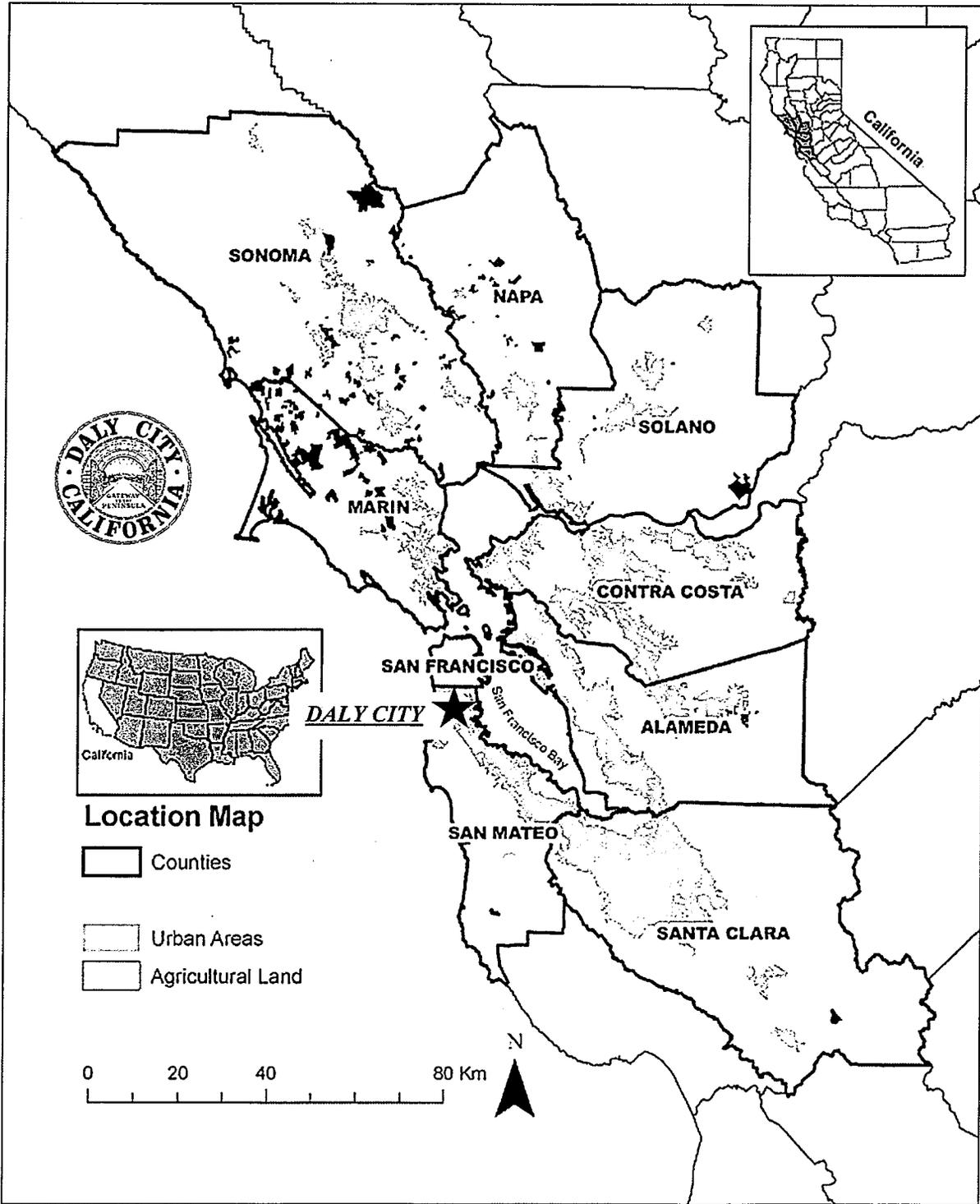




**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**
**of the
CITY OF DALY CITY
CALIFORNIA**

for the FISCAL YEAR ended June 30, 2013



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

JUNE 30, 2013



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 11, 2013

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, 2013. 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 103,347 is contained within approximately 7.7 square miles of substantially developed land. The City is considered the "Gateway to the Peninsula", as it is strategically located 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 North San Mateo County Sanitation District and the Successor to the Daly City Redevelopment Agency (as a private purpose trust fund). 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 North San Mateo County Sanitation District and as the governing board of the Successor to the Redevelopment Agency. The City Manager also serves 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 is 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, revenue sources remain unpredictable, no longer following long-term trends as they once did. Consumer behavior across revenues sources is inconsistent and less predictable than in the past.

Total General Fund revenues for fiscal 2013 were up by 1.0 percent. Expenditures decreased by 2.0 percent, in contrast to the 2.6 percent inflation rate for the Bay Area.

Local property tax values seem to have begun to rebound. In fiscal 2013 the base secured property tax increased by 1.6 percent after a one half of one percent decrease in fiscal 2012. Total property tax increased 1.3 percent due to the reallocation of Redevelopment dollars. Based on data from the County Assessor's Office, it appears that base property tax will increase by roughly five percent in fiscal 2014.

Total sales tax has seen a 9.6 percent increase in fiscal 2013 over fiscal 2012. That follows the previous year which showed an approximate four percent increase. This is a welcome change from two years of back-to-back eight percent declines in fiscal 2009 and 2010. The sales tax increase was generally across all sales categories, which may indicate that the gain continues to be a result of pent up demand after several years of austerity.

Utility users tax remained flat in 2013, following a 1.6 percent decline in fiscal 2012. With an increase in sales tax, one might predict a concurrent increase in utility taxes, but that is not the case. Gas, electricity, cable television and basic land line service are affected by property vacancies which were higher than normal during the recession.

The national news on local government says 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 continue to be closely monitored, which has a negative impact on the local economy.

The Dissolution of Redevelopment:

As a part of the State's attempt to balance its budget for fiscal 2012, all redevelopment agencies were dissolved effective February 1, 2012. The Daly City Redevelopment Agency owed significant debt to the City's General Fund, the repayment of which was used to fund operating costs. Repayments to the City were disallowed by the State Department of Finance. As a result, the City wrote off the principal balance of the loan in fiscal 2012. Because the property taxes that once were allocated to the Redevelopment Agency are now distributed to all taxing entities, there is some offset to the loss of revenue to the General Fund. Net loss to the City in fiscal 2013 was approximately \$800,000, and is expected to be on-going.

The City's two major enterprise funds, the Water Utility and Sanitation District, experienced declining revenues during the recession 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 nine percent rate increase, a 12 percent increase in fiscal 2012, and a 12 percent increase in fiscal 2013. 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.

Likewise, the costs for operating the Sanitation District continue to increase. There were no increases in rates for the Sanitation District since fiscal 2008, while the need to fund capital improvements remains. In order to address this need the City Council, sitting as the District's Board of Directors, adopted a three year rate increase plan for fiscal years 2014 to 2016.

Long-term Financial Planning

As of March 2013, the City has completed an updated 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 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.

The higher General Fund revenues coupled with lower General Fund expenditures resulted in a higher General Fund fund balance as of June 30, 2013. The decrease in General Fund expenditures were mostly in salaries and benefits resulting from lower staffing levels in most departments. There continue to be increasing costs associated with pension expenses. These have mostly been covered by additional cost reductions. In particular, wage and benefit concessions negotiated with the City's bargaining units have significantly reduced costs. Reductions in staffing as a result of vacancies and retirements have also been employed in targeted areas to help balance the budget.

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, 2012. This was the 26th 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.

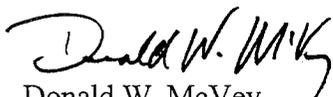
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

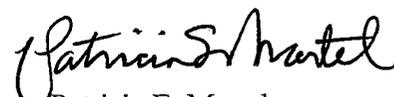
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its Comprehensive Operating and Capital Budget for the 1991 through 2014 fiscal years. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient 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 2013. 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,

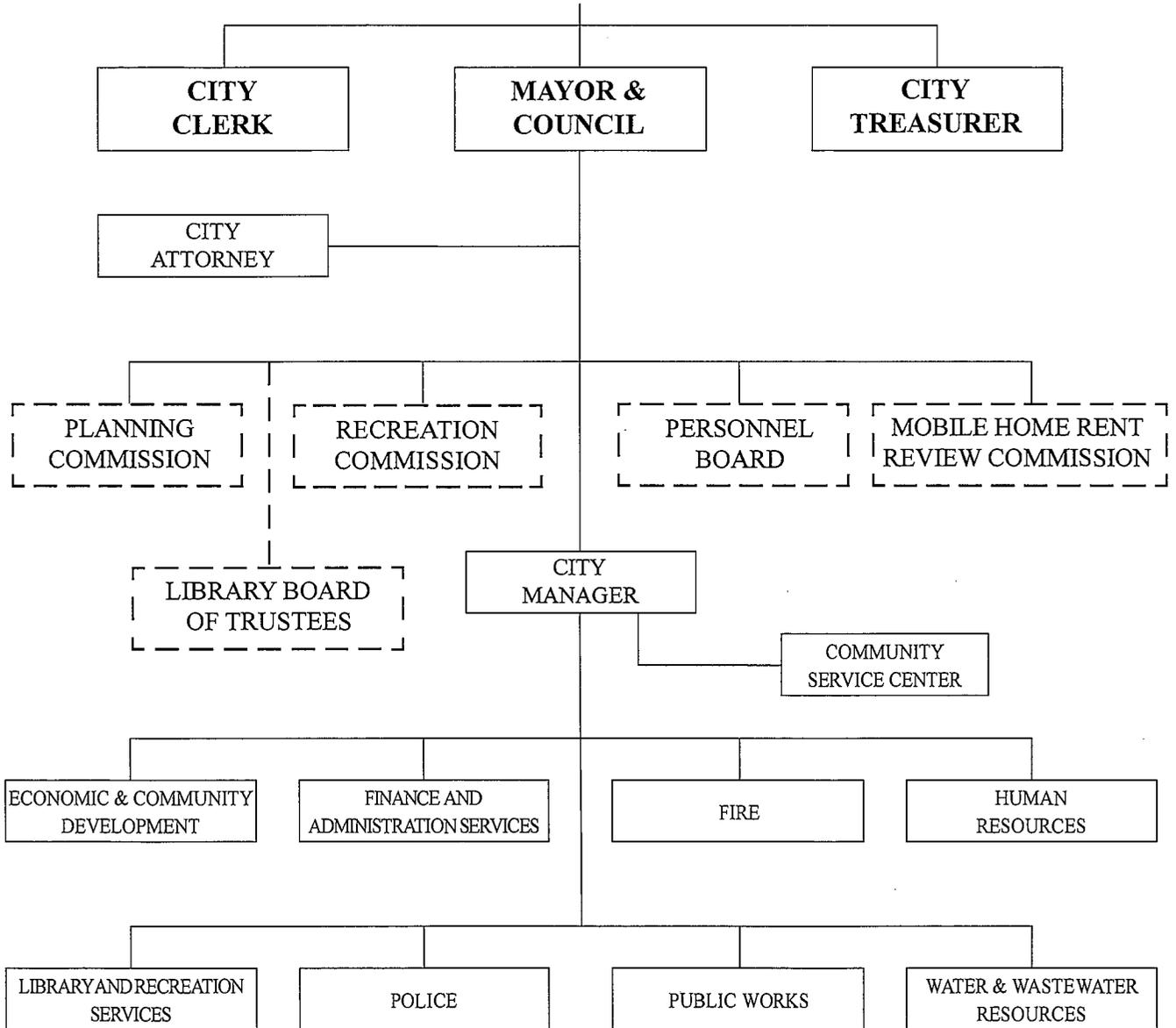

Donald W. McVey
Director of Finance
and Administrative Services
(Retired August 30, 2013)


Patricia E. Martel
City Manager



City of Daly City ORGANIZATION STRUCTURE Fiscal Year 2012-2013

CITIZENS OF DALY CITY



----- ADVISORY BOARDS & COMMISSIONS

**CITY OF DALY CITY
CITY COUNCIL
JUNE 30, 2013**

Raymond Buenaventura, Mayor

David Canepa, Vice Mayor

Michael P. Guingona

Carol L. Klatt

Sal Torres

Annette Hipona
City Clerk

Anthony J. Zidich
City Treasurer

ADMINISTRATION AND DEPARTMENT HEADS

Patricia E. Martel
Rose Zimmerman
Ron Myers
Manuel Martinez, Jr.
John Fuller
Shawna Marques-Maltbie
Patrick Sweetland
Donald W. McVey
Brian Millar
Joseph Curran

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



Government Finance Officers Association

**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, 2012

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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 (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows 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.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 and required certain nomenclature and format changes to the financial statements:

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note 1D to the financial statements for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 11, 2013

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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, 2013.

FISCAL 2013 FINANCIAL HIGHLIGHTS

- At June 30, 2013, net position totaled \$221.3 million, a decrease of \$6.1 million from the prior year total of \$227.4 million.
- Net position of governmental activities were \$123.2 million, while net position of business-type activities were \$98.1 million.
- Total City revenues, including program and general revenues, were \$110.8 million, while total expenses were \$114.5 million in fiscal 2013.
- Governmental program revenues were \$20.7 million compared with \$24.3 million in fiscal 2012. Business-type program revenues were \$33.0 million compared with \$30.8 million in fiscal 2012.
- Governmental general revenues were \$54.9 million, a decrease of \$2.2 million from the prior year. Business-type general revenues were \$2.2 million, a decrease of \$0.5 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 Auditor's 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 Position and the Statement of Activities. The Statement of Net Position 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 position 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 Position 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 Position 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.
- 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 position 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 Position. 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 position and changes in net position of the City's governmental activities and business-type activities (Tables 1, 2, and 3) presented in the City-wide Statement of Net Position and Statement of Activities that follow.

Table 1
Net Position at June 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Cash and investments	\$ 64,015	\$ 60,391	\$ 32,313	\$ 33,599	\$ 96,328	\$ 93,990
Other assets	35,273	35,438	5,026	3,846	40,299	39,284
Capital assets	<u>88,625</u>	<u>90,903</u>	<u>76,773</u>	<u>78,561</u>	<u>165,398</u>	<u>169,464</u>
Total assets	<u>187,913</u>	<u>186,732</u>	<u>114,112</u>	<u>116,006</u>	<u>302,025</u>	<u>302,738</u>
Long-term liabilities	32,951	34,413	9,293	9,973	42,244	44,386
Other liabilities	<u>31,750</u>	<u>25,831</u>	<u>6,676</u>	<u>5,154</u>	<u>38,426</u>	<u>30,985</u>
Total liabilities	<u>64,701</u>	<u>60,244</u>	<u>15,969</u>	<u>15,127</u>	<u>80,670</u>	<u>75,371</u>
Net Position:						
Net investment in capital assets	85,484	87,550	67,480	68,588	152,964	156,138
Restricted	18,829	15,053	-	-	18,829	15,053
Unrestricted	<u>18,899</u>	<u>23,885</u>	<u>30,663</u>	<u>32,291</u>	<u>49,562</u>	<u>56,176</u>
Total Net Position	<u>\$ 123,212</u>	<u>\$ 126,488</u>	<u>\$ 98,143</u>	<u>\$ 100,879</u>	<u>\$ 221,355</u>	<u>\$ 227,367</u>

Governmental Activities

The City's net position from governmental activities decreased \$3.3 million (2.6 percent) to \$123.2 million in 2013 from \$126.5 million in 2012. This decrease is the Change in Net Position reflected in the Statement of Activities, as shown in Table 2. The changes are explained below.

- Capital assets decreased \$2.3 million mainly due to the excess of depreciation over capital asset additions. This decrease in capital assets was accompanied by a \$2.1 million decrease in net position invested in capital assets.
- Long-term liabilities decreased \$1.5 million mainly due to the \$1.25 million payment on the PERS pension obligation bonds. Other liabilities increased \$5.9 million mainly due to the accrual of \$3.75 million due to the State to repay prior year payments by the former Redevelopment Agency to the General Fund that were disallowed by the State.
- Restricted net position increased \$3.8 million and unrestricted net position decreased \$5.0 million. Unrestricted net position of \$18.9 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 position of business-type activities decreased \$2.8 million (2.7 percent) to a total of \$98.1 million in fiscal 2013 from \$100.9 million in 2012. Increases and decreases of individual assets and liabilities are not considered material.

- Long-term liabilities decreased \$0.7 million due to payments made on the Water Utility Revenue Bonds and on the loan from the State Water Resources Control Board for the recycled water project. Other liabilities increased \$1.5 million mainly due to the accrual of \$2.0 million due to the State to repay prior year transfer by the former Redevelopment Agency to the Water Utility Fund that were disallowed by the State.
- The City continues to invest in infrastructure and major capital improvements in its enterprise funds including replacement of well #4, secondary clarifiers weir replacement, installing a backup centrifuge unit, and replacing sewer subsurface lines in various sections of the City. Total net capital assets decreased \$1.8 million to \$76.8 million mainly due to the excess of depreciation over capital asset additions. The net investment in capital assets decreased \$1.1 million.
- Restricted net position remained at zero as of June 30, 2013 while unrestricted net position decreased \$1.6 million to \$30.7 million.

CHANGES IN NET POSITION

Table 2 shows that total governmental revenues decreased \$5.7 million (7.0 percent) while total business-type activity revenues increased \$1.7 million (5.1 percent) in fiscal 2013. Expenses decreased \$3.4 million (4.0 percent) for governmental activities while business-type activity expenses increased \$0.1 million (0.3 percent).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 12,590	\$ 12,672	\$ 33,005	\$ 30,777	\$ 45,595	\$ 43,449
Operating grants & contributions	7,357	8,190			7,357	8,190
Capital grants & contributions	764	3,422	-	-	764	3,422
Total program revenues	<u>20,711</u>	<u>24,284</u>	<u>33,005</u>	<u>30,777</u>	<u>53,716</u>	<u>55,061</u>
General revenues:						
Property tax	24,683	27,904	1,470	1,434	26,153	29,338
Sales tax	11,619	10,639			11,619	10,639
Motor vehicle in-lieu	46	109			46	109
Other taxes	14,829	14,236			14,829	14,236
Investment earnings	12	1,019	(23)	534	(11)	1,553
Other	3,759	3,180	717	718	4,476	3,898
Total general revenues	<u>54,948</u>	<u>57,087</u>	<u>2,164</u>	<u>2,686</u>	<u>57,112</u>	<u>59,773</u>
Total revenues	<u>75,659</u>	<u>81,371</u>	<u>35,169</u>	<u>33,463</u>	<u>110,828</u>	<u>114,834</u>
Expenses:						
General government	8,824	10,261			8,824	10,261
Public safety	44,910	45,511			44,910	45,511
Public works	5,064	5,406			5,064	5,406
Streets & infrastructure	4,114	3,396			4,114	3,396
Culture & recreation	13,811	14,416			13,811	14,416
Economic & community development	4,662	5,655			4,662	5,655
Debt service	178	335			178	335
Water utility			15,266	13,461	15,266	13,461
Sewer			16,663	18,587	16,663	18,587
Civic center			813	686	813	686
Transfer station	-	-	152	49	152	49
Total expenses	<u>81,563</u>	<u>84,980</u>	<u>32,894</u>	<u>32,783</u>	<u>114,457</u>	<u>117,763</u>
Increase(decrease) in net position before transfers	(5,904)	(3,609)	2,275	680	(3,629)	(2,929)
Transfers	3,011	2,800	(3,011)	(2,800)	-	-
Extraordinary item	(383)	(19,006)	(2,000)	-	(2,383)	(19,006)
Increase (decrease) in net position	(3,276)	(19,815)	(2,736)	(2,120)	(6,012)	(21,935)
Net position, July 1	<u>126,488</u>	<u>146,303</u>	<u>100,879</u>	<u>102,999</u>	<u>227,367</u>	<u>249,302</u>
Net position, June 30	<u>\$ 123,212</u>	<u>\$ 126,488</u>	<u>\$ 98,143</u>	<u>\$ 100,879</u>	<u>\$ 221,355</u>	<u>\$ 227,367</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, 2013
(in thousands)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue</u> <u>(Expense)</u>
General government	\$ 4,624	\$ 8,824	\$ (4,200)
Public safety	5,476	44,910	(39,434)
Public works	1,714	5,064	(3,350)
Streets & infrastructure	1,806	4,114	(2,308)
Culture & recreation	3,598	13,811	(10,213)
Economic & community development	3,493	4,662	(1,169)
All others	<u>-</u>	<u>178</u>	<u>(178)</u>
Total governmental activities	<u>\$ 20,711</u>	<u>\$ 81,563</u>	<u>\$ (60,852)</u>

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2013, the City's major governmental funds consisted of the General Fund, Gas Tax Fund, and the Capital Projects Fund. 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 \$2.3 million to \$23.8 million at June 30, 2013. General Fund revenues increased \$0.7 million mainly due to increase in sales tax. General Fund expenditures decreased \$1.4 million in 2013 compared to 2012 mainly due to lower salaries and benefits paid in 2013.

The Gas Tax Special Revenue Fund total fund balance decreased \$0.4 million to \$5.3 million as of June 30, 2013. 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 decreased \$2.8 million in 2013 due to lower federal road grants received. Gas Tax Fund expenditures decreased \$2.3 million due to less roadway projects completed in 2013.

The Capital Projects Fund had \$17.4 million total fund balance at June 30, 2013 compared to the \$17.3 million fund balance at June 30, 2012. 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 \$0.3 million in 2013 compared to 2012 due to fewer capital improvement projects completed in 2013.

Proprietary Funds

At June 30, 2013, the City had two major proprietary funds, the Water Utility Fund and the Sanitation District Fund.

Water Utility revenues increased \$1.7 million or 11.6 percent compared to the previous year due to higher water sales. There was a 12 percent water rate increase in fiscal 2013. Expenses increased \$1.2 million or 9.4 percent, mostly due to the higher cost of water purchased.

Sanitation District revenues increased \$0.6 million or 4.0 percent over the prior year due to higher sewer service charge revenues. Sewer service charges are billed based on the previous year's winter water usage. There was no sewer rate increase in fiscal 2013. Expenses remained constant in 2013 at \$17.4 million.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process, and fiscal 2013 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 2013 are not considered material.

CAPITAL ASSETS

At the end of fiscal 2013 the City had \$165.4 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 20,705	\$ 20,705	\$ 2,863	\$ 2,863	\$ 23,568	\$ 23,568
Buildings & improvements	34,347	36,211	2,884	3,085	37,231	39,296
Streets & infrastructure	23,529	24,096			23,529	24,096
Sewage facilities			23,363	24,349	23,363	24,349
Wells & pump stations			3,851	4,013	3,851	4,013
Water reservoirs			8,520	8,739	8,520	8,739
Water mains			10,072	10,623	10,072	10,623
Sanitation subsurface lines			12,590	13,252	12,590	13,252
Equipment	6,800	6,833	5,945	5,781	12,745	12,614
Furniture & fixtures	10	28			10	28
Construction in progress	<u>3,234</u>	<u>3,030</u>	<u>6,685</u>	<u>5,856</u>	<u>9,919</u>	<u>8,886</u>
Total net capital assets	<u>\$ 88,625</u>	<u>\$ 90,903</u>	<u>\$ 76,773</u>	<u>\$ 78,561</u>	<u>\$165,398</u>	<u>\$169,464</u>

Local roadway projects of various types were in the design phase or under construction, with a total available budget for the coming 2014 fiscal year of \$7.3 million.

Various water master plan projects were completed as part of the Water Utility Enterprise Fund's \$0.5 million investment in additional infrastructure in 2013. The Sanitation District contributed an additional \$1.2 million to the City's enterprise fund infrastructure in 2013.

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, 2012</u>	<u>Balance at June 30, 2013</u>
<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	\$3,353	\$3,141
<u>Pension Obligation Bonds</u> Issued June 1, 2004 Final Maturity June 1, 2024	2.65% to 5.896%	\$36,235	\$31,060	\$29,810
<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	\$3,173	\$2,963
<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	\$6,800	\$0
<u>Water Revenue Refunding Bonds to Refinance Water Certificates of Participation</u> Issued September 10, 2012 Final Maturity June 1, 2024	2.0%	\$6,890	\$0	\$6,330

ECONOMIC FACTORS

The Consumer Price Index-All Urban Consumers was 2.6 percent for the San Francisco-Oakland-San Jose region and 1.8 percent for the U.S. City average for the year ended June 2013, compared to 2.6 percent and 1.7 percent as of June 2012.

The Daly City annual average unemployment rate was 7.8 percent in December 2012, down from 9.8 percent in December 2011. This compares with 6.7 percent and 7.9 percent respectively for San Mateo County as a whole.

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 POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 1F)	\$64,014,751	\$32,301,586	\$96,316,337
Cash with fiscal agent (Note 1F)	35	11,224	11,259
Accounts receivable, net	3,407,567	3,367,847	6,775,414
Inventories (Note 1G)	251,535	1,862,913	2,114,448
Prepays (Note 1G)	13,686		13,686
Internal balances (Note 6)	204,074	(204,074)	
Notes receivable (Note 12)	1,130,673		1,130,673
Property held for development (Note 1C)	6,675,671		6,675,671
Prepaid PERS pension contribution (Note 7)	23,589,725		23,589,725
Capital assets (Note 4):			
Nondepreciable capital assets	23,939,294	9,547,658	33,486,952
Depreciable capital assets, net	64,685,613	67,224,893	131,910,506
Total Assets	187,912,624	114,112,047	302,024,671
LIABILITIES			
Accounts payable	2,283,556	1,865,474	4,149,030
Accrued payroll	982,710	115,890	1,098,600
Deposits payable	1,530,040	15,344	1,545,384
Interest payable	218,506	54,218	272,724
Unearned revenue	202,963		202,963
OPEB obligation, due in more than one year (Note 8)	7,742,356	1,384,305	9,126,661
Compensated absences (Note 1J):			
Due within one year	5,800,000	810,000	6,610,000
Due in more than one year	2,938,705	431,006	3,369,711
Accrued claims payable (Note 10):			
Due within one year	2,093,018		2,093,018
Due in more than one year	4,208,000		4,208,000
Long-term debt (Note 5):			
Due within one year	1,657,000	729,797	2,386,797
Due in more than one year	31,294,000	8,563,449	39,857,449
Due to the State (Note 15)	3,750,000	2,000,000	5,750,000
Total Liabilities	64,700,854	15,969,483	80,670,337
NET POSITION (Note 11)			
Net investment in capital assets	85,483,907	67,479,305	152,963,212
Restricted for:			
Debt service	35		35
Streets and roads	5,280,646		5,280,646
Infrastructure	5,690,065		5,690,065
Low and Moderate Income Housing Asset	6,903,576		6,903,576
Other	954,923		954,923
Total Restricted Net Position	18,829,245		18,829,245
Unrestricted	18,898,618	30,663,259	49,561,877
Total Net Position	\$123,211,770	\$98,142,564	\$221,354,334

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$8,823,639	\$753,748	\$3,730,543	\$139,563	(\$4,199,785)		(\$4,199,785)
Public safety	44,910,136	4,415,226	1,041,314	19,764	(39,433,832)		(39,433,832)
Public works	5,064,375	1,313,510	400,000		(3,350,865)		(3,350,865)
Streets and infrastructure	4,114,332	1,009,844	191,693	604,349	(2,308,446)		(2,308,446)
Culture and recreation	13,811,273	2,723,265	875,074		(10,212,934)		(10,212,934)
Economic and community development	4,661,549	2,374,804	1,118,177		(1,168,568)		(1,168,568)
Interest on long-term debt	177,561				(177,561)		(177,561)
Total Governmental Activities	81,562,865	12,590,397	7,356,801	763,676	(60,851,991)		(60,851,991)
Business-type Activities:							
Water Utility	15,266,033	16,357,654				\$1,091,621	1,091,621
Civic Center	813,497	671,556				(141,941)	(141,941)
Transfer Station	151,582	375,000				223,418	223,418
Sanitation District	16,663,492	15,600,570				(1,062,922)	(1,062,922)
Total Business-type Activities	32,894,604	33,004,780				110,176	110,176
Total	\$114,457,469	\$45,595,177	\$7,356,801	\$763,676	(60,851,991)	110,176	(60,741,815)
General revenues:							
Taxes:							
Property tax					24,682,775	1,470,340	26,153,115
Sales tax					11,619,157		11,619,157
Utility users tax					6,528,566		6,528,566
Franchise fees					3,544,075		3,544,075
Other taxes					4,756,255		4,756,255
Motor vehicle in lieu, unrestricted					45,981		45,981
Investment earnings					12,330	(23,403)	(11,073)
Miscellaneous					3,758,739	715,729	4,474,468
Sale of property						1,872	1,872
Transfers (Note 6)					3,010,709	(3,010,709)	
Extraordinary item (Note 14):							
Assets transferred from the Successor Agency					3,366,888		3,366,888
Due to the State (Note 15)					(3,750,000)	(2,000,000)	(5,750,000)
Total general revenues, transfers, and extraordinary item					57,575,475	(2,846,171)	54,729,304
Change in Net Position					(3,276,516)	(2,735,995)	(6,012,511)
Net Position-Beginning					126,488,286	100,878,559	227,366,845
Net Position-Ending					\$123,211,770	\$98,142,564	\$221,354,334

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	Gas Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 1F)	\$25,313,466	\$5,219,623	\$17,429,343	\$941,226	\$48,903,658
Accounts receivable, net	2,581,072	245,187	52,206	482,826	3,361,291
Due from other funds (Note 6)	69,407				69,407
Inventories (Note 1G)	164,884				164,884
Prepays (Note 1G)	13,686				13,686
Notes receivable (Note 12)				1,130,673	1,130,673
Property held for development (Note 1C)				6,675,671	6,675,671
Total Assets	\$28,142,515	\$5,464,810	\$17,481,549	\$9,230,396	\$60,319,270
LIABILITIES					
Accounts payable	\$1,698,891	\$184,164	\$93,013	\$154,008	\$2,130,076
Accrued payroll	906,167			12,009	918,176
Due to other funds (Note 6)				69,407	69,407
Deposits payable	1,524,240			5,800	1,530,040
Unearned revenue	202,963				202,963
Total Liabilities	4,332,261	184,164	93,013	241,224	4,850,662
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - loans				1,130,673	1,130,673
Total Liabilities and Deferred Inflows of Resources	4,332,261	184,164	93,013	1,371,897	5,981,335
FUND BALANCES					
Fund Balance (Note 11)					
Nonspendable	178,570				178,570
Restricted		5,280,646	5,690,065	7,858,499	18,829,210
Assigned	12,109,457		11,698,471		23,807,928
Unassigned	11,522,227				11,522,227
Total Fund Balances	23,810,254	5,280,646	17,388,536	7,858,499	54,337,935
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$28,142,515	\$5,464,810	\$17,481,549	\$9,230,396	\$60,319,270

See accompanying notes to financial statements

CITY OF DALY CITY
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances reported on the Governmental Funds Balance Sheet \$54,337,935

Amounts reported for Governmental Activities in the Statement of Net Position 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. 82,272,183

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance, 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 Position.

Cash and investments	15,111,128
Accounts receivable	46,276
Inventories	86,651
Internal balances	204,074
Capital assets	6,352,724
Prepaid PERS pension contribution	23,589,725
Accounts payable	(153,480)
Accrued payroll	(64,534)
Interest payable	(144,887)
Due to other governments	(3,750,000)
Accrued claims payable	(6,301,018)
Compensated absences	(489,451)
OPEB obligation	(860,930)
Long-term debt - due within one year	(1,430,000)
Long-term debt - due in more than one year	(28,380,000)

ACCUAL 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. 1,130,673

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	(3,141,000)
Interest payable	(73,619)
OPEB Obligation	(6,881,426)
Compensated absences	(8,249,254)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$123,211,770

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, 2013

	General	Gas Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$24,682,775				\$24,682,775
Gas tax		\$2,499,211			2,499,211
Sales tax	10,449,064	1,678,068			12,127,132
Utility users tax	6,528,566				6,528,566
Franchise fees	3,544,075				3,544,075
Other taxes	4,802,236				4,802,236
Licenses and permits	1,578,457				1,578,457
Fines and forfeitures	2,420,754				2,420,754
Rents and interest	996,539	(3,870)	(\$5,630)	\$63,110	1,050,149
Federal programs and grants	688	435,178		2,066,767	2,502,633
Receipts from other agencies	782,472	623,446	27,671	430,521	1,864,110
Charges and fees	6,464,748		661,296	353,233	7,479,277
Miscellaneous	4,032,246		187,923	528,646	4,748,815
Total Revenues	66,282,620	5,232,033	871,260	3,442,277	75,828,190
EXPENDITURES					
Current:					
General government	8,194,893				8,194,893
Public safety	41,238,954			911,775	42,150,729
Public works	4,707,114			19,687	4,726,801
Culture and recreation	10,816,721			1,289,249	12,105,970
Economic and community development	3,716,346			950,629	4,666,975
Capital projects		3,673,700	662,790		4,336,490
Debt service:					
Principal				212,000	212,000
Interest				181,942	181,942
Total Expenditures	68,674,028	3,673,700	662,790	3,565,282	76,575,800
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,391,408)	1,558,333	208,470	(123,005)	(747,610)
OTHER FINANCING SOURCES (USES)					
Sale of property	18,057				18,057
Transfers in (Note 6)	5,234,938		70,000	507,785	5,812,723
Transfers (out) (Note 6)	(578,198)	(1,999,158)	(203,083)	(123,134)	(2,903,573)
Total Other Financing Sources (Uses)	4,674,797	(1,999,158)	(133,083)	384,651	2,927,207
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	2,283,389	(440,825)	75,387	261,646	2,179,597
EXTRAORDINARY ITEM (NOTE 14)					
Assets transferred from Successor Agency				3,366,888	3,366,888
NET CHANGE IN FUND BALANCES	2,283,389	(440,825)	75,387	3,628,534	5,546,485
BEGINNING FUND BALANCES	21,526,865	5,721,471	17,313,149	4,229,965	48,791,450
ENDING FUND BALANCES	\$23,810,254	\$5,280,646	\$17,388,536	\$7,858,499	\$54,337,935

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, 2013

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 Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$5,546,485

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.	1,993,267
Net retirements are deducted from fund balance	(44,601)
Depreciation expense is deducted from fund balance	
(Depreciation expense is net of internal service fund depreciation of \$1,248,667 which has already been allocated to serviced funds).	(3,958,238)

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 Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	212,000
Interest accrued is deducted from fund balance	4,381

ACCURAL OF AMOUNT DUE TO THE STATE FOR REDEVELOPMENT DISSOLUTION (3,750,000)

ACCRUAL OF NONCURRENT ITEMS

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

Deferred revenue	(19,374)
Compensated absences	(73,479)
OPEB Obligation	(1,403,511)

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 position of all internal service funds	<u>(1,783,446)</u>
--	--------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$3,276,516)

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$24,021,955	\$25,560,540	\$24,682,775	(\$877,765)
Sales tax	9,878,082	9,878,082	10,449,064	570,982
Utility users tax	6,740,757	6,740,757	6,528,566	(212,191)
Franchise fees	3,523,756	3,523,756	3,544,075	20,319
Other taxes	4,641,385	4,641,385	4,802,236	160,851
Licenses and permits	1,452,406	1,452,406	1,578,457	126,051
Fines and forfeitures	2,530,875	2,530,875	2,420,754	(110,121)
Rents and interest	3,699,518	1,199,518	996,539	(202,979)
Federal programs and grants	21,264	21,264	688	(20,576)
Receipts from other agencies	533,339	707,412	782,472	75,060
Charges and fees	6,061,723	6,061,723	6,464,748	403,025
Miscellaneous	2,926,199	2,978,807	4,032,246	1,053,439
Total Revenues	66,031,259	65,296,525	66,282,620	986,095
EXPENDITURES:				
Current Operations:				
General Government				
Legislative:				
Salaries and benefits	178,468	178,468	180,793	(2,325)
Services and supplies	25,241	25,241	24,967	274
Other charges	12,527	12,527	12,302	225
Total Legislative	216,236	216,236	218,062	(1,826)
Legal:				
Salaries and benefits	811,776	811,776	820,831	(9,055)
Services and supplies	122,545	122,545	109,103	13,442
Other charges	9,300	9,300	5,902	3,398
Total Legal	943,621	943,621	935,836	7,785
Administrative:				
Salaries and benefits	6,006,079	5,963,084	5,583,438	379,646
Services and supplies	1,119,757	1,184,352	1,022,520	161,832
Other charges	1,192,470	1,181,470	435,037	746,433
Total Administrative	8,318,306	8,328,906	7,040,995	1,287,911
Total General Government	9,478,163	9,488,763	8,194,893	1,293,870
Public Safety				
Police:				
Salaries and benefits	20,535,036	20,641,224	20,553,599	87,625
Services and supplies	3,563,390	3,549,004	3,558,490	(9,486)
Capital outlay	19,071	98,248	77,101	21,147
Other charges	227,609	231,814	228,166	3,648
Total Police	24,345,106	24,520,290	24,417,356	102,934

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire:				
Salaries and benefits	13,273,327	13,273,327	13,309,538	(36,211)
Services and supplies	1,575,249	1,558,249	1,496,405	61,844
Capital outlay	42,129	53,002	56,929	(3,927)
Other charges	76,639	76,639	81,719	(5,080)
Total Fire	14,967,344	14,961,217	14,944,591	16,626
Public Safety Communications				
Salaries and benefits	1,549,445	1,549,445	1,649,378	(99,933)
Services and supplies	237,205	237,205	217,648	19,557
Capital outlay	2,000	2,000	1,933	67
Other charges	12,433	8,228	8,048	180
Total Public Safety Communications	1,801,083	1,796,878	1,877,007	(80,129)
Total Public Safety	41,113,533	41,278,385	41,238,954	39,431
Public Works				
Salaries and benefits	3,691,406	3,691,406	3,263,336	428,070
Services and supplies	1,366,139	1,366,139	1,376,116	(9,977)
Other charges	54,873	54,873	67,662	(12,789)
Total Public Works	5,112,418	5,112,418	4,707,114	405,304
Culture and Recreation				
Salaries and benefits	6,915,933	6,952,771	6,399,421	553,350
Services and supplies	4,675,170	4,643,078	4,302,543	340,535
Capital outlay		3,800	43,403	(39,603)
Other charges	73,518	73,816	71,354	2,462
Total Culture and Recreation	11,664,621	11,673,465	10,816,721	856,744
Economic and Community Development				
Salaries and benefits	2,942,503	2,942,503	2,689,827	252,676
Services and supplies	855,438	855,438	714,500	140,938
Capital outlay	400	400		400
Other charges	313,551	313,551	312,019	1,532
Total Economic and Community Development	4,111,892	4,111,892	3,716,346	395,546
Total Expenditures	71,480,627	71,664,923	68,674,028	2,990,895
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,449,368)	(6,368,398)	(2,391,408)	3,976,990
OTHER FINANCING SOURCES (USES)				
Sale of property			18,057	18,057
Transfers in	5,651,096	5,651,096	5,234,938	(416,158)
Transfers out	(526,940)	(573,049)	(578,198)	(5,149)
Total Other Financing Sources (Uses)	5,124,156	5,078,047	4,674,797	(403,250)
NET CHANGE IN FUND BALANCE	(\$325,212)	(\$1,290,351)	2,283,389	\$3,573,740
BEGINNING FUND BALANCE			21,526,865	
ENDING FUND BALANCE			\$23,810,254	

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gas tax	\$2,817,327	\$2,817,327	\$2,499,211	(\$318,116)
Sales tax	1,265,000	1,265,000	1,678,068	413,068
Rents and interest	20,000	20,000	(3,870)	(23,870)
Federal programs and grants	1,274,681	1,274,681	435,178	(839,503)
Receipts from other agencies	850,727	850,727	623,446	(227,281)
Total Revenues	<u>6,227,735</u>	<u>6,227,735</u>	<u>5,232,033</u>	<u>(995,702)</u>
EXPENDITURES:				
Capital projects	<u>6,101,252</u>	<u>6,101,252</u>	<u>3,673,700</u>	<u>2,427,552</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>126,483</u>	<u>126,483</u>	<u>1,558,333</u>	<u>1,431,850</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,415,316)</u>	<u>(2,415,316)</u>	<u>(1,999,158)</u>	<u>416,158</u>
NET CHANGE IN FUND BALANCE	<u>(\$2,288,833)</u>	<u>(\$2,288,833)</u>	<u>(440,825)</u>	<u>\$1,848,008</u>
BEGINNING FUND BALANCE			<u>5,721,471</u>	
ENDING FUND BALANCE			<u>\$5,280,646</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 1F)	\$5,718,246	\$23,280,026	\$3,303,314	\$32,301,586	\$15,111,093
Cash with fiscal agent (Note 1F)	11,224			11,224	35
Accounts receivable, net (Note 1H)	2,379,675	964,997	23,175	3,367,847	46,276
Inventories (Note 1G)	496,386	1,366,527		1,862,913	86,651
Total Current Assets	8,605,531	25,611,550	3,326,489	37,543,570	15,244,055
Noncurrent Assets:					
Prepaid PERS pension contribution (Note 7)					23,589,725
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		54,904,534		54,904,534	
Wells and pump stations	7,011,400			7,011,400	
Water reservoirs	12,715,925			12,715,925	
Mains and subsurface lines	16,147,012	21,576,387		37,723,399	
Equipment	5,408,745	5,897,060	957,617	12,263,422	16,913,805
Furniture and fixtures	21,824	28,694		50,518	52,707
Construction in progress	1,947,069	4,738,040		6,685,109	56,309
Total Capital Assets	44,245,774	88,054,281	9,499,769	141,799,824	17,436,981
Less accumulated depreciation	(17,175,082)	(43,248,814)	(4,603,377)	(65,027,273)	(11,084,257)
Net Capital Assets	27,070,692	44,805,467	4,896,392	76,772,551	6,352,724
Total Noncurrent Assets	27,070,692	44,805,467	4,896,392	76,772,551	29,942,449
Total Assets	35,676,223	70,417,017	8,222,881	114,316,121	45,186,504
Current Liabilities:					
Accounts payable	701,156	947,469	25,243	1,673,868	153,480
Retentions payable	142,710	48,896		191,606	
Accrued payroll	37,316	78,574		115,890	64,534
Deposits payable	15,344			15,344	
Interest payable	11,004	43,214		54,218	144,887
Accrued claims payable (Note 10)					2,093,018
Compensated absences (Note 1J)	260,000	550,000		810,000	
Long-term debt (Note 5)	515,000	214,797		729,797	1,430,000
Due to the State (Note 15)	2,000,000			2,000,000	
Total Current Liabilities	3,682,530	1,882,950	25,243	5,590,723	3,885,919
Noncurrent Liabilities:					
Compensated absences (Note 1J)	70,863	360,143		431,006	489,451
Accrued claims payable (Note 10)					4,208,000
OPEB obligation (Note 8)	552,316	831,989		1,384,305	860,930
Long-term debt (Note 5)	5,815,000	2,748,449		8,563,449	28,380,000
Total Noncurrent Liabilities	6,438,179	3,940,581		10,378,760	33,938,381
Total Liabilities	10,120,709	5,823,531	25,243	15,969,483	37,824,300
NET POSITION (Note 11)					
Net investment in capital assets	20,740,692	41,842,221	4,896,392	67,479,305	6,352,724
Restricted for:					
Debt service					35
Unrestricted	4,814,822	22,751,265	3,301,246	30,867,333	1,009,445
Total Net Position	\$25,555,514	\$64,593,486	\$8,197,638	98,346,638	\$7,362,204

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

Net position of business-type activities

(204,074)
\$98,142,564

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$16,357,654	\$245,098		\$16,602,752	
Sewer service charges		15,220,374		15,220,374	
Connection charges		135,098		135,098	
Rental income			\$671,556	671,556	
Lease revenue			375,000	375,000	
Charges to City departments					\$15,817,971
Other revenues	449,272	121,189	145,268	715,729	222,342
Total Operating Revenues	16,806,926	15,721,759	1,191,824	33,720,509	16,040,313
OPERATING EXPENSES					
Salaries and benefits	2,885,115	6,497,820		9,382,935	5,038,181
Services and supplies	1,173,644	5,432,954	647,136	7,253,734	2,983,817
Water purchases	6,008,603			6,008,603	
Utilities	1,150,135	922,671	89,054	2,161,860	373,988
Insurance	117,686	309,066	9,519	436,271	1,060,704
Claims and settlements					2,119,323
Depreciation (Note 4)	1,263,850	2,003,719	220,301	3,487,870	1,248,667
Other charges	1,311,704	2,309,596		3,621,300	338,299
Total Operating Expenses	13,910,737	17,475,826	966,010	32,352,573	13,162,979
Operating Income	2,896,189	(1,754,067)	225,814	1,367,936	2,877,334
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,470,340		1,470,340	
Gain (loss) on disposal of capital assets	(3,799)	1,872		(1,927)	10,731
Amortization					(1,775,572)
Interest income	(5,258)	(17,291)	(854)	(23,403)	(10,649)
Interest expense	(373,757)	(76,264)		(450,021)	(1,799,720)
Landslide damage remediation	(1,275,340)			(1,275,340)	
Total Nonoperating Revenues (Expenses)	(1,658,154)	1,378,657	(854)	(280,351)	(3,575,210)
Income (Loss) Before Transfers	1,238,035	(375,410)	224,960	1,087,585	(697,876)
Transfers in (Note 6)		1,462,371		1,462,371	738,664
Transfers (out) (Note 6)	(2,587,195)	(1,154,092)	(731,793)	(4,473,080)	(637,105)
Net transfers	(2,587,195)	308,279	(731,793)	(3,010,709)	101,559
Change in net position before Extraordinary items	(1,349,160)	(67,131)	(506,833)	(1,923,124)	(596,317)
EXTRAORDINARY ITEM (Note 15)					
Due to the State	(2,000,000)			(2,000,000)	
CHANGE IN NET POSITION	(3,349,160)	(67,131)	(506,833)	(3,923,124)	(596,317)
BEGINNING NET POSITION	28,904,674	64,660,617	8,704,471	102,269,762	7,958,521
ENDING NET POSITION	\$25,555,514	\$64,593,486	\$8,197,638	\$98,346,638	\$7,362,204

Net change in net position (\$3,923,124)

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.

Change in net position of business-type activities \$1,187,129
(\$2,735,995)

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$16,517,848	\$16,051,829	\$1,253,385	\$33,823,062	\$16,082,813
Payments to suppliers	(9,658,505)	(9,865,268)	(732,676)	(20,256,449)	(4,691,603)
Payments to employees	(2,762,351)	(6,402,504)		(9,164,855)	(4,859,771)
Claims paid					(2,000,837)
Other expenses	(1,275,340)			(1,275,340)	
Cash Flows from (used for) Operating Activities	2,821,652	(215,943)	520,709	3,126,418	4,530,602
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax		1,470,340		1,470,340	
Principal paid on noncapital debt					(1,250,000)
Interest paid on noncapital debt					(1,805,274)
Transfers in		1,462,371		1,462,371	738,664
Transfers out	(2,587,195)	(1,154,092)	(731,793)	(4,473,080)	(637,105)
Cash Flows from (used for) Noncapital Financing Activities	(2,587,195)	1,778,619	(731,793)	(1,540,369)	(2,953,715)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(522,690)	(1,180,780)		(1,703,470)	(980,313)
Proceeds from sale of capital assets		1,872		1,872	10,731
Proceeds from debt issuance	6,890,000			6,890,000	
Principal paid on capital debt	(7,360,000)	(209,558)		(7,569,558)	
Interest paid on capital debt	(388,643)	(79,320)		(467,963)	
Cash Flows from (used for) Capital and Related Financing Activities	(1,381,333)	(1,467,786)		(2,849,119)	(969,582)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	(5,258)	(17,291)	(854)	(23,403)	(10,649)
Net Cash Flows	(1,152,134)	77,599	(211,938)	(1,286,473)	596,656
Cash and investments at beginning of period	6,881,604	23,202,427	3,515,252	33,599,283	14,514,472
Cash and investments at end of period	<u>\$5,729,470</u>	<u>\$23,280,026</u>	<u>\$3,303,314</u>	<u>\$32,312,810</u>	<u>\$15,111,128</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$2,896,189	(\$1,754,067)	\$225,814	\$1,367,936	\$2,877,334
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,263,850	2,003,719	220,301	3,487,870	1,248,667
Landslide damage remediation	(1,275,340)			(1,275,340)	
Change in assets and liabilities:					
Accounts receivable, net	(296,907)	330,070	61,561	94,724	42,500
Inventories	(95,453)	(151,165)		(246,618)	29,545
Prepays	157,688	80		157,768	
Accounts payable	(51,522)	(416,261)	13,033	(454,750)	35,660
Retentions payable	92,554	(323,635)		(231,081)	
Accrued payroll	(3,435)	(8,895)		(12,330)	2,283
Deposits payable	7,829			7,829	
Accrued claims payable					118,486
Compensated absences	5,466	(51,785)		(46,319)	20,086
OPEB obligation	120,733	155,996		276,729	156,041
Cash Flows from (used for) Operating Activities	\$2,821,652	(\$215,943)	\$520,709	\$3,126,418	\$4,530,602

See accompanying notes to financial statements



FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE PURPOSE TRUST

The fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of Daly City.

AGENCY FUNDS

The funds account for assets held by the City as agent for individuals, governmental entities, and nonpublic organizations.

CITY OF DALY CITY
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS		
Cash and investments (Note 1F)	\$578,112	\$2,298,858
Receivables	128,158	2,075,523
Other assets		60,639
Property held for redevelopment (Note 1C)	12,746,874	
Total Assets	\$13,453,144	\$4,435,020
LIABILITIES		
Accounts payable	\$125,000	\$2,431,868
Due to others		2,003,152
Deposits payable	154,050	
Interest payable, due in more than one year (Note 14C)	169,830	
Long-term debt, due in more that one year (Note 14C)	904,670	
Total Liabilities	1,353,550	\$4,435,020
NET POSITION		
Held in trust for other purposes	\$12,099,594	

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Successor Agency to the Redevelopment Agency <u>Private-Purpose Trust</u>
ADDITIONS	
Rents and interest	\$60,317
Receipts from other agencies	367,174
Charges and fees	8,010
Miscellaneous	<u>149</u>
Total additions	<u>435,650</u>
DEDUCTIONS	
Services and supplies	277,996
Other charges	770,818
Interest and fiscal charges	<u>27,140</u>
Total deductions	<u>1,075,954</u>
Income (Loss) Before Extraordinary Item	(640,304)
EXTRAORDINARY ITEM	
Transfer (out) to the City (Note 14D)	<u>(3,366,888)</u>
CHANGE IN NET POSITION	(4,007,192)
NET POSITION HELD IN TRUST FOR OTHER PURPOSES	
Beginning of year	<u>16,106,786</u>
End of year	<u><u>\$12,099,594</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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

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

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

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

B. MAJOR FUNDS

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

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

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

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

CAPITAL PROJECTS FUND is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

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

WATER UTILITY FUND is used to account for activity related to providing water service to the community.

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

The City also reports the following fund types:

Internal Service Funds. The funds account for motor vehicles, central services, telephone, building maintenance, information services, self-insurance and pension bond payments. All of these are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. Agency Funds are used to account for assets held by the City as an agent for Billing Services, Peninsula Traffic Congestion Relief Alliance, San Mateo Pre-Hospital Emergency Medical Services Group, Supporters of Senior Center, and Peninsula Partnership. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of these funds are excluded from the government-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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 position 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. *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.

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 departmental 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.

For the fiscal year ended June 30, 2013, the following expenditures exceeded the budgeted expenditures:

	<u>Expenditures Exceeded Budget</u>
General Fund:	
Legislative	\$1,826
Public Safety Communication	80,129

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	\$96,316,337
Restricted cash and investments	11,259
Cash and investments of the City	<u>96,327,596</u>
Cash and investments in Fiduciary Funds (separate statement)	<u>2,876,970</u>
Total cash and investments	<u><u>\$99,204,566</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	\$14,000,000	\$14,000,000
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	No Limit	No Limit
Negotiable Certificates of Deposit	365 days	A-1+	No Limit	No Limit
Money Market Mutual Funds	N/A	AAAm	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 Five Years	Total
U.S. Government-Sponsored Enterprise Agencies		\$4,925,936	\$4,925,936
Money Market Mutual Funds	35		35
California Local Agency Investment Fund	1,730,079		1,730,079
San Mateo County Investment Pool	88,778,003		88,778,003
Total Investments	\$90,508,117	\$4,925,936	95,434,053
Cash in Bank and on Hand			3,770,513
Total Cash and Investments			\$99,204,566

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, 2013, these investments have an average maturity of 278 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, 2013, these investments matured in an average of 1.97 years.

Money Market Mutual Fund investments are available for withdrawal on demand and at June 30, 2013 have an average maturity of less than 49 days.

Fair Value Investments

GASB Statement 31 requires governments to present investments at fair value. The City adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year. During fiscal year 2013, total unrealized loss on investments exceeded total investment income which resulted in negative net investment earnings.

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, 2013 are provided by Standard and Poor's except as noted.

Investment Type	AAAm	AAAf	Total Investments
Money Market Mutual Funds	\$35		\$35
San Mateo County Investment Pool		\$88,778,003	88,778,003
Total	\$35	\$88,778,003	88,778,038
<i>Not rated:</i>			
California Local Agency Investment Fund			1,730,079
<i>Exempt from rating requirement:</i>			
U.S. Government-Sponsored Enterprise Agencies			4,925,936
Total Investments			\$95,434,053

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.

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. 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

Current portions of 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, 2012	\$8,645,140	\$1,287,325	\$9,932,465
Additions	5,513,414	814,477	6,327,891
Payments	(5,419,849)	(860,796)	(6,280,645)
Balance June 30, 2013	<u>\$8,738,705</u>	<u>\$1,241,006</u>	<u>\$9,979,711</u>
Due within one year	<u>\$5,800,000</u>	<u>\$810,000</u>	<u>\$6,610,000</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 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.

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

A. CONSTRUCTION CONTRACTS

At June 30, 2013, the City had made commitments of approximately \$5.2 million for construction work, legal and consulting fees, and purchases of supplies and equipment.

B. LITIGATION

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

C. ENCUMBRANCES

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2013 were \$109,457 in the General Fund.

D. FEDERAL AND STATE GRANT PROGRAMS

The City participates in Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 2013 by the City's independent accountants in accordance with the provisions of the federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

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, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Governmental activities:					
Capital assets not being depreciated:					
Land	\$20,705,468				\$20,705,468
Construction in progress	3,029,592	\$343,386	(\$44,601)	(\$94,551)	3,233,826
Total capital assets not being depreciated	23,735,060	343,386	(44,601)	(94,551)	23,939,294
Capital assets being depreciated:					
Buildings & improvements	56,208,729				56,208,729
Streets & infrastructure	68,888,255	1,235,443		94,551	70,218,249
Vehicles, equipment, furniture & fixtures	20,575,090	1,394,751	(488,969)		21,480,872
Park structures & improvements	5,851,735				5,851,735
Total capital assets being depreciated	151,523,809	2,630,194	(488,969)	94,551	153,759,585
Less accumulated depreciation for:					
Buildings & improvements	23,852,128	1,626,102			25,478,230
Streets & infrastructure	44,791,903	1,897,731			46,689,634
Vehicles, equipment, furniture & fixtures	13,714,843	1,444,846	(488,969)		14,670,720
Park structures & improvements	1,997,162	238,226			2,235,388
Total accumulated depreciation	84,356,036	5,206,905	(488,969)		89,073,972
Net depreciable assets	67,167,773	(2,576,711)		94,551	64,685,613
Governmental activity capital assets, net	\$90,902,833	(\$2,233,325)	(\$44,601)		\$88,624,907

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$2,862,549			\$2,862,549
Construction in progress	5,856,120	\$828,989		6,685,109
Total capital assets not being depreciated	8,718,669	828,989		9,547,658
Capital assets being depreciated:				
Buildings	7,582,968			7,582,968
Sewage facilities	54,904,534			54,904,534
Wells & pump stations	7,011,400			7,011,400
Water reservoirs	12,715,925			12,715,925
Mains & subsurface lines	37,723,399			37,723,399
Equipment	11,406,494	874,481	(\$17,553)	12,263,422
Furniture & fixtures	50,518			50,518
Total capital assets being depreciated	131,395,238	874,481	(17,553)	132,252,166
Less accumulated depreciation for:				
Buildings	4,497,519	201,030		4,698,549
Sewage facilities	30,555,341	986,048		31,541,389
Wells & pump stations	2,998,043	162,595		3,160,638
Water reservoirs	3,976,914	219,205		4,196,119
Mains & subsurface lines	13,848,932	1,212,655		15,061,587
Equipment	5,625,890	706,337	(13,754)	6,318,473
Furniture & fixtures	50,518			50,518
Total accumulated depreciation	61,553,157	3,487,870	(13,754)	65,027,273
Net depreciable assets	69,842,081	(2,613,389)	(3,799)	67,224,893
Business-type activity capital assets, net	\$78,560,750	(\$1,784,400)	(\$3,799)	\$76,772,551

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	\$324,181
Public safety	236,459
Public works	4,344
Culture and recreation	1,487,163
Economic and community development	7,323
Streets and infrastructure	1,898,768
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,248,667</u>
Total Governmental Activities	<u><u>\$5,206,905</u></u>
Business-Type Activities	
Water Utility	\$1,263,850
Sanitation District	2,003,719
Civic Center	190,694
Transfer Station	<u>29,607</u>
Total Business-Type Activities	<u><u>\$3,487,870</u></u>

Note 5.
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2013, are as follows:

	Original Issue Amount	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
<i>Governmental Activity Debt</i>						
Housing & Urban Development Section 108 Loan 2.31%-6.01%, due 2023	\$4,500,000	\$3,353,000		\$212,000	\$3,141,000	\$227,000
2004 Series A-1 Pension Obligation Bonds 2.650%-5.896%, due 2024	36,235,000	31,060,000		1,250,000	29,810,000	1,430,000
Total Governmental Activity		34,413,000		1,462,000	32,951,000	1,657,000
<i>Business-Type Activity Debt</i>						
State Water Resources Control Board Loan 2.5%, due 2025	4,450,128	3,172,804		209,558	2,963,246	214,797
2004 Certificates of Participation 3%-5%, due 2024	9,860,000	6,800,000		6,800,000		
2012 Water Revenue Refunding Bond 2%, due 2024	6,890,000		\$6,890,000	560,000	6,330,000	515,000
Total Business-Type Activity		9,972,804	6,890,000	7,569,558	9,293,246	729,797
Total City Long-Term Obligations		\$44,385,804	\$6,890,000	\$9,031,558	\$42,244,246	\$2,386,797

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, 2013, total principal and interest remaining on the note is \$4,145,124. For fiscal year 2013, principal and interest paid were \$393,942 and total block grant revenues were \$1,158,878.

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 2013, principal and interest paid were \$3,055,272.

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, 2013, total principal and interest remaining on the note is \$3,466,541. For fiscal year 2013, principal and interest paid were \$288,878 and total Sanitation District Enterprise net revenues were \$1,719,992.

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 was due annually on June 1 and interest was due semiannually on June 1 and December 1, through June 1, 2024. Debt service was payable from Water Utility Enterprise Fund revenues. The City had 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, 2013, 2004 bonds were fully repaid with the issuance of the 2012 Water Revenue Refunding Bonds.

On September 10, 2012, the City authorized the sale of \$6,890,000 of 2012 Water Revenue Refunding Bonds to refinance the outstanding balance of the 2004 Certificates of Participation. Principal payments are due annually on June 1 and interest is due semiannually on June 1 and December 1, commencing June 1, 2013, through June 1, 2024. The City has pledged Water Utility Enterprise Fund revenues, net of the operations and maintenance expenses, for debt service, as defined in the indenture. As of June 30, 2013, total principal and interest remaining on the bonds is \$7,139,000. For fiscal year 2013, principal and interest paid were \$649,531 and total Water Utility Enterprise Fund net revenues were \$4,160,039. The refunding resulted in an overall debt service savings of \$1,270,757. The net present value of the debt securities savings is called an economic gain and amounted to \$1,171,351.

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
2014	\$1,657,000	\$1,909,566	\$729,797	\$206,131
2015	1,869,000	1,820,134	745,167	190,461
2016	2,100,000	1,717,329	765,671	174,457
2017	2,349,000	1,599,897	776,313	158,015
2018	2,623,000	1,461,876	802,096	135,882
2019-2023	18,028,000	4,618,053	4,277,410	413,584
2024-2025	4,325,000	255,002	1,196,792	33,765
	<u>\$32,951,000</u>	<u>\$13,381,857</u>	<u>\$9,293,246</u>	<u>\$1,312,295</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, 2013, the amounts of current interfund balances were as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	
General Fund	Community Block Grant Special Revenue Fund	\$69,407

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Transfer Amount</u>
General Fund	Capital Projects Fund	\$70,000
	Nonmajor Governmental Funds	442,016
	Internal Service Funds	66,182
Gas Tax Special Revenue Fund	General Fund	1,999,158
Capital Projects Fund	Nonmajor Governmental Funds	65,769
	Internal Service Funds	137,314
Nonmajor Governmental Funds	Internal Service Funds	123,134
Water Utility Enterprise Fund	General Fund	819,659
	Sanitation District Enterprise Fund	1,462,371
	Internal Service Funds	305,165
Sanitation District Enterprise Fund	General Fund	1,047,223
	Internal Service Funds	106,869
Nonmajor Enterprise Funds	General Fund	731,793
Internal Service Funds	General Fund	637,105
		<u>\$8,013,758</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 governmental-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, 2013, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Safety New Tier</u>	<u>Miscellaneous New Tier</u>
Hire date	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Minimum retirement age	50	50	57	62
Benefits, as a % of annual salary				
for each credited service year	2.4%-3.0%	2.0%-3.0%	2.7%	2.0%
Required employee contribution rates	9%	8%	11.25%	6.50%
Required employer contribution rates	21.714%	17.879%	21.714%	17.879%

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 \$23,589,725 at June 30, 2013. During fiscal 2013, the amortization of the prepayment amounted to \$1,775,572. 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, 2013, 2012 and 2011 amounted to \$10,255,234, \$10,093,674, and \$8,400,169, 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.

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Total</u>
Net pension obligations (asset) at June 30, 2012	(\$10,013,449)	(\$15,351,848)	(\$25,365,297)
Annual required contribution (ARC)	4,157,037	4,322,625	8,479,662
Interest on net pension asset	(780,991)	(1,121,406)	(1,902,397)
Adjustment to ARC	<u>1,509,917</u>	<u>2,168,052</u>	<u>3,677,969</u>
Net pension cost	4,885,963	5,369,271	10,255,234
Contributions made by the City	<u>(4,157,037)</u>	<u>(4,322,625)</u>	<u>(8,479,662)</u>
Decrease in net pension asset	<u>728,926</u>	<u>1,046,646</u>	<u>1,775,572</u>
Net pension obligations (asset) at June 30, 2013	<u><u>(\$9,284,523)</u></u>	<u><u>(\$14,305,202)</u></u>	<u><u>(\$23,589,725)</u></u>

CALPERS uses the market related value method of valuing the Plan’s assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. 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:

Safety Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2011	\$3,363,237	80%	\$11,075,269
2012	4,493,632	83%	10,013,449
2013	4,885,963	85%	9,284,523

Miscellaneous Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2011	\$5,036,932	80%	\$15,995,486
2012	5,600,042	83%	15,351,848
2013	5,369,271	81%	14,305,202

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
6/30/2009	\$210,435,991	\$194,959,202	\$15,476,789	92.6%	\$19,402,911	79.8%
6/30/2010	221,203,261	201,602,330	19,600,931	91.1%	19,942,876	98.3%
6/30/2011	231,832,014	209,420,764	22,411,250	90.3%	19,259,237	116.4%

Miscellaneous Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
6/30/2009	\$208,250,652	\$182,540,015	\$25,710,637	87.7%	\$29,297,750	87.8%
6/30/2010	219,270,023	193,017,017	26,253,006	88.0%	28,802,550	91.1%
6/30/2011	227,190,176	204,703,568	22,486,608	90.1%	27,653,861	81.3%

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, 2013, approximately 384 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 477 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 3.00% inflation rate, 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 2013, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Obligation June 30, 2012	<u>\$7,290,380</u>
Annual required contribution (ARC)	3,908,000
Interest on net OPEB obligation	327,414
Amortization of the net OPEB obligation	<u>(551,013)</u>
Net OPEB cost	<u>3,684,401</u>
Contributions made:	
City's portion of current year premiums paid	<u>(1,848,120)</u>
Change in net OPEB Liability	<u>1,836,281</u>
Net OPEB Obligation June 30, 2013	<u><u>\$9,126,661</u></u>

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

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$3,400,194	\$1,641,927	48%	\$5,381,499
6/30/2012	3,593,563	1,684,682	47%	7,290,380
6/30/2013	3,684,401	1,848,120	50%	9,126,661

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 past three actuarial studies is presented below:

Valuation Date	Actuarial		Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
	Value of Assets	Accrued Liability				Percentage of Covered Payroll
6/30/2007	\$0	\$36,287,000	(\$36,287,000)	0%	\$43,313,000	(84%)
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 \$25,000,000 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 position (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, 2013, the City contributed \$283,105 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 3% was computed as follows based on claims experience for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Beginning balance of claims payable	\$6,182,532	\$3,051,124
Increase in estimated claims liability	2,119,323	5,769,214
Claims paid	<u>(2,000,837)</u>	<u>(2,637,806)</u>
Ending balance of claims payable	<u>\$6,301,018</u>	<u>\$6,182,532</u>
Current Portion	<u>\$2,093,018</u>	<u>\$2,073,532</u>

Note 11.
NET POSITION

Net Position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position and is described below:

Net Investment in Capital Assets, describes the portion of Net Position 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 Position 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 and debt service requirements.

Unrestricted describes the portion of Net Position 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 (Council resolution) 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 (City Manager) 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, 2013, are below:

Fund Balance Classifications	General Fund	Gas Tax	Capital Projects	Other Governmental Funds	Total
Nonspendables:					
Items not in spendable form:					
Inventories	\$164,884				\$164,884
Prepaid expenses	13,686				13,686
Total Nonspendable Fund Balances	178,570				178,570
Restricted for:					
Gas Tax Projects		\$5,280,646			5,280,646
Capital Projects			\$5,690,065		5,690,065
Low and Moderate Income Housing Assets				\$6,903,576	6,903,576
Linda Vista Benefit Assessment				335,133	335,133
Traffic Safety				92,387	92,387
Grants				527,403	527,403
Total Restricted Fund Balances		5,280,646	5,690,065	7,858,499	18,829,210
Assigned to:					
Encumbrances	109,457				109,457
Operating Capital	12,000,000				12,000,000
Capital Projects			11,698,471		11,698,471
Total Assigned Fund Balances	12,109,457		11,698,471		23,807,928
Unassigned:					
General fund	11,522,227				11,522,227
Total Fund Balances	\$23,810,254	\$5,280,646	\$17,388,536	\$7,858,499	\$54,337,935

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 2013, the City made loans to 6 participants under this program and the CDBG loan program activity is as follows:

Beginning Balance	\$1,150,047
New loans	157,472
Loan repayments	<u>(176,846)</u>
Ending Balance	<u>\$1,130,673</u>

Note 13.

FUND DEFICIT

The Building Maintenance Internal Service Fund and the PERS Contributions Internal Service Fund had deficits amounting to \$400,150 and \$4,852,004 respectively at June 30, 2013. The deficits will be eliminated with future revenues.

Note 14.

ACTIVITIES OF THE SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Information presented in the following footnotes represents assets and liabilities of the Successor Agency.

A. CASH

Cash and investments of the Successor Agency as of June 30, 2013 are discussed in Note 1F above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2013.

B. DEVELOPMENT AGREEMENTS
7555 Mission Street (Habitat for Humanity)

In June of 2009, the Agency entered into a DDA with Habitat for Humanity Greater San Francisco (Habitat) to develop 36 units of affordable housing on an Agency-owned site located at 7555 Mission Street. The site is immediately adjacent to the Colma BART Station and consists of 30,000 square feet that was occupied by an auto repair shop and a car rental agency. Construction of the project began in August of 2010 and was completed in spring 2013.

Under the terms of the DDA, Habitat built 36 affordable condominium units. The 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 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 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 have been 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 is providing 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 were 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 project was \$17.5 million. As is typically the case with Habitat projects, a significant portion of this cost was covered through a major fundraising effort on the part of Habitat. The developer also pursued local fundraising as well as donated labor and materials. In addition, Habitat obtained grant funding for the project from outside agencies. In July 2008, Habitat received an award of \$1,756,000 from the State Proposition 1C Infill Program to finance construction of the parking podium within the proposed project. Overall, through its grant writing and fundraising efforts, Habitat raised approximately \$9.5 million of the project cost.

To ensure the overall financial feasibility of the project, the Agency provided funding in the amount of \$3,906,793 (\$3,007,983 for land and \$898,800 for development subsidy). In addition, the City provided a total of \$1,264,328 in federal HOME funds. HOME and Agency funds were provided in the form of 45-year zero interest loans.

Preparation of the site for the development included relocation of existing tenants, demolition, soil remediation and water infrastructure improvements. Overall, site preparation costs for tenant relocation, soil remediation, building demolition and water service improvements were 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.

The 7555 Mission Street units were constructed on a key transit-oriented site that was underutilized and somewhat neglected physically. Construction of 36 housing units at the site removed blight, set architectural standards for the area and provided greatly needed affordable housing.

C. LONG-TERM DEBT

On January 30, 2007, the City's former 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 is due fiscal 2017 and 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, 2013 is \$1,074,500, which consists of \$904,670 principal and \$169,830 accrued interest.

Annual debt service requirement is as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$904,670	\$267,083

D. PROPERTY HELD FOR REDEVELOPMENT

In fiscal year 2012, the Successor Agency assumed the property held for redevelopment from the City's former Redevelopment Agency in the amount of \$16,113,762. In fiscal year 2013, the Agency transferred \$3,366,888, the value associated with property at the northeast corner of the Martin and Carter Street intersection, to the Low and Moderate Income Housing Assets fund in order to continue and ensure comprehensive land planning and utilization of the property for the purpose of affordable housing.

Note 15.
EXTRAORDINARY ITEM

During the fiscal year ended June 30, 2013, the Successor Agency incurred a \$5,750,000 liability due to the State related to the dissolution of the former redevelopment agency. Of this amount, \$3,750,000 will be paid from general governmental activities and is recorded in the Statement of Net Position. \$2,000,000 will be paid out of the Water Utility Enterprise Fund. As of the date of this financial statement, the City is negotiating a payment plan with the California Department of Finance.

**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, 2013

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Rents and interest	\$65,388	(\$5,630)	(\$71,018)
Receipts from other agencies	75,000	27,671	(47,329)
Charges and fees	1,033,395	661,296	(372,099)
Miscellaneous	282,079	187,923	(94,156)
Total Revenues	1,455,862	871,260	(584,602)
EXPENDITURES			
Capital projects	3,211,929	662,790	2,549,139
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,756,067)	208,470	1,964,537
OTHER FINANCING SOURCES (USES)			
Transfers in	70,000	70,000	
Transfers out	(246,507)	(203,083)	43,424
Total Other Financing Sources (Uses)	(176,507)	(133,083)	43,424
NET CHANGE IN FUND BALANCES	(\$1,932,574)	75,387	\$2,007,961
BEGINNING FUND BALANCE		17,313,149	
ENDING FUND BALANCE		\$17,388,536	

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:

- Low and Moderate Income Housing Assets – to account for the activities of the Housing Successor Agency to the Daly City Redevelopment Agency.
- 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, 2013

SPECIAL REVENUE FUNDS

	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant
ASSETS			
Cash and investments	\$229,731	\$13,012	
Accounts receivable, net	5,082	10,149	\$155,992
Notes receivable			616,752
Property held for development	6,675,671		
Total Assets	<u>\$6,910,484</u>	<u>\$23,161</u>	<u>\$772,744</u>
LIABILITIES			
Accounts payable	\$160	\$16,814	\$82,918
Accrued payroll	948	6,347	3,667
Due to other funds			69,407
Deposits payable	5,800		
Total Liabilities	<u>6,908</u>	<u>23,161</u>	<u>155,992</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - loans			616,752
Total Liabilities and Deferred Inflows of Resources	<u>6,908</u>	<u>23,161</u>	<u>772,744</u>
FUND BALANCES			
Restricted	6,903,576		
Total Fund Balances	<u>6,903,576</u>		
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$6,910,484</u>	<u>\$23,161</u>	<u>\$772,744</u>

SPECIAL REVENUE FUNDS

Linda Vista Benefit Assessment	Traffic Safety	Grants	Total Nonmajor Governmental Funds
\$335,143	\$102,975 145	\$260,365 311,458 513,921	\$941,226 482,826 1,130,673 6,675,671
<u>\$335,143</u>	<u>\$103,120</u>	<u>\$1,085,744</u>	<u>\$9,230,396</u>
\$10	\$10,733	\$43,373 1,047	\$154,008 12,009 69,407 5,800
<u>10</u>	<u>10,733</u>	<u>44,420</u>	<u>241,224</u>
		<u>513,921</u>	<u>1,130,673</u>
<u>10</u>	<u>10,733</u>	<u>558,341</u>	<u>1,371,897</u>
<u>335,133</u>	<u>92,387</u>	<u>527,403</u>	<u>7,858,499</u>
<u>335,133</u>	<u>92,387</u>	<u>527,403</u>	<u>7,858,499</u>
<u>\$335,143</u>	<u>\$103,120</u>	<u>\$1,085,744</u>	<u>\$9,230,396</u>

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS		
	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant
REVENUES			
Rents and interest	\$63,050		
Federal programs and grants		\$132,216	\$1,051,544
Receipts from other agencies			
Charges and fees		264,159	
Miscellaneous	206,822	100,015	107,334
Total Revenues	269,872	496,390	1,158,878
EXPENDITURES			
Public safety			
Public works			
Culture and recreation		938,406	
Economic and community development	59,354		764,936
Debt service:			
Principal			212,000
Interest			181,942
Total Expenditures	59,354	938,406	1,158,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	210,518	(442,016)	
OTHER FINANCING SOURCES (USES)			
Transfers in		442,016	
Transfers out			
Total Other Financing Sources (Uses)		442,016	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	210,518		
EXTRAORDINARY ITEM			
Assets transferred from Successor Agency	3,366,888		
NET CHANGE IN FUND BALANCES	3,577,406		
BEGINNING FUND BALANCES	3,326,170		
ENDING FUND BALANCES	\$6,903,576		

SPECIAL REVENUE FUNDS

Linda Vista Benefit Assessment	Traffic Safety	Grants	Total Nonmajor Governmental Funds
(\$235)		\$295	\$63,110
		883,007	2,066,767
		430,521	430,521
40,466	\$48,608		353,233
	145	114,330	528,646
40,231	48,753	1,428,153	3,442,277
	76,209	835,566	911,775
19,687		350,843	19,687
		126,339	1,289,249
			950,629
			212,000
			181,942
19,687	76,209	1,312,748	3,565,282
20,544	(27,456)	115,405	(123,005)
		65,769	507,785
		(123,134)	(123,134)
		(57,365)	384,651
20,544	(27,456)	58,040	261,646
			3,366,888
20,544	(27,456)	58,040	3,628,534
314,589	119,843	469,363	4,229,965
\$335,133	\$92,387	\$527,403	\$7,858,499

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, 2013

	LOW AND MODERATE INCOME HOUSING ASSETS			DOELGER SENIOR CENTER		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest	\$74,400	\$63,050	(\$11,350)			
Federal programs and grants				\$129,391	\$132,216	\$2,825
Receipts from other agencies						
Charges and fees				289,500	264,159	(25,341)
Miscellaneous	2,850	206,822	203,972	100,000	100,015	15
Total Revenues	77,250	269,872	192,622	518,891	496,390	(22,501)
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				404,631	370,148	34,483
Services and supplies				548,966	564,403	(15,437)
Other charges				3,860	3,855	5
Total Culture and Recreation				957,457	938,406	19,051
Economic and Community Development						
Salaries and benefits	79,645	53,911	25,734			
Services and supplies	31,164	5,443	25,721			
Other charges						
Debt Service:						
Principal						
Interest						
Total Economic and Community Development	110,809	59,354	51,455			
Total Expenditures	110,809	59,354	51,455	957,457	938,406	19,051
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,559)	210,518	244,077	(438,566)	(442,016)	(3,450)
OTHER FINANCING SOURCES (USES)						
Transfers in				430,740	442,016	11,276
Transfers out						
Total Other Financing Sources (Uses)				430,740	442,016	11,276
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	(33,559)	210,518	244,077	(7,826)		7,826
EXTRAORDINARY ITEM						
Assets transferred from Successor Agency		3,366,888	3,366,888			
NET CHANGE IN FUND BALANCES	(\$33,559)	3,577,406	\$3,610,965	(\$7,826)		\$7,826
BEGINNING FUND BALANCES		3,326,170				
ENDING FUND BALANCES		\$6,903,576				

LINDA VISTA

COMMUNITY BLOCK GRANT			BENEFIT ASSESSMENT			TRAFFIC SAFETY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,580,319	\$1,051,544	(\$528,775)	\$3,000	(\$235)	(\$3,235)			
50,000	107,334	57,334	40,467	40,466	(1)	\$61,593	\$48,608	(\$12,985)
1,630,319	1,158,878	(471,441)	43,467	40,231	(3,236)	61,593	48,753	(12,840)
						13,598	10,275	3,323
						58,989	49,465	9,524
						15,000	11,162	3,838
						5,732	5,307	425
						93,319	76,209	17,110
			17,466	16,764	702			
			4,000	2,923	1,077			
			21,466	19,687	1,779			
377,390	379,798	(2,408)						
536,003	293,901	242,102						
322,984	91,237	231,747						
212,000	212,000							
181,942	181,942							
1,630,319	1,158,878	471,441						
1,630,319	1,158,878	471,441	21,466	19,687	1,779	93,319	76,209	17,110
			22,001	20,544	(1,457)	(31,726)	(27,456)	4,270
			22,001	20,544	(1,457)	(31,726)	(27,456)	4,270
			<u>\$22,001</u>	<u>20,544</u>	<u>(\$1,457)</u>	<u>(\$31,726)</u>	<u>(27,456)</u>	<u>\$4,270</u>
				314,589			119,843	
				<u>\$335,133</u>			<u>\$92,387</u>	

(Continued)

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, 2013

	GRANTS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Rents and interest		\$295	\$295
Federal programs and grants	\$2,480,650	883,007	(1,597,643)
Receipts from other agencies	674,458	430,521	(243,937)
Charges and fees			
Miscellaneous		114,330	114,330
Total Revenues	3,155,108	1,428,153	(1,726,955)
EXPENDITURES			
Public Safety			
Salaries and benefits	208,766	129,390	79,376
Services and supplies	899,009	623,361	275,648
Capital outlay	381,070	80,681	300,389
Other charges	4,648	2,134	2,514
Total Public Safety	1,493,493	835,566	657,927
Public Works			
Services and supplies			
Capital outlay			
Total Public Works			
Culture and Recreation			
Salaries and benefits	319,517	267,241	52,276
Services and supplies	80,352	83,602	(3,250)
Other charges			
Total Culture and Recreation	399,869	350,843	49,026
Economic and Community Development			
Salaries and benefits	46,422	35,453	10,969
Services and supplies	3,342	1,000	2,342
Other charges	1,137,989	89,886	1,048,103
Debt Service:			
Principal			
Interest			
Total Economic and Community Development	1,187,753	126,339	1,061,414
Total Expenditures	3,081,115	1,312,748	1,768,367
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	73,993	115,405	41,412
OTHER FINANCING SOURCES (USES)			
Transfers in	105,320	65,769	(39,551)
Transfers out	(123,216)	(123,134)	82
Total Other Financing Sources (Uses)	(17,896)	(57,365)	(39,469)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	56,097	58,040	1,943
EXTRAORDINARY ITEM			
Assets transferred from Successor Agency			
NET CHANGE IN FUND BALANCES	\$56,097	58,040	\$1,943
BEGINNING FUND BALANCES		469,363	
ENDING FUND BALANCES		\$527,403	

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 FUND NET POSITION
JUNE 30, 2013

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$2,186,041	\$1,117,273	\$3,303,314
Accounts receivable, net	<u>22,074</u>	<u>1,101</u>	<u>23,175</u>
Total Current Assets	<u>2,208,115</u>	<u>1,118,374</u>	<u>3,326,489</u>
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	<u>936,705</u>	<u>20,912</u>	<u>957,617</u>
Total Capital Assets	<u>8,201,195</u>	<u>1,298,574</u>	<u>9,499,769</u>
Less accumulated depreciation	<u>(3,573,362)</u>	<u>(1,030,015)</u>	<u>(4,603,377)</u>
Net Capital Assets	<u>4,627,833</u>	<u>268,559</u>	<u>4,896,392</u>
Total Assets	<u>6,835,948</u>	<u>1,386,933</u>	<u>8,222,881</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	<u>10,252</u>	<u>14,991</u>	<u>25,243</u>
NET POSITION			
Net investment in capital assets	4,627,833	268,559	4,896,392
Unrestricted	<u>2,197,863</u>	<u>1,103,383</u>	<u>3,301,246</u>
Total Net Position	<u>\$6,825,696</u>	<u>\$1,371,942</u>	<u>\$8,197,638</u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$671,556		\$671,556
Lease revenue		\$375,000	375,000
Other revenues	45,894	99,374	145,268
Total Operating Revenues	<u>717,450</u>	<u>474,374</u>	<u>1,191,824</u>
OPERATING EXPENSES			
Services and supplies	522,955	124,181	647,136
Utilities	89,054		89,054
Insurance	6,687	2,832	9,519
Depreciation	190,694	29,607	220,301
Total Operating Expenses	<u>809,390</u>	<u>156,620</u>	<u>966,010</u>
Operating Income	<u>(91,940)</u>	<u>317,754</u>	<u>225,814</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	(854)		(854)
Income (Loss) Before Transfers	(92,794)	317,754	224,960
Transfers out	(260,937)	(470,856)	(731,793)
Change in Net Position	(353,731)	(153,102)	(506,833)
BEGINNING NET POSITION	<u>7,179,427</u>	<u>1,525,044</u>	<u>8,704,471</u>
ENDING NET POSITION	<u>\$6,825,696</u>	<u>\$1,371,942</u>	<u>\$8,197,638</u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Civic Center	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$778,810	\$474,575	\$1,253,385
Payments to suppliers	(620,654)	(112,022)	(732,676)
Cash Flows from Operating Activities	158,156	362,553	520,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(260,937)	(470,856)	(731,793)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	(854)		(854)
Net Cash Flows	(103,635)	(108,303)	(211,938)
Cash and investments at beginning of period	2,289,676	1,225,576	3,515,252
Cash and investments at end of period	<u>\$2,186,041</u>	<u>\$1,117,273</u>	<u>\$3,303,314</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	(\$91,940)	\$317,754	\$225,814
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	190,694	29,607	220,301
Change in assets and liabilities:			
Accounts receivable	61,360	201	61,561
Accounts payable	(1,958)	14,991	13,033
Cash Flows from Operating Activities	\$158,156	\$362,553	\$520,709

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 Position. 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 providing 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 POSITION
JUNE 30, 2013

	Motor Vehicles	Central Services	PBX	Building Maintenance
ASSETS				
Current Assets:				
Cash and investments	\$3,339,509	\$453,229	\$565,985	\$460,254
Cash with fiscal agent				
Accounts receivable, net	13,852			
Inventories	77,968			8,683
Total Current Assets	3,431,329	453,229	565,985	468,937
Long-Term Assets:				
Prepaid PERS contribution				
Capital Assets:				
Land				
Buildings	35,817			
Equipment	13,063,252		577,187	50,417
Furniture and fixtures				6,093
Construction in progress				
Total Capital Assets	13,099,069		577,187	56,510
Less Accumulated Depreciation	(8,305,701)		(511,278)	(51,610)
Net Capital Assets	4,793,368		65,909	4,900
Total Assets	8,224,697	453,229	631,894	473,837
LIABILITIES				
Current Liabilities:				
Accounts payable	44,509		9,863	41,620
Accrued payroll	9,635	1,381		31,369
Interest payable				
Accrued claims payable				
PERS obligation bonds				
Total Current Liabilities	54,144	1,381	9,863	72,989
Long-Term Liabilities:				
Compensated absences	41,278			274,706
Accrued claims payable				
OPEB Obligation	156,057	43,692		526,292
PERS obligation bonds				
Total Long-Term Liabilities	197,335	43,692		800,998
Total Liabilities	251,479	45,073	9,863	873,987
NET POSITION				
Net investment in capital assets	4,793,368		65,909	4,900
Restricted for debt service				
Unrestricted	3,179,850	408,156	556,122	(405,050)
Total Net Position (Deficit)	\$7,973,218	\$408,156	\$622,031	(\$400,150)

Information Services	Self-Insurance	PERS Contributions	Total
\$2,137,171	\$6,641,822	\$1,513,123	\$15,111,093
		35	35
	32,424		46,276
			86,651
<u>2,137,171</u>	<u>6,674,246</u>	<u>1,513,158</u>	<u>15,244,055</u>
		<u>23,589,725</u>	<u>23,589,725</u>
	378,343		378,343
			35,817
3,222,949			16,913,805
46,614			52,707
56,309			56,309
<u>3,325,872</u>	<u>378,343</u>		<u>17,436,981</u>
<u>(2,215,668)</u>			<u>(11,084,257)</u>
<u>1,110,204</u>	<u>378,343</u>		<u>6,352,724</u>
<u>3,247,375</u>	<u>7,052,589</u>	<u>25,102,883</u>	<u>45,186,504</u>
43,097	14,391		153,480
19,403	2,746		64,534
		144,887	144,887
	2,093,018		2,093,018
		1,430,000	1,430,000
<u>62,500</u>	<u>2,110,155</u>	<u>1,574,887</u>	<u>3,885,919</u>
95,917	77,550		489,451
	4,208,000		4,208,000
134,889			860,930
		28,380,000	28,380,000
<u>230,806</u>	<u>4,285,550</u>	<u>28,380,000</u>	<u>33,938,381</u>
<u>293,306</u>	<u>6,395,705</u>	<u>29,954,887</u>	<u>37,824,300</u>
1,110,204	378,343		6,352,724
		35	35
<u>1,843,865</u>	<u>278,541</u>	<u>(4,852,039)</u>	<u>1,009,445</u>
<u>\$2,954,069</u>	<u>\$656,884</u>	<u>(\$4,852,004)</u>	<u>\$7,362,204</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Motor Vehicles	Central Services	PBX	Building Maintenance
OPERATING REVENUES				
Charges to City departments	\$3,275,904	\$171,192	\$141,792	\$3,550,000
Other revenues	105,132		853	24,905
Total Operating Revenues	3,381,036	171,192	142,645	3,574,905
OPERATING EXPENSES				
Salaries and benefits	796,682	68,065		2,515,698
Services and supplies	1,337,707	119,666	54,205	718,186
Utilities	23,938	86	126,711	192,629
Insurance	289,386	114		3,021
Claims and settlements				
Depreciation	920,830		25,090	1,826
Other charges	182	926	1,680	
Total Operating Expenses	3,368,725	188,857	207,686	3,431,360
Operating Income (Loss)	12,311	(17,665)	(65,041)	143,545
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	10,731			
Amortization				
Interest income	(5,199)	(906)	(205)	(775)
Interest expense				
Total Nonoperating Revenues (Expenses)	5,532	(906)	(205)	(775)
Income (Loss) Before Transfers	17,843	(18,571)	(65,246)	142,770
Transfers in	535,168	26,200		
Transfers out	(79,461)	(2,721)	(11,362)	(134,283)
Net Transfers	455,707	23,479	(11,362)	(134,283)
Change in Net Position	473,550	4,908	(76,608)	8,487
BEGINNING NET POSITION (DEFICITS)	7,499,668	403,248	698,639	(408,637)
ENDING NET POSITION (DEFICITS)	\$7,973,218	\$408,156	\$622,031	(\$400,150)

Information Services	Self-Insurance	PERS Contributions	Total
\$2,517,063	\$3,594,923	\$2,567,097	\$15,817,971
150	91,302		222,342
<u>2,517,213</u>	<u>3,686,225</u>	<u>2,567,097</u>	<u>16,040,313</u>
1,463,735	194,001		5,038,181
495,577	251,319	7,157	2,983,817
30,035	589		373,988
143	768,040		1,060,704
	2,119,323		2,119,323
300,921			1,248,667
334,645	866		338,299
<u>2,625,056</u>	<u>3,334,138</u>	<u>7,157</u>	<u>13,162,979</u>
(107,843)	352,087	2,559,940	2,877,334
			10,731
		(1,775,572)	(1,775,572)
(385)	(3,214)	35	(10,649)
		(1,799,720)	(1,799,720)
<u>(385)</u>	<u>(3,214)</u>	<u>(3,575,257)</u>	<u>(3,575,210)</u>
<u>(108,228)</u>	<u>348,873</u>	<u>(1,015,317)</u>	<u>(697,876)</u>
177,296			738,664
(218,512)	(190,766)		(637,105)
<u>(41,216)</u>	<u>(190,766)</u>		<u>101,559</u>
(149,444)	158,107	(1,015,317)	(596,317)
<u>3,103,513</u>	<u>498,777</u>	<u>(3,836,687)</u>	<u>7,958,521</u>
<u>\$2,954,069</u>	<u>\$656,884</u>	<u>(\$4,852,004)</u>	<u>\$7,362,204</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Motor Vehicles	Central Services	PBX	Building Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,380,346	\$171,192	\$142,645	\$3,574,905
Payments to suppliers	(1,642,595)	(122,404)	(183,643)	(898,759)
Payments to employees	(766,716)	(71,465)		(2,386,840)
Claims paid				
Cash Flows from (used for) Operating Activities	971,035	(22,677)	(40,998)	289,306
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Transfers in	535,168	26,200		
Transfers out	(79,461)	(2,721)	(11,362)	(134,283)
Cash Flows from (used for) Noncapital Financing Activities	455,707	23,479	(11,362)	(134,283)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(763,324)		(86,394)	(3,295)
Interfund transfer of capital assets		34,395		
Proceeds from sale of capital assets	10,731			
Cash Flows from (used for) Capital and Related Financing Activities	(752,593)	34,395	(86,394)	(3,295)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	(5,199)	(906)	(206)	(774)
Net Cash Flows	668,950	34,291	(138,960)	150,954
Cash and investments at beginning of period	2,670,559	418,938	704,945	309,300
Cash and investments at end of period	<u>\$3,339,509</u>	<u>\$453,229</u>	<u>\$565,985</u>	<u>\$460,254</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$12,311	(\$17,665)	(\$65,041)	\$143,545
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	920,830		25,090	1,826
Change in assets and liabilities:				
Receivables, net	(690)			
Inventories	26,811			2,734
Accounts payable	(18,193)	(1,612)	(1,047)	12,343
Accrued claims payable				
Accrued payroll	(30)	5		2,170
Compensated absences	18,103			10,914
OPEB obligation	11,893	(3,405)		115,774
Cash Flows from (used for) Operating Activities	\$971,035	(\$22,677)	(\$40,998)	\$289,306

Information Services	Self-Insurance	PERS Contributions	Total
\$2,517,559	\$3,729,069	\$2,567,097	\$16,082,813
(828,550)	(1,008,495)	(7,157)	(4,691,603)
(1,437,523)	(197,227)		(4,859,771)
	(2,000,837)		(2,000,837)
<u>251,486</u>	<u>522,510</u>	<u>2,559,940</u>	<u>4,530,602</u>
		(1,250,000)	(1,250,000)
		(1,805,274)	(1,805,274)
177,296			738,664
(218,512)	(190,766)		(637,105)
<u>(41,216)</u>	<u>(190,766)</u>	<u>(3,055,274)</u>	<u>(2,953,715)</u>
(127,300)			(980,313)
(34,395)			10,731
<u>(161,695)</u>			<u>(969,582)</u>
(385)	(3,214)	35	(10,649)
48,190	328,530	(495,299)	596,656
<u>2,088,981</u>	<u>6,313,292</u>	<u>2,008,457</u>	<u>14,514,472</u>
<u>\$2,137,171</u>	<u>\$6,641,822</u>	<u>\$1,513,158</u>	<u>\$15,111,128</u>
(\$107,843)	\$352,087	\$2,559,940	\$2,877,334
300,921			1,248,667
346	42,844		42,500
			29,545
31,850	12,319		35,660
	118,486		118,486
138			2,283
(5,705)	(3,226)		20,086
<u>31,779</u>			<u>156,041</u>
<u>\$251,486</u>	<u>\$522,510</u>	<u>\$2,559,940</u>	<u>\$4,530,602</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 the 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 whose mission is to promote and facilitate collaborative effects to ensure that all members of the Daly City community have access to health, education and social services.

CITY OF DALY CITY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>Billing Services</u>				
<u>Assets</u>				
Cash and investments	\$972,782	\$13,087,383	\$12,881,368	\$1,178,797
Receivables	989,288	2,582,174	2,590,199	981,263
Total Assets	<u>\$1,962,070</u>	<u>\$15,669,557</u>	<u>\$15,471,567</u>	<u>\$2,160,060</u>
<u>Liabilities</u>				
Accounts payable	<u>\$1,962,070</u>	<u>\$16,614,865</u>	<u>\$16,416,875</u>	<u>\$2,160,060</u>
 <u>PTCRA</u>				
<u>Assets</u>				
Cash and investments	\$62,053	\$3,245,230	\$3,131,947	\$175,336
Receivables	481,535	546,501	481,535	546,501
Other assets	7,913	54,102	4,519	57,496
Total Assets	<u>\$551,501</u>	<u>\$3,845,833</u>	<u>\$3,618,001</u>	<u>\$779,333</u>
<u>Liabilities</u>				
Accounts payable	\$179,122	\$2,248,247	\$2,242,885	\$184,484
Due to others	372,379	3,314,790	3,092,320	594,849
Total Liabilities	<u>\$551,501</u>	<u>\$5,563,037</u>	<u>\$5,335,205</u>	<u>\$779,333</u>
 <u>SMPHESG</u>				
<u>Assets</u>				
Cash and investments	\$834,767	\$3,676,923	\$3,845,990	\$665,700
Receivables		333,062		333,062
Other assets		1,021		1,021
Total Assets	<u>\$834,767</u>	<u>\$4,011,006</u>	<u>\$3,845,990</u>	<u>\$999,783</u>
<u>Liabilities</u>				
Accounts payable	\$28,188	\$3,551,944	\$3,520,537	\$59,595
Due to others	806,579	4,142,563	4,008,954	940,188
Total Liabilities	<u>\$834,767</u>	<u>\$7,694,507</u>	<u>\$7,529,491</u>	<u>\$999,783</u>

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	\$151,887	\$218,250	\$194,641	\$175,496
<u>Liabilities</u>				
Accounts payable	\$6,922	\$68,472	\$70,496	\$4,898
Due to others	144,965	215,679	190,046	170,598
Total Liabilities	\$151,887	\$284,151	\$260,542	\$175,496
<u>Peninsula Partnership</u>				
<u>Assets</u>				
Cash and investments	\$149,175	\$1,039,609	\$1,085,255	\$103,529
Receivables	181,707	214,697	181,707	214,697
Other assets		2,122		2,122
Total Assets	\$330,882	\$1,256,428	\$1,266,962	\$320,348
<u>Liabilities</u>				
Accounts payable	\$18,990	\$224,024	\$220,183	\$22,831
Due to others	311,892	1,070,298	1,084,673	297,517
Total Liabilities	\$330,882	\$1,294,322	\$1,304,856	\$320,348
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$2,170,664	\$21,267,395	\$21,139,201	\$2,298,858
Receivables	1,652,530	3,676,434	3,253,441	2,075,523
Other assets	7,913	57,245	4,519	60,639
Total Assets	\$3,831,107	\$25,001,074	\$24,397,161	\$4,435,020
<u>Liabilities</u>				
Accounts payable	\$2,195,292	\$22,707,552	\$22,470,976	\$2,431,868
Due to others	1,635,815	8,743,330	8,375,993	2,003,152
Total Liabilities	\$3,831,107	\$31,450,882	\$30,846,969	\$4,435,020



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 Position by Component
2. Changes in Net Position
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 - Debt Service Coverage Schedule

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

STATISTICAL SECTION - (Continued)
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Operating Information

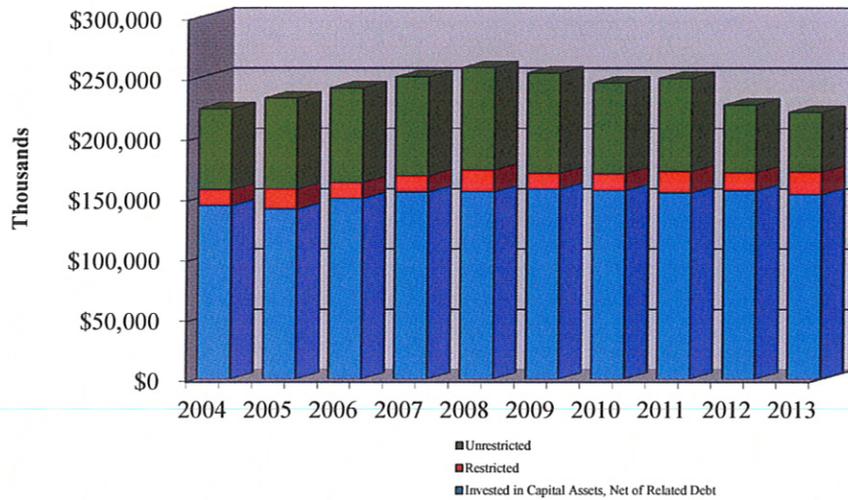
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF DALY CITY
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)



	2004	2005	2006	2007	2008
Governmental activities					
Net investment in capital asset	\$79,115,127	\$83,777,323	\$90,109,445	\$93,379,579	\$92,883,528
Restricted	12,231,497	7,361,686	6,304,192	9,032,201	13,869,264
Unrestricted	49,372,484	55,142,657	57,663,215	57,260,439	54,502,547
Total governmental activities net position	\$140,719,108	\$146,281,666	\$154,076,852	\$159,672,219	\$161,255,339
Business-type activities					
Net investment in capital asset	\$64,624,867	\$57,054,050	\$59,625,501	\$61,675,498	\$62,401,418
Restricted	1,047,605	9,252,661	6,978,418	4,371,497	4,218,833
Unrestricted	17,813,030	20,407,241	20,678,496	24,848,980	30,305,199
Total business-type activities net position	\$83,485,502	\$86,713,952	\$87,282,415	\$90,895,975	\$96,925,450
Primary government					
Net investment in capital asset	\$143,739,994	\$140,831,373	\$149,734,946	\$155,055,077	\$155,284,946
Restricted	13,279,102	16,614,347	13,282,610	13,403,698	18,088,097
Unrestricted	67,185,514	75,549,898	78,341,711	82,109,419	84,807,746
Total primary government net position	\$224,204,610	\$232,995,618	\$241,359,267	\$250,568,194	\$258,180,789
Governmental activities					
Net investment in capital asset	\$91,354,782	\$90,670,525	\$87,925,557	\$87,549,833	\$85,483,907
Restricted	13,104,841	13,931,086	17,883,253	15,053,531	18,829,245
Unrestricted	51,980,355	43,329,957	40,494,570	23,884,922	18,898,618
Total governmental activities net position	\$156,439,978	\$147,931,568	\$146,303,380	\$126,488,286	\$123,211,770
Business-type activities					
Net investment in capital asset	\$66,137,475	\$65,670,580	\$66,344,770	\$68,587,946	\$67,479,305
Restricted	4,597				
Unrestricted	31,253,864	32,019,212	36,653,957	32,290,613	30,663,259
Total business-type activities net position	\$97,395,936	\$97,689,792	\$102,998,727	\$100,878,559	\$98,142,564
Primary government					
Net investment in capital asset	\$157,492,257	\$156,341,105	\$154,270,327	\$156,137,779	\$152,963,212
Restricted	13,109,438	13,931,086	17,883,253	15,053,531	18,829,245
Unrestricted	83,234,219	75,349,169	77,148,527	56,175,535	49,561,877
Total primary government net position	\$253,835,914	\$245,621,360	\$249,302,107	\$227,366,845	\$221,354,334

CITY OF DALY CITY
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

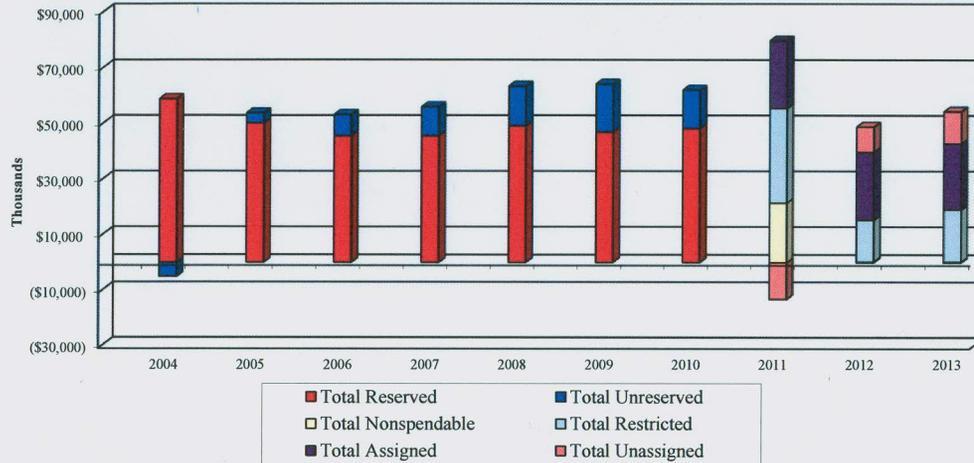
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$7,049,253	\$7,864,080	\$8,170,802	\$7,444,142	\$8,370,140	\$9,401,885	\$94,350,028	\$9,269,313	\$10,260,757	\$8,823,639
Public safety	31,706,399	36,824,085	34,815,945	39,270,270	41,515,902	42,404,296	44,054,707	42,429,411	45,511,296	44,910,136
Public works	5,808,559	6,454,908	7,099,777	6,429,613	6,277,793	6,526,712	5,725,707	6,350,402	5,406,051	5,064,375
Streets and infrastructure	2,296,403	2,647,535	2,346,510	3,567,017	4,496,272	3,823,885	3,661,752	3,133,030	3,395,911	4,114,332
Culture and recreation	12,118,778	12,239,462	14,319,938	14,817,138	17,185,257	17,045,290	18,130,986	16,181,808	14,415,687	13,811,273
Economic and community development	6,718,322	8,509,016	10,254,528	8,033,736	6,802,421	9,274,398	9,395,160	8,581,051	5,654,736	4,661,549
Nondepartmental	277,871	304,420	275,911	287,243						
Interest on long term debt	667,851	626,872	1,058,505	1,640,993	1,926,468	1,498,377	376,641	361,793	335,549	177,561
Total governmental activities expenses	66,643,436	75,470,378	78,341,916	81,490,152	86,574,253	89,974,843	90,779,981	86,306,808	84,979,987	81,562,865
Business-type activities:										
Water	9,026,033	9,254,676	8,759,733	9,287,617	10,777,580	11,496,966	11,230,423	10,537,952	13,460,939	15,266,033
Civic center	654,354	675,630	606,319	615,099	598,634	749,560	717,905	681,758	686,051	813,497
Transfer station	1,291,865	1,290,494	1,514,890	1,322,444	1,005,081	65,987	54,118	98,655	48,926	151,582
Sanitation district	11,672,157	13,079,301	14,633,188	14,084,248	15,506,062	17,006,931	16,742,058	15,710,913	18,587,421	16,663,492
Total business-type activities expenses	22,644,409	24,300,101	25,514,130	25,309,408	27,887,357	29,319,444	28,744,504	27,029,278	32,783,337	32,894,604
Total primary government expenses	\$89,287,845	\$99,770,479	\$103,856,046	\$106,799,560	\$114,461,610	\$119,294,287	\$119,524,485	\$113,336,086	\$117,763,324	\$114,457,469
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$143,481	\$166,527	\$221,542	\$96,257	\$111,829	\$117,873	\$128,702	\$540,836	\$764,719	\$753,748
Public safety	4,066,392	4,285,174	4,456,640	4,029,069	3,676,585	4,953,076	4,939,418	4,689,990	4,685,400	4,415,226
Public works	1,849,348	1,967,014	1,736,993	1,176,476	959,193	1,123,139	1,431,784	1,533,714	1,259,803	1,313,510
Streets and infrastructure	998,664	1,140,519	967,326	1,111,118	1,076,212	1,247,967	907,565	1,219,820	953,473	1,009,844
Culture and recreation	2,810,198	2,731,652	2,483,548	2,674,550	2,848,327	2,975,580	2,567,160	2,732,104	2,913,641	2,723,265
Economic and community development	2,143,008	2,459,591	2,386,374	2,673,444	2,333,758	2,717,488	2,135,626	2,070,063	2,095,455	2,374,804
Nondepartmental	932,656	2,145,568	352,195	795,596	\$454,839	462,733	341,860			
Operating grants and contributions	8,504,372	10,036,375	11,296,078	10,128,248	9,780,388	7,310,809	7,391,970	10,608,563	8,189,627	7,356,801
Capital grants and contributions	597,162	1,173,226	4,628,183	1,504,218	2,306,965	534,330	2,271,751	1,744,640	3,421,710	763,676
Total governmental activities program revenues	22,045,281	26,105,646	28,528,879	24,188,976	23,548,096	21,442,995	22,115,836	25,139,730	24,283,828	20,710,874
Business-type activities:										
Charges for services:										
Water	10,914,100	11,206,380	10,930,958	12,030,977	12,960,840	12,752,887	12,272,749	13,014,097	14,625,062	16,357,654
Civic center	892,122	918,213	933,137	959,500	985,189	1,011,711	805,391	831,384	759,286	671,556
Transfer station	1,615,257	1,613,410	1,616,423	1,622,442	2,086,047	375,000	375,000	375,000	375,000	375,000
Sanitation district	13,269,512	14,191,177	13,900,269	15,273,552	16,858,914	16,410,870	15,851,654	15,731,505	15,018,052	15,600,570
Capital grants and contributions		1,426,912								
Total business-type activities program revenues	26,690,991	29,356,092	27,380,787	29,886,471	32,890,990	30,550,468	29,304,794	29,951,986	30,777,400	33,004,780
Total primary government program revenues	\$48,736,272	\$55,461,738	\$55,909,666	\$54,075,447	\$56,439,086	\$51,993,463	\$51,420,630	\$55,091,716	\$55,061,228	\$53,715,654
Net (Expense)/Revenue										
Governmental activities	(\$44,598,155)	(\$49,364,732)	(\$49,813,037)	(\$57,301,176)	(\$63,026,157)	(\$68,531,848)	(\$68,664,145)	(\$61,167,078)	(\$60,696,159)	(\$60,851,991)
Business-type activities	4,046,582	5,055,991	1,866,657	4,577,063	5,003,633	1,231,024	560,290	2,922,708	(2,005,937)	110,176
Total primary government net expense	(\$40,551,573)	(\$44,308,741)	(\$47,946,380)	(\$52,724,113)	(\$58,022,524)	(\$67,300,824)	(\$68,103,855)	(\$58,244,370)	(\$62,702,096)	(\$60,741,815)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$15,822,888	\$23,567,900	\$25,918,087	\$28,283,735	\$30,646,825	\$30,964,095	\$29,262,868	\$29,886,156	\$27,903,523	\$24,682,775
Sales taxes	8,972,708	9,294,700	9,619,289	10,677,978	11,411,106	10,520,797	9,016,619	10,178,386	10,638,574	11,619,157
Utility users tax	5,467,435	5,644,684	6,132,745	6,312,871	6,875,368	6,870,869	6,779,160	6,635,130	6,532,361	6,528,566
Franchise fees	2,471,180	2,534,935	2,680,415	2,736,020	2,788,859	3,378,546	3,432,346	3,471,922	3,500,118	3,544,075
Other taxes	2,068,815	2,232,036	3,877,653	3,918,576	3,919,957	4,134,141	3,962,240	4,189,893	4,203,616	4,756,255
Motor vehicle in-lieu	4,803,122	682,042	726,666	569,826	470,726	362,136	315,203	493,293	109,179	45,981
Investment earnings	713,346	2,024,600	2,530,208	4,259,540	4,013,587	1,703,334	960,155	711,989	1,018,793	12,330
Other revenues	373,413	4,352,038	1,566,401	2,028,616	2,514,957	2,700,781	3,706,703	3,313,961	3,180,451	3,758,739
Transfers	4,209,488	4,594,355	4,556,759	4,109,381	1,967,892	3,081,788	2,720,441	658,160	2,800,581	3,010,709
Extraordinary item									(19,006,131)	(383,112)
Total government activities	44,902,395	54,927,290	57,608,223	62,896,543	64,609,277	63,716,487	60,155,735	59,538,890	40,881,065	57,575,475
Business-type activities:										
Property taxes	1,026,537	1,136,181	1,188,249	1,300,831	1,389,793	1,452,957	1,376,028	1,377,982	1,433,604	1,470,340
Investment earnings	123,277	727,399	843,264	1,224,333	1,138,848	311,498	486,593	413,972	534,239	(23,403)
Other revenues	1,498,984	903,234	1,227,052	620,714	465,093	556,795	591,386	1,252,433	704,506	715,729
Sale of property									14,001	1,872
Transfers	(4,209,488)	(4,594,355)	(4,556,759)	(4,109,381)	(1,967,892)	(3,081,788)	(2,720,441)	(658,160)	(2,800,581)	(3,010,709)
Extraordinary item										(2,000,000)
Total business-type activities	(1,560,690)	(1,827,541)	(1,298,194)	(963,503)	1,025,842	(760,538)	(266,434)	2,386,227	(114,231)	(2,846,171)
Total primary government	\$43,341,705	\$53,099,749	\$56,310,029	\$61,933,040	\$65,635,119	\$62,955,949	\$59,889,301	\$61,925,117	\$40,766,834	\$54,729,304
Change in Net Position										
Governmental activities	\$304,240	\$5,562,558	\$7,795,186	\$5,595,367	\$1,583,120	(\$4,815,361)	(\$8,508,410)	(\$1,628,188)	(\$19,815,094)	(\$3,276,516)
Business-type activities	2,485,892	3,228,450	568,463	3,613,560	6,029,475	470,486	293,856	5,308,935	(2,120,168)	(2,735,995)
Total primary government	\$2,790,132	\$8,791,008	\$8,363,649	\$9,208,927	\$7,612,595	(\$4,344,875)	(\$8,214,554)	\$3,680,747	(\$21,935,262)	(\$6,012,511)



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



	2004	2005	2006	2007	2008	2009	2010	(b)		
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$20,204,534	\$21,342,822	\$21,757,037	\$21,610,095	\$21,565,875	\$21,566,507	\$21,460,127			
Unreserved	11,843,779	14,448,324	17,954,473	20,026,623	21,845,434	21,782,963	20,817,474			
Nonspendable								\$21,438,707	\$238,031	\$178,570
Assigned								12,229,191	12,249,286	12,109,457
Unassigned								9,265,602	9,039,548	11,522,227
Total General Fund	\$32,048,313	\$35,791,146	\$39,711,510	\$41,636,718	\$43,411,309	\$43,349,470	\$42,277,601	\$42,933,500	\$21,526,865	\$23,810,254 (a)
All Other Governmental Funds										
Reserved	\$38,657,154	\$28,849,256	\$23,828,456	\$23,997,000	\$27,576,108	\$25,361,720	\$26,791,488			
Unreserved, reported in:										
Special revenue funds	(26,551,366)	(26,358,019)	(28,624,382)	(28,488,626)	(23,682,598)	(20,036,126)	(20,313,715)			
Capital project funds	9,609,432	15,490,285	18,259,088	18,780,851	16,075,592	15,423,021	13,238,998			
Restricted								\$34,018,497	\$15,053,292	\$18,829,210
Assigned								11,973,786	12,211,293	11,698,471
Unassigned								(22,559,924)		
Total all other governmental funds	\$21,715,220	\$17,981,522	\$13,463,162	\$14,289,225	\$19,969,102	\$20,748,615	\$19,716,771	\$23,432,359	\$27,264,585	\$30,527,681 (a)
All Governmental Funds										
Total Reserved	\$58,861,688	\$50,192,078	\$45,585,493	\$45,607,095	\$49,141,983	\$46,928,227	\$48,251,615			
Total Unreserved	(5,098,155)	3,580,590	7,589,179	10,318,848	14,238,428	17,169,858	13,742,757			
Total Nonspendable								\$21,438,707	\$238,031	\$178,570
Total Restricted								34,018,497	15,053,292	18,829,210
Total Assigned								24,202,977	24,460,579	23,807,928
Total Unassigned								(13,294,322)	9,039,548	11,522,227
Total All Governmental Funds	\$53,763,533	\$53,772,668	\$53,174,672	\$55,925,943	\$63,380,411	\$64,098,085	\$61,994,372	\$66,365,859	\$48,791,450	\$54,337,935

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

(b) 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)

	2004	2005	2006	2007
Revenues				
Taxes	\$42,083,182	\$46,437,398	\$51,409,010	\$54,942,019
Licenses, permits and fees	1,538,705	1,840,586	1,779,575	1,850,696
Fines and forfeitures	2,584,331	2,584,993	2,527,979	2,106,353
Use of money and property	3,973,562	4,134,619	3,682,476	5,069,211
Intergovernmental revenues	6,294,903	7,334,878	11,217,670	8,267,077
Charges for services	7,407,716	7,576,630	7,347,459	7,037,911
Other	2,086,069	5,286,001	6,594,371	3,129,369
Total Revenues	65,968,468	75,195,105	84,558,540	82,402,636
Expenditures				
Current:				
General government	6,275,456	7,885,826	7,867,397	7,483,067
Public safety	29,348,401	34,599,971	34,747,286	37,591,200
Public works	5,554,845	5,838,199	6,111,691	5,766,831
Culture and recreation	11,422,401	11,050,212	12,132,440	13,361,317
Community development	6,728,371	8,437,272	14,053,768	8,089,467
Capital projects	9,358,983	13,750,189	12,009,663	9,754,278
Debt service:				
Principal repayment	100,023	104,714	361,522	256,767
Interest and fiscal charges	667,851	626,872	1,058,505	1,519,210
Total Expenditures	69,456,331	82,293,255	88,342,272	83,822,137
Excess (deficiency) of revenues over (under) expenditures	(3,487,863)	(7,098,150)	(3,783,732)	(1,419,501)
Other Financing Sources (Uses)				
Sale of property				
Transfers in	11,814,022	12,124,753	8,833,353	8,718,603
Transfers out	(7,631,875)	(7,583,837)	(6,658,468)	(5,769,183)
Loan proceeds	4,500,000			904,670
Sale of capital assets	1,191	2,566,369	1,010,851	316,682
Total other financing sources (uses)	8,683,338	7,107,285	3,185,736	4,170,772
Residual equity transfer out				
GASB 34 Implementation adjustment				
Extraordinary items				
Assets transferred to/liabilities assumed by Successor Agency				
Net Change in fund balances	\$5,195,475	\$9,135	(\$597,996)	\$2,751,271
Debt service as a percentage of noncapital expenditures	1.3%	1.1%	1.8%	2.4%

For the Fiscal Year Ended June 30,

2008	2009	2010	2011	2012	2013
\$58,503,214	\$58,265,663	\$55,022,812	\$58,097,799	\$56,413,948	\$54,183,995
1,558,126	1,728,788	1,399,042	1,468,663	1,409,698	1,578,457
1,986,902	2,638,628	2,842,822	2,772,583	2,440,465	2,420,754
5,837,640	4,223,929	4,578,244	4,333,962	3,132,897	1,050,149
8,736,129	4,887,424	6,336,813	7,527,353	7,267,441	4,366,743
6,853,338	8,133,070	7,517,777	8,505,783	7,637,246	7,479,277
3,202,504	3,590,101	4,159,677	3,583,288	4,044,012	4,748,815
86,677,853	83,467,603	81,857,187	86,289,431	82,345,707	75,828,190
7,664,184	8,464,269	8,449,067	8,612,120	8,682,126	8,194,893
40,150,051	41,096,189	41,391,460	41,115,067	42,226,973	42,150,729
5,790,515	5,627,447	5,384,642	5,136,940	4,995,361	4,726,801
14,189,456	14,993,277	13,571,549	13,078,179	12,650,231	12,105,970
6,854,996	9,193,905	9,258,231	8,900,024	5,773,301	4,666,975
6,209,739	4,645,217	7,205,608	5,502,027	6,977,961	4,336,490
272,150	287,785	305,684	323,861	2,679,000	212,000
1,906,552	1,479,099	848,328	490,281	312,381	181,942
83,037,643	85,787,188	86,414,569	83,158,499	84,297,334	76,575,800
3,640,210	(2,319,585)	(4,557,382)	3,130,932	(1,951,627)	(747,610)
7,413,734	7,164,378	6,811,899	6,490,408	5,787	18,057
(6,079,476)	(4,127,119)	(4,358,230)	(5,249,853)	5,753,543	5,812,723
2,480,000				(2,838,147)	(2,903,573)
3,814,258	3,037,259	2,453,669	1,240,555	2,921,183	2,927,207
				(18,543,965)	3,366,888
\$7,454,468	\$717,674	(\$2,103,713)	\$4,371,487	(\$17,574,409)	\$5,546,485
2.8%	2.1%	1.4%	1.0%	4.0%	0.5%

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



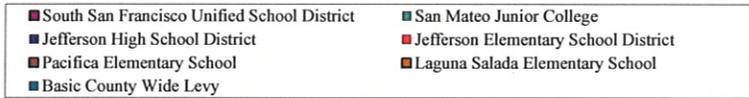
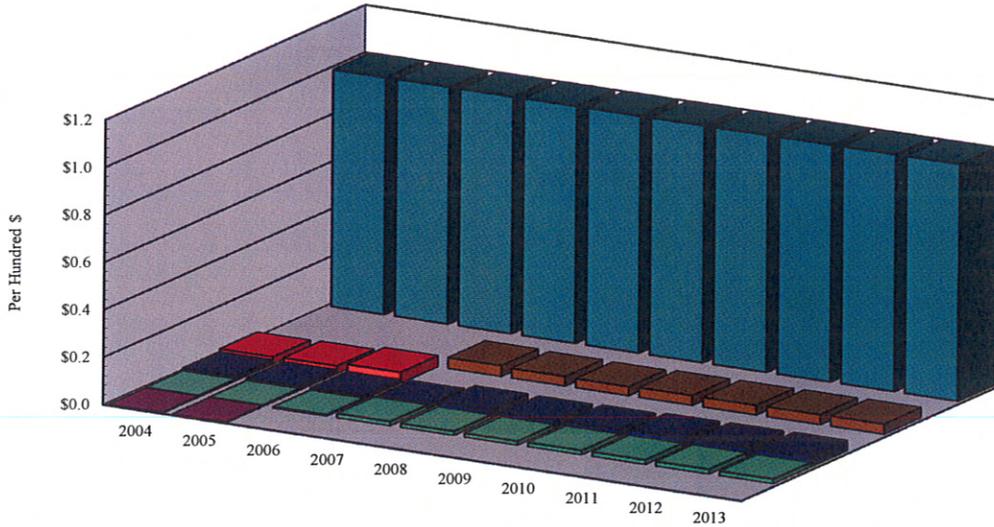
Fiscal Year Ended June 30	City				Redevelopment Agency			Total Assessed Value (1)	Total Direct Tax Rate (2)
	Secured	Unsecured	Exemptions	Total Assessed Value (1)	Secured	Unsecured	Exemptions		
2004	\$5,879,650	\$169,352	\$111,056	\$6,160,058	\$624,315	\$47,661	\$6,237	\$678,213	1.00%
2005	6,497,074	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%
2012	8,287,585	242,088	103,652	8,633,325	860,939	53,608	6,507	921,054	1.00%
2013	8,391,284	237,106	102,195	8,730,585	893,143	50,023	6,516	949,682	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	South San Francisco Unified School District	Pacifica Elementary School	Total
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
2012	1.0000		0.0422	0.0199		0.0422	1.1043
2013	1.0000		0.0430	0.0194		0.0432	1.1056

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

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

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

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

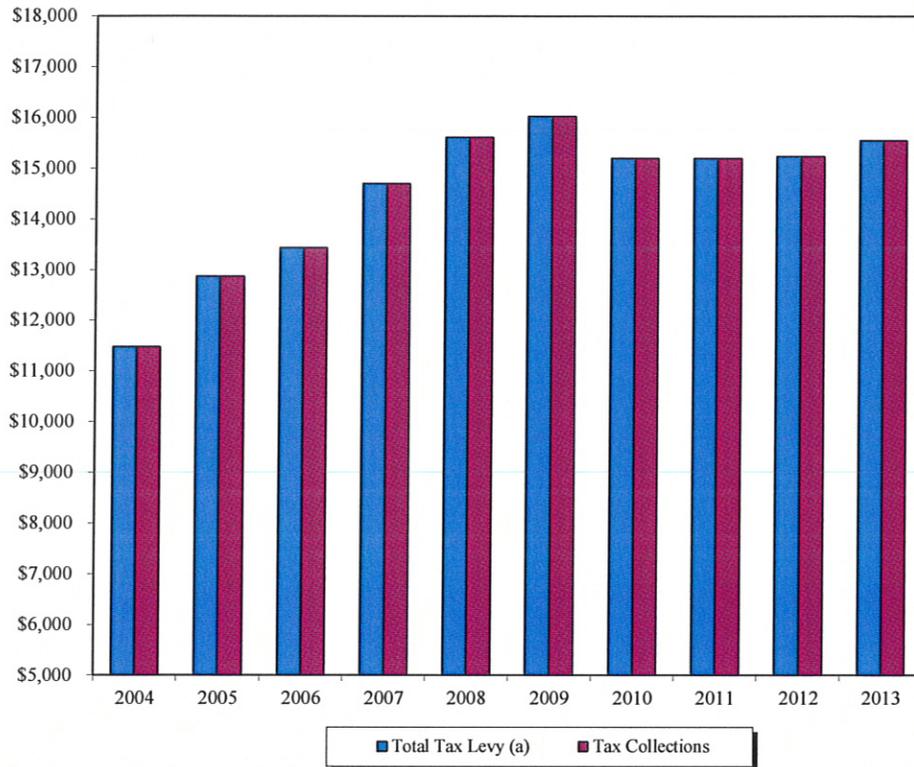
Taxpayer	2012-13			2003-2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Seton Medical Center	\$202,453,580	1	2.4%	\$166,881,300	1	2.8%
Westlake Kimco	152,134,574	2	1.8%	79,321,000	4	1.3%
Pacific Plaza	143,080,999	3	1.7%	122,115,792	3	2.1%
Westlake Associates (Apartments)	118,765,712	4	1.4%			
Daly City Serramonte Center, LLC	117,140,987	5	1.4%	133,976,776	2	2.3%
WASL - 165 Pierce	63,390,835	6	0.8%			
Daly City Skyline Associates	48,367,418	7	0.6%			
LINC Franciscan Mobile Home Park	40,660,260	8	0.5%			
Serramonte Corporate Center (Kaiser)	39,045,611	9	0.5%	21,100,000	10	0.4%
RMP Properties (Mission Plaza)	34,527,937	10	0.4%			
John Daly Boulevard Associates, LP				58,143,120	5	1.0%
Franciscan LP Linc				42,804,712	6	0.7%
Met Life (Skyline Heights Apartments)				32,734,830	7	0.6%
Lavaca Portfolio Investors				29,689,907	8	0.5%
Daly City Partners (Serramonte Plaza)				28,089,485	9	0.5%
Subtotal	<u>\$959,567,913</u>		<u>11.4%</u>	<u>\$714,856,922</u>		<u>12.2%</u>

Total Assessed Valuation:

Fiscal Year 2012-2013 \$8,391,284,248
Fiscal Year 2003-2004 \$5,879,649,574

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)**



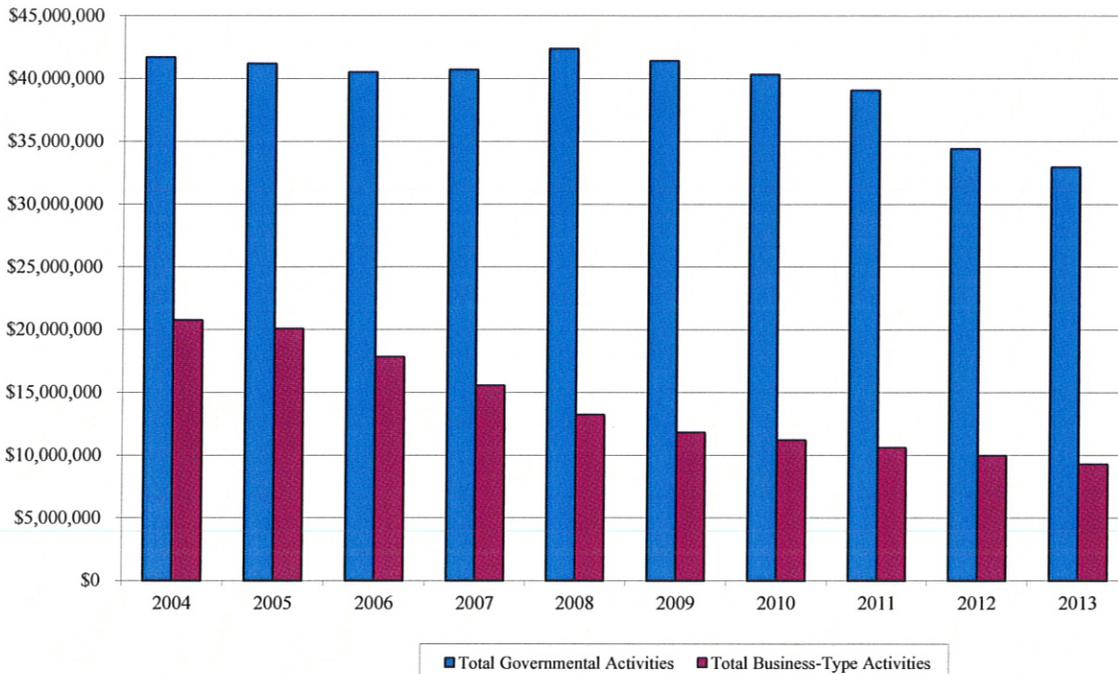
<u>Fiscal Year</u>	<u>Total Tax Levy (a)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2004	\$11,485	\$11,485	100.00%		\$11,485	100.00%
2005	12,866	12,866	100.00%		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%
2012	15,236	15,236	100.00%		15,236	100.00%
2013	15,555	15,555	100.00%		15,555	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			
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
2012			3,353,000	31,060,000			34,413,000
2013			3,141,000	29,810,000			32,951,000

Business-Type Activities

Fiscal Year	Sewer Certificates of Participation	Water Certificates of Participation	Water Revenue Bond	State Water Resources Board Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
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	1.81%	487.43
2012		6,800,000		3,172,805	9,972,805	44,385,805	1.51%	432.64
2013			\$6,330,000	2,963,246	9,293,246	42,244,246	n/a (b)	408.76

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, 2013**

2012-13 Assessed Valuation \$8,730,584,804

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Total Debt 06/30/13	% Applicable (1)	City's Share of Debt 06/30/13
San Mateo Community College District	\$580,659,994	5.892%	\$34,212,487
South San Francisco Unified School District	124,575,377	8.304%	10,344,739
Jefferson Union High School District	150,199,054	50.311%	75,566,646
Brisbane School District	7,525,437	19.271%	1,450,227
Jefferson School District	63,400,000	85.445%	<u>54,172,130</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			 <u>175,746,229</u>
 <u>OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	\$311,729,816	5.892%	\$18,367,121
San Mateo County Board of Education Certificates of Participation	11,455,000	5.892%	674,929
San Mateo County Flood Control District Certificates of Participation	22,265,000	26.557%	5,912,916
South San Francisco Unified School District Certificates of Participation	1,094,201	8.304%	<u>90,862</u>
 TOTAL OVERLAPPING GENERAL FUND DEBT			 <u>25,045,828</u>
 <u>DIRECT DEBT</u>			
City of Daly City Pension Obligation Bonds	\$29,810,000	100.000%	\$29,810,000
HUD Section 10B loan			<u>3,141,000</u>
TOTAL DIRECT DEBT			<u>32,951,000</u>
 TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			 <u>\$57,996,828</u>
 COMBINED TOTAL DEBT			 <u>\$233,743,057 (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.

Ratios to 2012-13 Assessed Valuation

Total Overlapping Tax and Assessment Debt	2.01%
Combined Total Debt	2.68%

Source: California Municipal Statistics, Inc.

**CITY OF DALY CITY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2013**

ASSESSED VALUATION:

Total property assessed value, net of exempt real property	\$8,730,584,804
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$327,396,930
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$6,330,000
-------------------	-------------

Less: Tax Allocation Bonds and Certificate of Participation not subject to limit	6,330,000
---	-----------

Amount of debt subject to limit	0
---------------------------------	---

LEGAL BONDED DEBT MARGIN	\$327,396,930
--------------------------	---------------

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)				
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%
2012	323,750	0	323,750	0.00%
2013	327,397	0	327,397	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
WATER UTILITY DISTRICT**

NUMBER OF CONNECTIONS BY USERS AS OF JUNE 30, 2013

<u>Category</u>	<u>Number of Connections</u>
Residential	21,772
Commercial	788
Government	95
Irrigation	256
Hydrant	10
Other	-
Total Connections	<u>22,921</u>

**WATER UTILITY DISTRICT CERTIFICATES OF PARTICIPATION
HISTORICAL REVENUES, EXPENDITURES AND BOND COVERAGE
LAST NINE FISCAL YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Revenues (1)	\$11,783,383	\$11,842,561	\$12,529,986	\$13,448,021	\$13,115,342	\$12,699,761	\$13,497,857	\$15,185,857	\$16,801,668
Operating Expenses (including depreciation) (2)	8,852,605	8,270,821	8,848,516	10,382,294	11,111,591	10,637,744	10,424,358	12,718,342	13,910,737
Depreciation	(903,874)	(939,230)	(1,042,174)	(1,142,717)	(1,149,384)	(1,192,935)	(1,218,606)	(1,257,540)	(1,263,850)
Operating Transfers Out	2,895,260	3,108,793	2,926,560	3,078,501	2,204,264	2,376,455	2,158,670	2,372,007	2,587,195
Total Operating Expenses	10,843,991	10,440,384	10,732,902	12,318,078	12,166,471	11,821,264	11,364,422	13,832,809	15,234,082
Net Revenue Available for Debt	\$939,392	\$1,402,177	\$1,797,084	\$1,129,943	\$948,871	\$878,497	\$2,133,435	\$1,353,048	\$1,567,586
Total Debt Service Requirement	\$753,939	\$754,534	\$754,034	\$753,234	\$755,284	\$751,809	\$751,996	\$751,621	\$649,531
Coverage	1.25	1.86	2.38	1.50	1.26	1.17	2.84	1.80	2.41

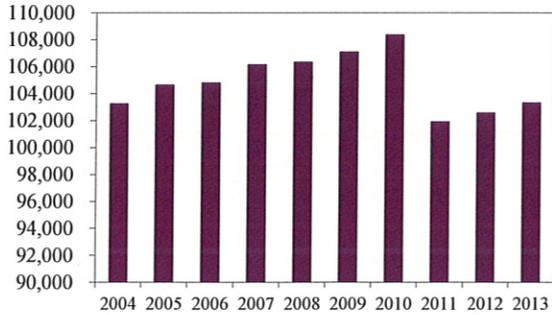
Notes:

(1) Includes all Water Utility Operating and Nonoperating Revenues including Nonoperating Interest Revenue

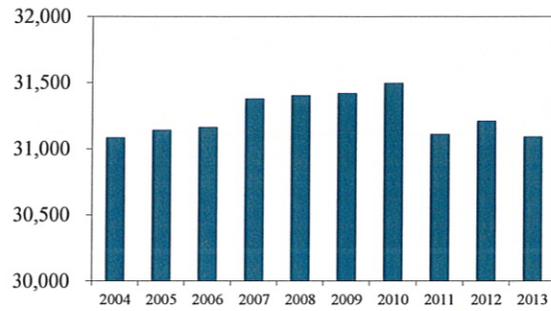
(2) Includes all Water Utility Operating Expenses



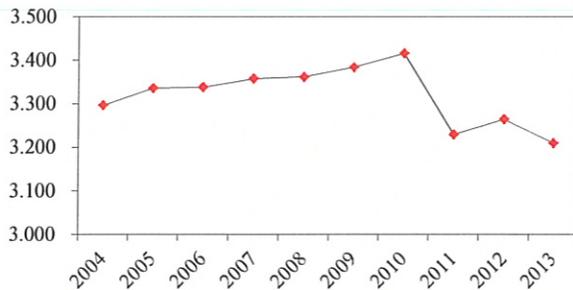
**CITY OF DALY CITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



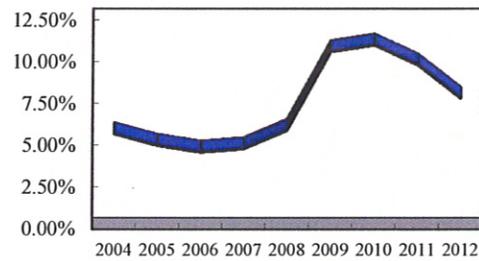
■ Daly City Population



■ Occupied Housing Units



—◆— Persons per Occupied Housing Unit



■ Unemployment Rate (%)

Year	Daly City Population as of January (1)	Occupied Housing Units as of January (1)	Persons per Occupied Housing Unit (1)	Unemployment Rate Annual Average (%) (2)	Per Capita Personal Income (3)	Total Personal Income (3) (in thousands)	San Mateo County Population (1)	City Population % of County
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	9.8%	26,902	2,741,852	724,452	14.07%
2012	102,593	31,210	3.265	7.8%	28,649	2,939,187	729,196	14.07%
2013	103,347	31,090	3.210	n/a	n/a	n/a	735,678	14.05%

Sources:

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

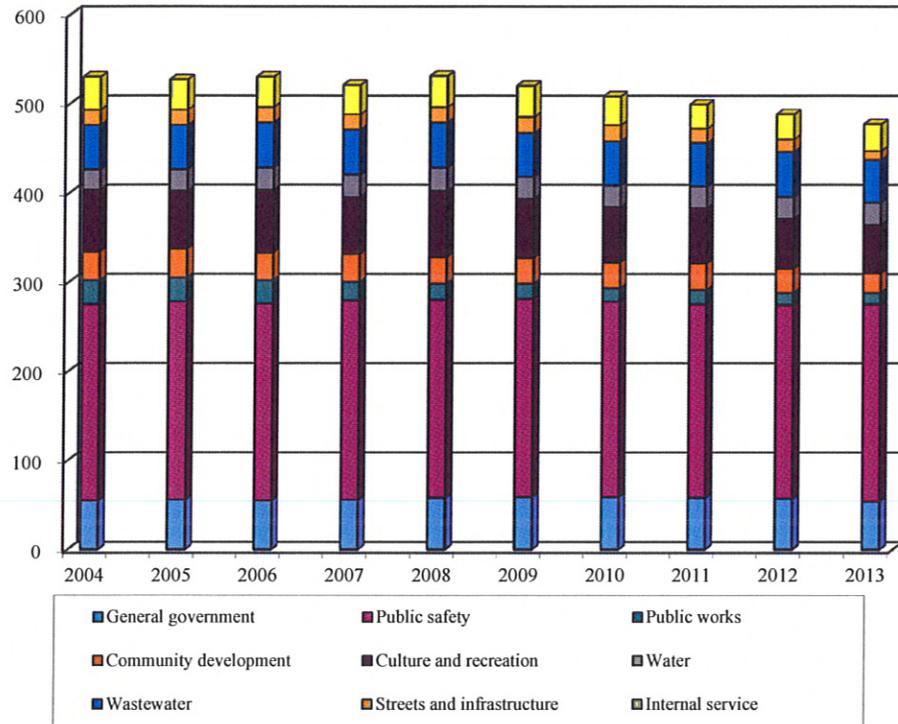
CITY OF DALY CITY
Principal Employers
Current Year and Nine Years Ago

Employer	2012-2013			2003-2004		
	Number of Employees (1)	Rank	Percentage of Total City Employment	Number of Employees (1)	Rank	Percentage of Total City Employment
Seton Medical Center	1,288	1	11.4%	1,580	1	14.3%
Jefferson Elementary School District	754	2	6.7%	718	3	6.5%
City of Daly City	657	3	5.8%	775	2	7.0%
Jefferson High School District	497	4	4.4%	700	4	6.3%
Cow Palace	407	5	3.6%	548	7	5.0%
Genesys Telecommunications Laboratories	400	6	3.5%	375	8	3.4%
Target Stores - Serramonte	337	7	3.0%	610	5	5.5%
McDonald's (4 stores)	250	8	2.2%			
Walgreens (3 stores)	244	9	2.2%			
St. Francis Convalescent Pavilion	203	10	1.8%	350	9	3.2%
US Postal Service including Intl Mail Facility				584	6	5.3%
Macy's				300	10	2.7%
Subtotal	<u>5,037</u>		<u>44.7%</u>	<u>6,540</u>		<u>59.2%</u>
Total Daly City Employment	<u>11,275</u> (3)			<u>11,048</u> (2)		

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

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

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



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
General government	55	56	55	56	58	59	59	58	57	54
Public safety	220	222	221	223	222	222	219	217	217	221
Public works	27	27	26	21	18	17	15	16	14	13
Community development	32	32	31	31	30	29	29	30	27	22
Culture and recreation	69	65	70	64	74	66	62	62	56	54
Water	23	24	25	25	26	25	24	24	24	25
Wastewater	50	50	51	51	51	49	50	49	51	48
Streets and infrastructure	17	17	17	17	17	18	18	16	14	10
Internal service	37	34	34	33	35	35	32	27	28	30
Total	530	527	530	521	531	520	508	499	488	477

Source: City of Daly City

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

	2004	2005	2006	2007	2008	2009
Function/Program						
Public safety (calendar year data)						
Fire						
Fire calls for service	5,660	5,745	6,086	6,012	6,206	6,308
Fire inspections conducted	3,248	3,169	3,576	4,305	4,544	3,951
Police						
Police calls for service	91,464	86,979	79,953	75,190	81,375	55,098
Law violations						
Part I crimes	2,664	2,458	2,656	2,448	2,349	2,006
Part II crimes	4,619	4,564	4,807	4,607	4,082	4,428
Physical arrests (adults)	2,065	2,068	1,995	1,861	1,644	1,896
Physical arrests (juvenile)	577	523	479	481	365	333
Traffic violations	17,500	14,926	13,119	9,124	8,359	13,345
Parking violations	68,851	67,849	60,056	56,070	74,512	91,549
Public works						
Street repairs - asphalt patching (sq. ft.)	17,596	11,470	22,338	20,610	5,655	4,350
Street slurry seal (ft.)	41,360	68,519	49,141	63,659	65,472	79,960
Street resurfacing (ft.)	9,055	17,403	18,127	5,973	3,907	0
Traffic signal responses	84	100	98	83	93	71
Street light responses	415	431	444	407	402	393
Street signs replaced	528	1,218	689	548	1,796	436
Streets swept (miles)	19,675	20,624	21,346	21,754	19,629	17,956
Line striping and curb painting (linear ft.)	7,988	8,800	2,290	8,671	3,403	5,732
Sidewalks inspected (miles)	25	15	18	13	17	20
Weeds and rubbish responses	465	495	475	493	387	445
Culture and recreation						
Recreation						
Recreation class participants	n/a	9,600	9,600	7,500	10,000	8,000
Performing Arts Center participants	n/a	500	525	530	550	900
Youth recreation playground program participants	n/a	1,000	900	900	900	900
Volunteer support hours	n/a	45,000	45,000	45,000	45,000	45,000
Senior meals served	n/a	23,190	21,229	21,130	22,218	24,804
Number of health fair events	n/a	6	6	4	0	2
Health fair events attendance	n/a	2,000	2,250	2,000	0	1,000
Daly City Peninsula Partnership # of agencies	n/a	60	63	60	64	65
Facility rentals (non City events)	n/a	1,300	1,300	900	900	750
Library						
Volumes in collection - all formats	182,954	189,402	197,034	206,581	211,999	217,529
Total volumes borrowed	597,841	592,208	591,336	625,783	632,935	664,348
# of uses of electronic resources	139,138	142,852	151,316	185,068	200,601	207,800
Youth services program attendance	11,923	11,661	14,818	9,864	15,195	19,296
Water						
Water service connections	22,610	22,745	22,887	23,034	22,814	22,790
Water main breaks	90	56	49	58	55	72
Average daily consumption (thousands of gallons)	7,860	7,890	7,240	7,324	7,785	7,317
Wastewater						
Sewer service connections	23,035	23,052	23,087	29,000	29,000	29,000
Sewer main blockages	11	14	10	6	7	7
Average daily treatment (thousands of gallons)	7,260	7,440	7,436	7,370	7,270	6,820

Source: City of Daly City

Note: n/a denotes information not available.

2010	2011	2012	2013
6,309	6,516	7,129	n/a
3,510	3,554	3,309	n/a
75,970	72,665	73,095	n/a
2,071	2,079	2,040	n/a
4,791	4,745	4,641	n/a
2,315	2,450	2,494	n/a
316	342	352	n/a
14,843	8,910	9,637	n/a
72,128	65,505	62,867	n/a
40,067	17,118	9,500	20,000
57,250	60,720	64,416	87,648
9,963	7,920	14,256	12,144
67	58	14	10
371	314	78	54
560	1,108	450	320
19,956	20,712	21,966	25,019
3,785	500	10,778	12,000
16	3	0	0
396	400	804	800
7,500	6,158	10,621	10,862
900	600	0	0
500	3,400	4,251	4,472
50,000	78,921	60,667	63,753
23,821	29,586	26,305	32,971
2	1	1	1
1,100	150	300	400
n/a	65	0	0
800	2,255	1,252	1,300
225,109	222,946	215,373	214,466
729,420	596,428	533,135	501,757
234,308	115,846	81,318	66,982
17,021	14,941	17,624	16,025
22,843	22,830	22,868	22,921
60	43	79	98
7,521	6,519	6,868	7,142
29,000	29,000	22,946	22,942
1	2	1	1
6,817	7,160	6,500	6,290

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

	2004	2005	2006	2007	2008
Function/Program					
Public safety					
Fire stations	5	5	5	5	5
Police stations	1	1	1	1	1
Police patrol vehicles	33	33	33	31	31
Public works					
Miles of streets	112	112	112	112	112
Street lights	3,200	3,200	3,200	3,200	3,200
Traffic signals (# of intersections)	40	40	40	40	40
Miles of storm drains	45	45	45	45	70
Culture and recreation					
Parks and recreation					
City parks	15	15	15	15	15
City parks acreage	200	200	200	200	200
Park trees	2,500	2,500	2,500	2,500	2,400
Playgrounds	26	26	26	26	26
Picnic areas	23	23	23	23	23
Tot lots	9	9	9	9	9
Dog off-leash areas	2	2	2	2	2
Street landscaped medians (miles)	21	21	21	21	21
Roadway landscaping acreage	500	500	500	500	500
Street trees	2,800	2,800	2,800	2,700	2,700
Community centers and clubhouses	12	13	13	13	14
Senior centers	1	1	1	1	1
Performing arts centers	1	1	1	1	1
Swimming pools (property of school district)	2	2	2	2	2
Gymnasiums	3	3	3	3	4
Tennis courts	7	7	7	7	9
Artificial turf sports fields	1	1	1	2	2
Outdoor basketball courts	15	15	15	15	15
Baseball/softball diamonds	8	8	8	8	8
Soccer/football fields	1	1	1	1	1
Night sport lighted facilities	9	9	9	9	9
Library					
City Libraries (# of branches)	4	4	4	4	4
Water					
Miles of water mains	205	205	205	187	187
Fire hydrants	1,425	1,472	1,472	1,437	1,489
Storage capacity (thousands of gallons)	22,981	22,981	22,981	22,981	22,981
Wastewater					
Number of treatment plants	1	1	1	1	1
Miles of sanitary sewers	177	177	177	177	177
Miles of combined sewers	14	14	14	14	14
Treatment capacity (thousands of gallons)					
Dry weather	8,000	8,000	8,000	8,000	8,000
Wet weather	25,000	25,000	25,000	25,000	25,000

Source: City of Daly City

Fiscal Year June 30,

2009	2010	2011	2012	2013
5	5	5	5	5
1	1	1	1	1
30	30	29	30	32
112	112	112	112	112
3,200	3,200	3,200	3,200	3,200
40	40	40	40	40
70	70	70	70	70
15	15	15	15	15
200	200	200	200	200
2,400	2,400	2,400	2,400	2,300
26	26	26	26	26
23	23	23	23	23
9	9	9	9	9
2	2	2	2	2
21	21	21	21	21
500	500	500	500	500
2,700	2,700	2,700	2,700	2,675
14	14	14	14	14
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
4	4	4	4	4
9	9	9	9	9
2	2	2	2	2
15	15	15	15	15
8	8	8	8	8
1	1	1	1	1
9	9	9	9	6
4	4	4	4	4
187	187	187	187	187
1,497	1,497	1,497	1,497	1,497
22,981	24,490	24,490	24,490	24,490
1	1	1	1	1
177	177	177	177	177
14	14	14	14	14
8,000	8,000	8,000	8,000	8,000
25,000	25,000	25,000	25,000	25,000

