%	114,524,193	2	2.3%
LINC Franciscan Mobile Home Park	48,206,104	6	0.6%			
Skyline Heights Partners	47,090,405	7	0.6%	33,016,273	5	0.7%
●liver McMillan	40,428,123	8	0.5%			
Serramonte Corporate Center (Kaiser)	37,993,918	9	0.5%			
Lavaca Portfolio Investors	33,312,915	10	0.4%	28,537,013	6	0.6%
Daly City Partners				26,998,744	7	0.5%
Serramonte Plaza				33,112,260	4	0.7%
John Daly Boulevard Associates, LP				37,708,985	3	0.8%
Westlake Development Company, Inc.				18,067,312	9	0.4%
Bay Area Apartment Communities, Inc.				14,706,217	10	0.3%
Subtotal	<u>\$917,428,489</u>		<u>11.2%</u>	<u>\$492,058,696</u>		<u>10.0%</u>

Total Assessed Valuation:
Fiscal Year 2010-2011 \$8,224,722,463
Fiscal Year 2001-2002 \$4,918,573,108

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)**



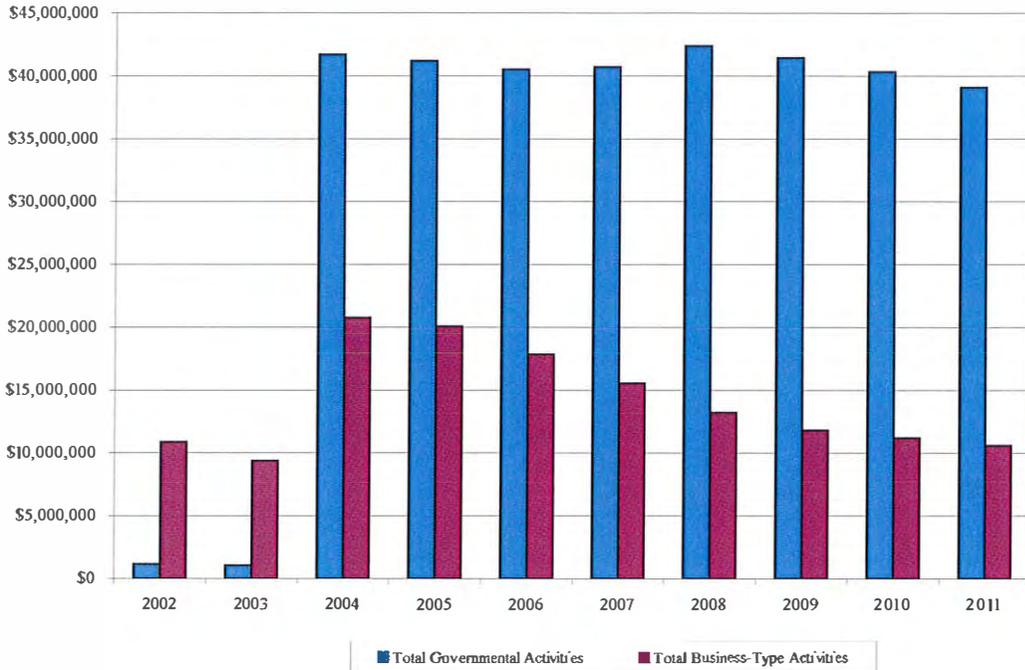
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2002	\$10,524	\$10,524	100.00%		\$10,524	100.00%
2003	10,401	10,401	100.00%		10,401	100.00%
2004	11,485	11,485	100.00%		11,485	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%
2011	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			
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
2011			3,552,000	32,140,000	904,670	2,480,000	39,076,670

Business-Type Activities							
Fiscal Year	Sewer Certificates of Participation	Water Certificates of Participation	State Water Resources Board Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
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	1.78%	475.56
2011		7,225,000	3,377,252	10,602,252	49,678,922	n/a (b)	487.43

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, 2011

2010-11 Assessed Valuation	\$8,565,188,935
Redevelopment Incremental Valuation	685,004,523
Adjusted Assessed Valuation	<u>\$7,880,184,412</u>

	Total Debt 06/30/11	<u>% Applicable (1)</u>	City's Share of Debt 06/30/11
OVERLAPPING TAX AND ASSESSMENT DEBT			
San Mateo Community College District	\$613,779,994	6.172%	\$37,882,501
South San Francisco Unified School District	67,015,682	11.335%	7,596,228
Jefferson Union High School District	119,273,166	49.259%	58,752,769
Brisbane School District	7,340,437	20.235%	1,485,337
Jefferson School District	48,945,000	85.052%	41,628,701
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>147,345,536</u>
OVERLAPPING GENERAL FUND DEBT			
San Mateo County General Fund Obligations	\$337,584,816	6.172%	\$20,835,735
San Mateo County Board of Education Certificates of Participation	12,420,000	6.172%	766,562
San Mateo County Flood Control District Certificates of Participation	23,015,000	31.344%	7,213,822
South San Francisco Unified School District Certificates of Participation	1,522,975	11.335%	172,629
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>28,988,748</u>
DIRECT DEBT			
City of Daly City Pension Obligation Bonds	\$32,140,000	100.000%	<u>\$32,140,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$61,128,748</u>
COMBINED TOTAL DEBT			<u>\$208,474,284 (2)</u>

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

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

<u>Ratios to 2010-11 Assessed Valuation</u>	
Total Overlapping Tax and Assessment Debt	1.72%
Combined Total Debt	2.43%

Source: California Municipal Statistics, Inc.

**CITY OF DALY CITY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2011**

ASSESSED VALUATION:

Total property assessed value, net of exempt real property	\$8,565,188,935
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$321,194,585
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$7,225,000
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Less: Tax Allocation Bonds and Certificate of Participation not subject to limit	7,225,000
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Amount of debt subject to limit	0
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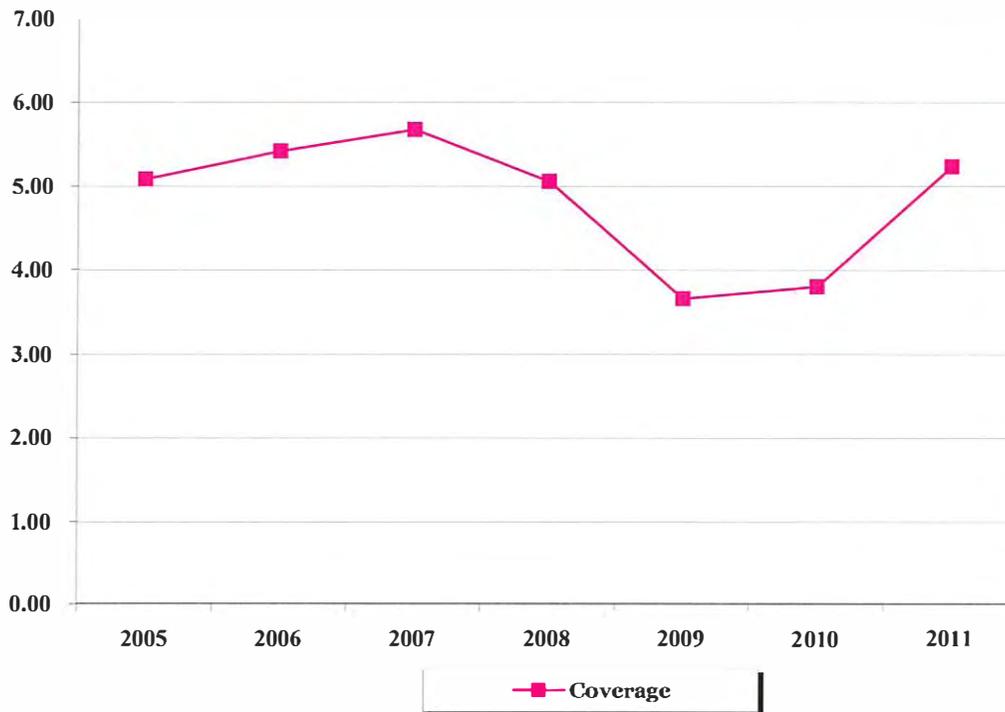
LEGAL BONDED DEBT MARGIN	\$321,194,585
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
(in thousand dollars)				
2002	\$193,715	0	\$193,715	0.00%
2003	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%
2011	321,195	0	321,195	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
WATER UTILITY DISTRICT CERTIFICATES OF PARTICIPATION
LAST SEVEN FISCAL YEARS**

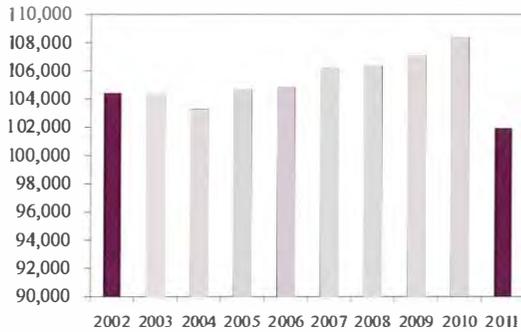


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$11,783,383	\$7,948,731	\$3,834,652	\$365,000	\$388,939	\$753,939	5.09
2006	11,842,561	7,749,256	4,093,305	350,000	404,534	754,534	5.42
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
2011	13,497,857	9,559,598	3,938,259	410,000	341,996	751,996	5.24

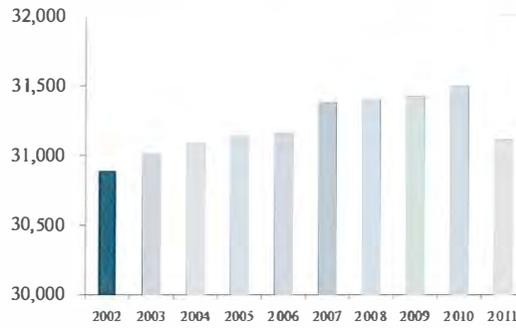
Notes: (1) Includes all Water Utility Operating Revenue, Nonoperating Interest Revenue, Connection Fees and other Nonoperating Revenues
(2) Includes all Water Utility Operating Expenses and Interest Expense less Depreciation Expense
(3) Not applicable prior to 2005



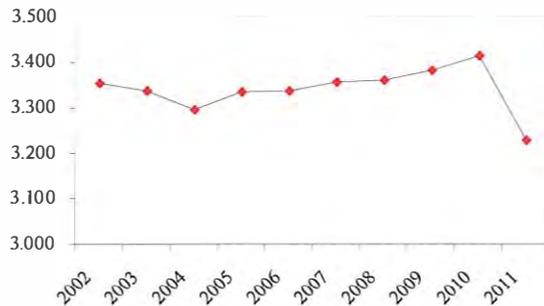
**CITY OF DALY CITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



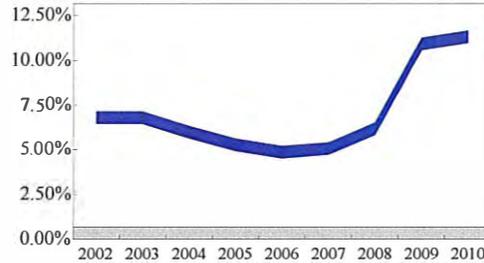
■ Daly City Population



■ 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)	PerCapita Personal Income (3)	Total Personal Income (3) (in thousands)	San Mateo County Population (1)	City Population % of County
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	11.0%	26,650	2,888,407	754,061	14.37%
2011	101,920	31,110	3.230	n/a	n/a	n/a	724,452	14.07%

Sources:

(1) California State Department of Finance

(2) California Employment Development Department

(3) US Census Bureau

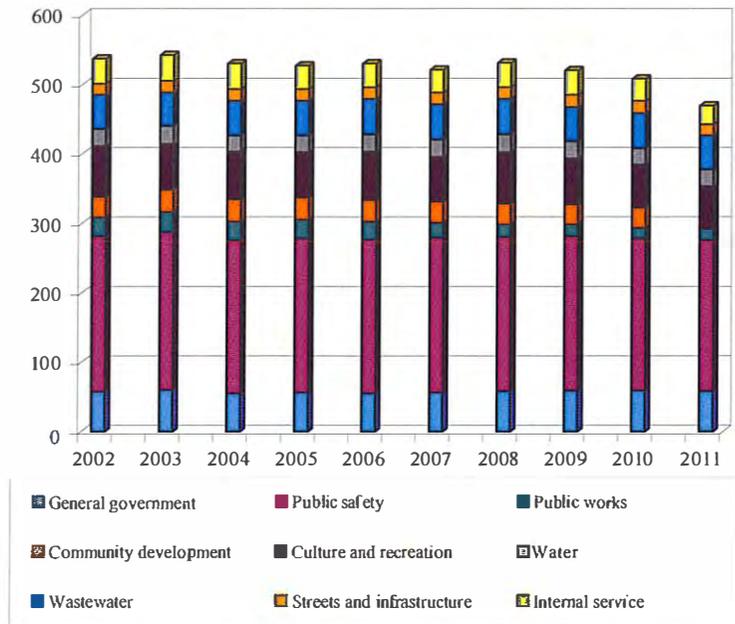
**CITY OF DALY CITY
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2010-11</u>			<u>2001-2002</u>		
	<u>Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Scton Medical Center	1,389	1	12.3%	1,510	1	13.7%
Jefferson Elementary School District	754	2	6.7%	685	3	6.2%
Jefferson High School District	693	3	6.1%	650	4	5.9%
City of Daly City	675	4	6.0%	810	2	7.3%
Cow Palace	405	5	3.6%	328	7	3.0%
Genesys Telecommunications Laboratories	400	6	3.5%			
Target Stores - Serramonte	319	7	2.8%			
McDonald's (4 stores)	250	8	2.2%	240	10	2.2%
Walgreens (3 stores)	227	9	2.0%			
St. Francis Convalescent Pavilion	202	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>5,314</u>		<u>47.1%</u>	<u>5,812</u>		<u>52.6%</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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
General government	57	60	55	56	55	56	58	59	59	58
Public safety	224	227	220	222	221	223	222	222	219	217
Public works	27	29	27	27	26	21	18	17	15	16
Community development	30	32	32	32	31	31	30	29	29	30
Culture and recreation	73	66	69	65	70	64	74	66	62	62
Water	25	26	23	24	25	25	26	25	24	24
Wastewater	49	48	50	50	51	51	51	49	50	49
Streets and infrastructure	16	17	17	17	17	17	17	18	18	16
Internal service	36	37	37	34	34	33	35	35	32	27
Total	537	542	530	527	530	521	531	520	508	499

Source: City of Daly City

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

	2002	2003	2004	2005	2006	2007
Function/Program						
Public safety (calendar year data)						
Fire						
Fire calls for service	5,850	5,712	5,660	5,745	6,086	6,012
Fire inspections conducted	2,955	2,987	3,248	3,169	3,576	4,305
Police						
Police calls for service	79,402	91,145	91,464	86,979	79,953	75,190
Law violations						
Part I crimes	2,210	2,526	2,664	2,458	2,656	2,448
Part II crimes	4,135	5,212	4,619	4,564	4,807	4,607
Physical arrests (adults)	1,707	2,071	2,065	2,068	1,995	1,861
Physical arrests (juvenile)	436	496	577	523	479	481
Traffic violations	10,279	16,176	17,500	14,926	13,119	9,124
Parking violations	80,035	72,753	68,851	67,849	60,056	56,070
Public works						
Street repairs - asphalt patching (sq. ft.)	35,947	27,477	17,596	11,470	22,338	20,610
Street slurry seal (ft.)	23,296	32,231	41,360	68,519	49,141	63,659
Street resurfacing (ft.)	26,595	9,472	9,055	17,403	18,127	5,973
Traffic signal responses	239	108	84	100	98	85
Street light responses	464	561	415	431	444	407
Street signs replaced	n/a	596	528	1,218	689	548
Streets swept (miles)	n/a	21,245	19,675	20,624	21,346	21,754
Line striping and curb painting (linear ft.)	n/a	7,240	7,988	8,800	2,290	8,671
Sidewalks inspected (miles)	n/a	35	25	15	18	13
Weeds and rubbish responses	n/a	355	465	495	475	493
Culture and recreation						
Recreation						
Recreation class participants	n/a	n/a	n/a	9,600	9,600	7,500
Performing Arts Center participants	n/a	n/a	n/a	500	525	530
Youth recreation playground program participants	n/a	n/a	n/a	1,000	900	900
Volunteer support hours	n/a	n/a	n/a	45,000	45,000	45,000
Senior meals served	n/a	n/a	n/a	23,190	21,229	21,130
Number of health fair events	n/a	n/a	n/a	6	6	4
Health fair events attendance	n/a	n/a	n/a	2,000	2,250	2,000
Daly City Peninsula Partnership # of agencies	n/a	n/a	n/a	60	63	60
Facility rentals (non City events)	n/a	n/a	n/a	1,300	1,300	900
Library						
Volumes in collection - all formats	159,614	174,065	182,954	189,402	197,034	206,581
Total volumes borrowed	470,770	519,180	597,841	592,208	591,336	625,783
# of uses of electronic resources	n/a	94,500	139,138	142,852	151,316	185,068
Youth services program attendance	9,323	14,051	11,923	11,661	14,818	9,861
Water						
Water service connections	22,505	22,614	22,610	22,745	22,887	23,034
Water main breaks	74	79	90	56	49	58
Average daily consumption (thousands of gallons)	7,930	7,920	7,860	7,890	7,240	7,324
Wastewater						
Sewer service connections	22,990	23,025	23,035	23,052	23,087	29,000
Sewer main blockages	21	10	11	14	10	6
Average daily treatment (thousands of gallons)	6,948	6,653	7,260	7,440	7,436	7,370

Source: City of Daly City
Note: n/a denotes information not available.

2008	2009	2010	2011
6,206	6,308	6,309	n/a
4,544	3,951	3,510	n/a
81,375	55,098	75,970	n/a
2,349	2,006	2,071	n/a
4,082	4,428	4,791	n/a
1,644	1,896	2,315	n/a
365	333	316	n/a
8,359	13,345	14,843	n/a
74,512	91,549	72,128	n/a
5,655	4,350	40,067	17,118
65,472	79,960	57,250	64,416
3,907	0	9,963	7,920
93	71	67	58
402	393	371	314
1,796	436	560	1,108
19,629	17,956	19,956	20,712
3,403	5,732	3,785	500
17	20	16	3
387	445	396	400
10,000	8,000	7,500	6,158
550	900	900	600
900	900	500	3,400
45,000	45,000	50,000	78,921
22,218	24,804	23,821	29,586
0	2	2	1
0	1,000	1,100	150
64	65	n/a	65
900	750	800	2,255
211,999	217,529	225,109	222,946
632,935	664,348	729,420	596,428
200,601	207,800	234,308	115,846
15,195	19,296	17,021	14,941
22,814	22,790	22,843	22,830
55	72	60	43
7,785	7,317	7,521	6,519
29,000	29,000	29,000	29,000
7	7	1	2
7,270	6,820	6,817	7,160

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

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

Source: City of Daly City

Fiscal Year					
2006	2007	2008	2009	2010	2011
5	5	5	5	5	5
1	1	1	1	1	1
33	31	31	30	30	29
112	112	112	112	112	112
3,200	3,200	3,200	3,200	3,200	3,200
40	40	40	40	40	40
45	45	70	70	70	70
15	15	15	15	15	15
200	200	200	200	200	200
2,500	2,500	2,400	2,400	2,400	2,400
26	26	26	26	26	26
23	23	23	23	23	23
9	9	9	9	9	9
2	2	2	2	2	2
21	21	21	21	21	21
500	500	500	500	500	500
2,800	2,700	2,700	2,700	2,700	2,700
13	13	14	14	14	14
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
3	3	4	4	4	4
7	7	9	9	9	9
1	2	2	2	2	2
15	15	15	15	15	15
8	8	8	8	8	8
1	1	1	1	1	1
9	9	9	9	9	9
4	4	4	4	4	4
205	187	187	187	187	187
1,472	1,437	1,489	1,497	1,497	1,497
22,981	22,981	22,981	22,981	24,490	24,490
1	1	1	1	1	1
177	177	177	177	177	177
14	14	14	14	14	14
8,000	8,000	8,000	8,000	8,000	8,000
25,000	25,000	25,000	25,000	25,000	25,000

