

City of Daly City



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2014



CITY OF DALY CITY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



Prepared by
DEPARTMENT OF FINANCE
AND
ADMINISTRATIVE SERVICES

Lawrence Chiu
Director



CITY OF DALY CITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

I INTRODUCTORY SECTION

	Page
Letter of Transmittal.....	vii
Organization Structure.....	xiv
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xvi

II FINANCIAL SECTION

<i>Independent Auditor's Report</i>	1
<i>Management's Discussion and Analysis</i>	3
<i>Basic Financial Statements:</i>	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16

CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

	Page
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Statement of Activities	17
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund.....	18
Gas Tax Special Revenue Fund.....	20
Proprietary Funds:	
Statement of Net Position.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position	22
Statement of Cash Flows.....	23
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	26
Statement of Changes in Fiduciary Net Position	27
Notes to Basic Financial Statements.....	29

Supplemental Information:

Major Governmental Funds Other than General Fund and Special Revenue Funds:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Capital Projects Fund	60

CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

	Page
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	64
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	66
<i>Nonmajor Proprietary Funds:</i>	
Combining Statement of Net Position	70
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	71
Combining Statement of Cash Flows	72
<i>Internal Service Funds:</i>	
Combining Statement of Net Position	74
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	76
Combining Statements of Cash Flows	78
<i>Agency Funds:</i>	
Combining Statement of Changes in Assets and Liabilities	82

CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

III STATISTICAL SECTION

	Page
Net Position by Component - Last Ten Fiscal Years.....	87
Changes in Net Position - Last Ten Fiscal Years.....	88
Fund Balances of Governmental Funds - Last Ten Fiscal Years	91
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years.....	92
Assessed Value of Taxable Real Property - Last Ten Fiscal Years.....	94
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	95
Principal Property Tax Payers – Current Year and Nine Years Ago	96
Property Tax Levies and Collections – Last Ten Fiscal Years.....	97
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	98
Computation of Direct and Overlapping Debt	99
Computation of Legal Bonded Debt Margin.....	100
Water Utility District - Number of Connections by User and Revenue Bond Coverage: Water Utility District Certificates of Participation – Last Ten Fiscal Years.....	101
Demographic and Economic Statistics - Last Ten Fiscal Years.....	103
Principal Employers – Current Year and Nine Years Ago	104
Full-Time City Government Employees by Function – Last Ten Fiscal Years.....	105
Operating Indicators by Function/Program – Last Ten Fiscal Years	106
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	108



CITY OF DALY CITY

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

November 4, 2014

Honorable Mayor
Members of the City Council
Citizens of Daly City

It is a pleasure to present the Comprehensive Annual Financial Report (CAFR) of the City of Daly City for the fiscal year ended June 30, 2014. The financial statements are presented in conformity with generally accepted accounting principles (GAAP). These financial statements have been audited by Maze and Associates, independent certified public accountants, in accordance with generally accepted auditing standards.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. Maze and Associates, has issued an unmodified (“clean”) opinion on the City of Daly City’s financial statements. The auditor’s report is located at the front of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that are established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The CAFR is divided into three sections:

- (1) The **Introductory Section** includes the Letter of Transmittal, an organizational overview of the City government and prior awards received.
- (2) The **Financial Section** includes the Independent Auditor’s Report, Management’s Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Combining Financial Statements, and schedules.
- (3) The **Statistical Section** includes a number of tables of unaudited data depicting the financial, economic and demographic information of the City.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial information. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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.

PROFILE OF THE CITY

The City of Daly City is located at the northern edge of San Mateo County. A population of 105,076 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 placed directly south of San Francisco.

Incorporated on March 22, 1911, the City has a council-manager form of government. There are five council members who serve overlapping terms of four years, and the City Council, in turn, elects one of the council members to serve as Mayor each year. The City Council engages a City Manager and a City Attorney. The City Manager is the chief executive officer. It is the City Manager's responsibility to hire department heads for each of the City functions, to propose the annual budget, to coordinate and oversee all activities of the organization, and to implement the laws, policies, and budgets adopted by the City Council.

The City provides a full range of municipal services. These include police, fire, library, recreation and related social services, street construction and maintenance, traffic signalization and control, engineering, code enforcement, parks operations and maintenance, general administration, planning, and community development. The City also provides water services, sanitary sewer services, and a transfer station for solid waste under an enterprise fund system, with user fees covering the cost of providing the programs.

This report includes all funds and accounts of the City of Daly City. The financial statements include the financial activities of the City, the North San Mateo County Sanitation District and the Successor Agency 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 the Successor

Agency to the Daly City 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 Manager for review and development of the City-wide budget document. This preliminary budget is presented to the City Council by the City Manager and reviewed with the City Council during public budget study sessions. Changes as directed by 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 year 2014 were up by 5.9%. Expenditures increased by 3.6%, in contrast to the 3.0% inflation rate for the San Francisco Bay Area.

Local property tax values have begun to rebound. In fiscal year 2014 the base secured property tax increased by 6.6% after a 1.60% increase in fiscal year 2013.

Sales tax has seen a 9.0% increase in fiscal year 2014 over the previous year. This is a welcome change from two years of back-to-back 8% declines in fiscal years 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 decreased by 1.6% in fiscal year 2014. With an increase in sales tax, one would predict a concurrent increase in utility users tax, 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 relative to local government indicates that staff reductions are continuing, and that is true for Daly City as well. In order to achieve a balanced

General Fund budget, the City has and will continue to control personnel expenditures. In addition, all other controllable costs continue to be closely monitored.

The Dissolution of Redevelopment

As a part of the State's attempt to balance its budget for fiscal year 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 year 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 revenue loss to the City in fiscal year 2014 was approximately \$900,000, and is expected to be on-going.

Enterprise Funds

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 year 2011 with a 9% rate increase, a 12% rate increase in fiscal years 2012 to 2014, and a 10% rate increase in fiscal year 2015.

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 increased 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 water rate increases.

Likewise, the costs for operating the Sanitation District continue to increase. There were no rate increases for the Sanitation District since fiscal year 2008, but 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 with a 9% increase in fiscal years 2014 to 2016.

LONG TERM FINANCIAL PLANNING

City of Daly City General Plan

The City has completed an updated General Plan in 2013, which is the primary document that will guide future development in Daly City. 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.

Beginning with the Fiscal Year 2009/2010 biennial budget, staff extended the planning horizon for the capital plan to 20 years. The next few years will be a period of relatively low activity. Staff anticipate using this period to reflect on major upcoming capital needs and the methods that might be available to fund them.

Long Term Financial Plan

The City employs a ten-year General Fund forecasting model to ensure accountability of service levels and to plan for future challenges. Each year, all budget assumptions are evaluated and the budget forecasting model is updated. The projections include all sources of revenues, projected expenditures including salaries, benefits, services and supplies, as well as economic factors.

This long-term financial planning enables the City to foresee potential problems early on, giving the City sufficient time to respond and to analyze the long-term financial impact, as well as take appropriate action before a problem develops. In addition, it serves as a key planning tool for future budgets and decision-making.

Trends and Prospects

Despite being the largest municipality in San Mateo County, Daly City lags behind other neighboring cities in economic growth due to lower per capita income and higher unemployment rates. The economic outlook for the next two fiscal years is cautiously optimistic. The City continues to exercise fiscal prudence in managing its budget and maintaining financial stability. The budget is balanced through a combination of cuts to controllable costs, workforce alignment, and projected moderate revenue increases on sales tax, property tax and utility users tax.

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, 2013. This was the 27th 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 preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated efforts of the Accounting Division of the Department of Finance and Administrative Services. Each individual has our sincere appreciation for the professionalism, dedication and contributions made in the preparation of this report.

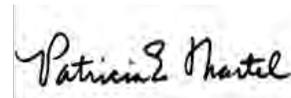
Credit must also be given to the Mayor, City Council members and City Department Directors for their support in maintaining the highest standards of professionalism in the management of the City of Daly City's finances.

Respectfully submitted,



Lawrence Chiu

Director of Finance
and Administrative Services



Patricia E. Martel

City Manager



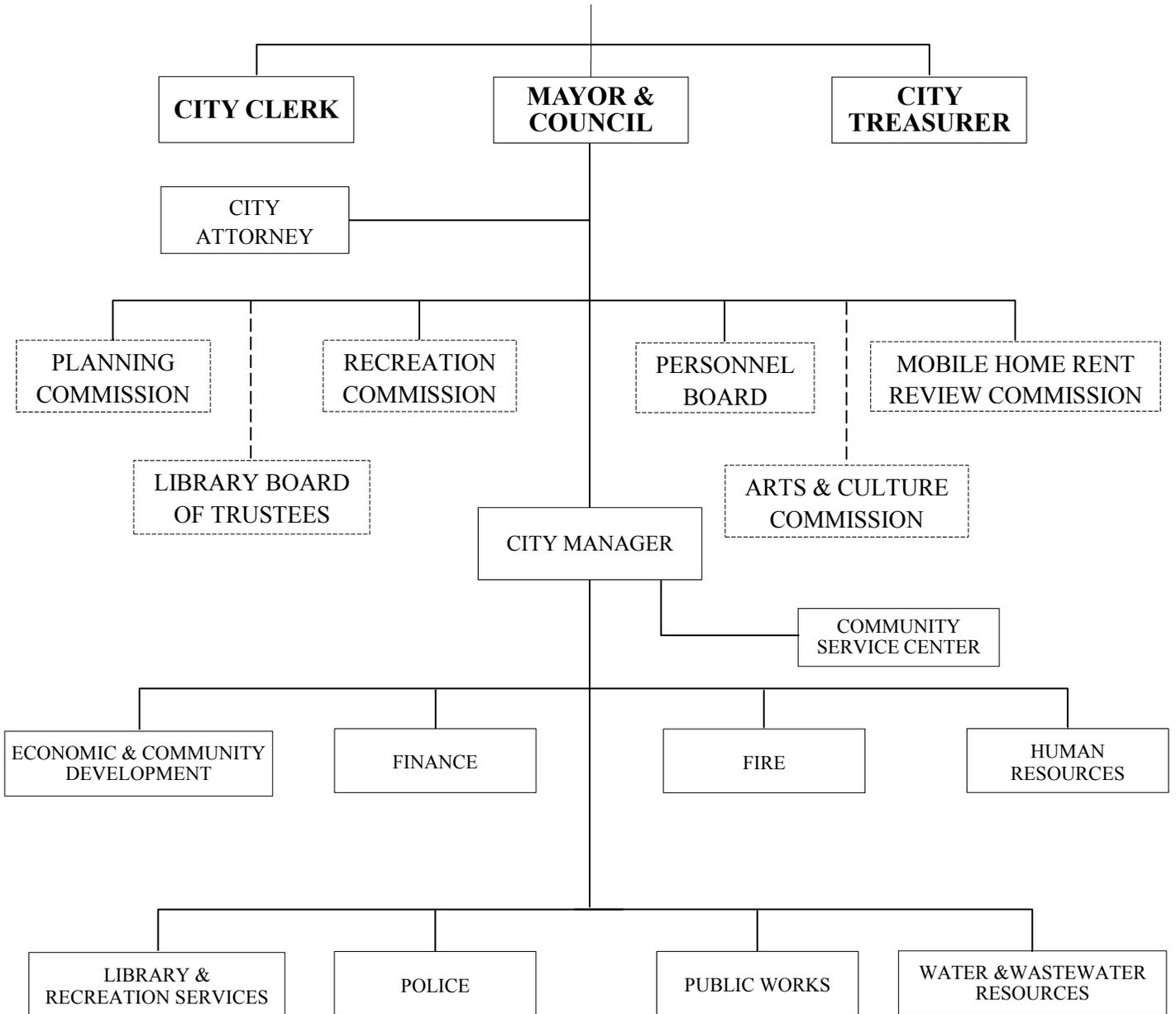


City of Daly City

ORGANIZATION STRUCTURE

Fiscal Years 2014 – 2015 and 2015 – 2016

CITIZENS OF DALY CITY



----- ADVISORY BOARDS AND COMMISSIONS

**CITY OF DALY CITY
CITY COUNCIL
JUNE 30, 2014**

David Canepa, Mayor

Carol L. Klatt, Vice Mayor

Raymond Buenaventura

Michael P. Guingona

Sal Torres

Annette Hipona
City Clerk

Daneca Halvorson
City Treasurer

ADMINISTRATION AND DEPARTMENT HEADS

Patricia E. Martel	City Manager
Rose Zimmerman	City Attorney
Lawrence Chiu	Director of Finance and Administrative Services
Joseph Curran	Director of Library & Recreation Services
John Fuller	Director of Public Works
Shawna Marques-Maltbie	Director of Human Resources
Manuel Martinez, Jr.	Police Chief
Tatum Mothershead	Acting Director of Economic & Community Development
Ron Myers	Fire Chief
Patrick Sweetland	Director of Water & Wastewater Resources



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, 2013

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, 2014, 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, 2014, 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.

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

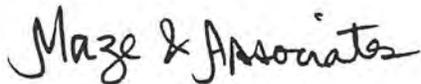
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes 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 November 4, 2014, 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.



Pleasant Hill, California
November 4, 2014

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, 2014.

FISCAL 2014 FINANCIAL HIGHLIGHTS

- At June 30, 2014, net position totaled \$228.4 million, an increase of \$7.1 million from the prior year total of \$221.3 million.
- Net Position of governmental activities were \$126.8 million, while Net Position of business-type activities were \$101.6 million.
- Total City revenues, including program and general revenues, were \$119.3 million, while total expenses were \$112.2 million in fiscal 2014.
- Governmental program revenues were \$20.9 million in fiscal 2014 compared with \$20.7 million in fiscal 2013. Business-type program revenues were \$36.0 million in fiscal 2014 compared with \$33.0 million in fiscal 2013.
- Governmental general revenues were \$59.4 million, a decrease of \$4.5 million from the prior year. Business-type general revenues were \$3.0 million, a decrease of \$0.8 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	
	2014	2013	2014	2013	2014	2013
Cash and investments	\$ 68,160	\$ 64,015	\$ 35,556	\$ 32,313	\$ 103,716	\$ 96,328
Other assets	34,382	35,273	5,637	5,026	40,019	40,299
Capital assets	<u>87,187</u>	<u>88,625</u>	<u>75,799</u>	<u>76,773</u>	<u>162,986</u>	<u>165,398</u>
Total assets	<u>189,729</u>	<u>187,913</u>	<u>116,992</u>	<u>114,112</u>	<u>306,721</u>	<u>302,025</u>
Long-term liabilities	31,294	32,951	8,563	9,293	39,857	42,244
Other liabilities	<u>31,646</u>	<u>31,750</u>	<u>6,789</u>	<u>6,676</u>	<u>38,435</u>	<u>38,426</u>
Total liabilities	<u>62,940</u>	<u>64,701</u>	<u>15,352</u>	<u>15,969</u>	<u>78,292</u>	<u>80,670</u>
Net Position:						
Net investment in capital assets	84,272	85,484	67,236	67,480	151,508	152,964
Restricted	20,022	18,829	11	-	20,033	18,829
Unrestricted	<u>22,495</u>	<u>18,899</u>	<u>34,393</u>	<u>30,663</u>	<u>56,888</u>	<u>49,562</u>
Total Net Position	<u>\$ 126,789</u>	<u>\$ 123,212</u>	<u>\$ 101,640</u>	<u>\$ 98,143</u>	<u>\$ 228,429</u>	<u>\$ 221,355</u>

Governmental Activities

The City's net position from governmental activities increased \$3.6 million (2.9 percent) to \$126.8 million in 2014 from \$123.2 million in 2013. This increase is the Change in Net Position reflected in the Statement of Activities, as shown in Table 2. Increases and decreases of individual assets and liabilities are not considered material. The changes are explained below.

- Cash and investments increased \$4.1 million mainly due higher tax revenues and lower total expenses in 2014 compared to 2013.
- Capital assets decreased \$1.4 million mainly due to the excess of depreciation over capital asset additions. This decrease in capital assets was accompanied by a \$1.2 million decrease in net position invested in capital assets.
- Long-term liabilities decreased \$1.7 million mainly due to the \$1.4 million payment on the PERS pension obligation bonds.
- Restricted net position increased \$1.2 million and unrestricted net position increased \$3.6 million. Unrestricted net position of \$22.5 million are available to finance on-going operations, before allowance for such things as cash flow requirements and other planned but not legally committed expenditures.

Business-type Activities

The net position of business-type activities increased \$3.5 million (3.6 percent) to a total of \$101.6 million in fiscal 2014 from \$98.1 million in 2013. Increases and decreases of individual assets and liabilities are not considered material.

- Cash and investments increased \$3.2 million mainly due higher water sales and sewer service charges.
- The City continues to invest in infrastructure and major capital improvements in its enterprise funds including replacement of wells, water mains, and sewer subsurface lines in various sections of the City. Total net capital assets decreased \$1.0 million to \$75.8 million mainly due to the excess of depreciation over capital asset additions. The net investment in capital assets decreased \$0.2 million.
- 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.
- Unrestricted net position increased \$3.7 million to \$34.4 million.

CHANGES IN NET POSITION

Table 2 shows that total governmental revenues increased \$4.7 million (6.2 percent) while total business-type activity revenues increased \$3.8 million (10.8 percent) in fiscal 2014. Expenses decreased \$1.9 million (2.4 percent) for governmental activities while business-type activity expenses decreased \$0.3 million (0.9 percent).

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

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 12,715	\$ 12,590	\$ 35,982	\$ 33,005	\$ 48,697	\$ 45,595
Operating grants & contributions	7,902	7,357			7,902	7,357
Capital grants & contributions	<u>326</u>	<u>764</u>			<u>326</u>	<u>764</u>
Total program revenues	<u>20,943</u>	<u>20,711</u>	<u>35,982</u>	<u>33,005</u>	<u>56,925</u>	<u>53,716</u>
General revenues:						
Property tax	26,609	24,683	1,559	1,470	28,168	26,153
Sales tax	12,594	11,619			12,594	11,619
Motor vehicle in-lieu		46				46
Other taxes	15,334	14,829			15,334	14,829
Investment earnings	926	12	493	(23)	1,419	(11)
Other	<u>3,936</u>	<u>3,759</u>	<u>923</u>	<u>717</u>	<u>4,859</u>	<u>4,476</u>
Total general revenues	<u>59,399</u>	<u>54,948</u>	<u>2,975</u>	<u>2,164</u>	<u>62,374</u>	<u>57,112</u>
Total revenues	<u>80,342</u>	<u>75,659</u>	<u>38,957</u>	<u>35,169</u>	<u>119,299</u>	<u>110,828</u>
Expenses:						
General government	10,890	8,824			10,890	8,824
Public safety	42,705	44,910			42,705	44,910
Public works	5,597	5,064			5,597	5,064
Streets & infrastructure	3,318	4,114			3,318	4,114
Culture & recreation	13,350	13,811			13,350	13,811
Economic & community development	3,592	4,662			3,592	4,662
Debt service	166	178			166	178
Water utility			13,337	15,266	13,337	15,266
Sewer			18,263	16,663	18,263	16,663
Civic center			842	813	842	813
Transfer station	<u>-</u>	<u>-</u>	<u>165</u>	<u>152</u>	<u>165</u>	<u>152</u>
Total expenses	<u>79,618</u>	<u>81,563</u>	<u>32,607</u>	<u>32,894</u>	<u>112,225</u>	<u>114,457</u>
Increase(decrease) in net position before transfers	724	(5,904)	6,350	2,275	7,074	(3,629)
Transfers	2,853	3,011	(2,853)	(3,011)	-	-
Extraordinary item / Special item		<u>(383)</u>		<u>(2,000)</u>		<u>(2,383)</u>
Increase (decrease) in net position	3,577	(3,276)	3,497	(2,736)	7,074	(6,012)
Net position, July 1	<u>123,212</u>	<u>126,488</u>	<u>98,143</u>	<u>100,879</u>	<u>221,355</u>	<u>227,367</u>
Net position, June 30	<u>\$ 126,789</u>	<u>\$ 123,212</u>	<u>\$ 101,640</u>	<u>\$ 98,143</u>	<u>\$ 228,429</u>	<u>\$ 221,355</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, 2014
(in thousands)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue</u> <u>(Expense)</u>
General government	\$ 5,665	\$ 10,890	\$ (5,225)
Public safety	5,283	42,705	(37,422)
Public works	1,436	5,597	(4,161)
Streets & infrastructure	1,381	3,318	(1,937)
Culture & recreation	3,728	13,350	(9,622)
Economic & community development	3,450	3,592	(142)
All others	<u>-</u>	<u>166</u>	<u>(166)</u>
 Total governmental activities	 <u>\$ 20,943</u>	 <u>\$ 79,618</u>	 <u>\$ (58,675)</u>

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2014, the City's major governmental funds consisted of the General Fund, Gas Tax Fund, and 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 \$0.3 million to \$24.1 million at June 30, 2014. General Fund revenues increased \$3.9 million mainly due to increases in property tax and sales tax. General Fund expenditures increased \$2.5 million in 2014 compared to 2013 mainly due to a \$2.4 million transfer in 2014 to the CalPERS California Employers' Retiree Benefits Trust (CERBT) to prefund OPEB liabilities.

The Gas Tax Special Revenue Fund total fund balance increased \$1.3 million to \$6.6 million as of June 30, 2014. This amount represents funds that are legally required to be spent on local roadway projects. All such amounts are budgeted for future expenditure as laid out in the multi-year capital plan. Gas Tax Fund revenues increased \$0.6 million in 2014 mainly due to the increase in the Proposition 42 variable excise tax rate. Gas Tax Fund expenditures decreased \$0.7 million due to less roadway projects completed in 2014.

The Capital Projects Fund total fund balance remained constant at \$17.4 million at June 30, 2014. The Capital Projects Fund fund balance is all designated for specific capital projects that will benefit the community as a whole. Capital Projects Fund revenues increased \$0.3 million in 2014 compared to 2013 due to the \$0.3 million investment earnings in 2014 compared to investment loss in 2013. Capital Projects Fund expenditures increased \$0.6 million in 2014 compared to 2013 due to additional capital improvement projects completed in 2014, specifically the Mussel Rock dumpsite maintenance.

Proprietary Funds

At June 30, 2014, the City had two major proprietary funds, the Water Utility Fund and the Sanitation District Fund.

Water Utility revenues increased \$2.0 million or 12.0 percent compared to the previous year due to higher water sales. There was a 12 percent water rate increase in fiscal 2014. Expenses decreased \$0.6 million or 4.6 percent, mostly due to the lower cost of water purchased.

Sanitation District revenues increased \$1.0 million or 6.4 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 a 9 percent sewer rate increase in fiscal 2014. Expenses increased \$0.9 million or 5.1 percent in 2014 due to increased costs of operating supplies and plant maintenance.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process, and fiscal 2014 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 2014 are not considered material.

CAPITAL ASSETS

At the end of fiscal 2014 the City had \$163.0 million, net of accumulated depreciation, invested in a broad range of capital assets, as shown in Table 4 below (further detail may be found in Note 4 to the financial statements):

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

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 20,705	\$ 20,705	\$ 2,863	\$ 2,863	\$ 23,568	\$ 23,568
Buildings & improvements	32,600	34,347	2,683	2,884	35,283	37,231
Streets & infrastructure	22,909	23,529			22,909	23,529
Sewage facilities			26,091	23,363	26,091	23,363
Wells & pump stations			3,690	3,851	3,690	3,851
Water reservoirs			8,301	8,520	8,301	8,520
Water mains			10,089	10,072	10,089	10,072
Sanitation subsurface lines			12,510	12,590	12,510	12,590
Equipment	7,366	6,800	6,690	5,945	14,056	12,745
Furniture & fixtures	4	10	43		47	10
Construction in progress	<u>3,603</u>	<u>3,234</u>	<u>2,839</u>	<u>6,685</u>	<u>6,442</u>	<u>9,919</u>
Total net capital assets	<u>\$ 87,187</u>	<u>\$ 88,625</u>	<u>\$ 75,799</u>	<u>\$ 76,773</u>	<u>\$162,986</u>	<u>\$165,398</u>

Local roadway projects of various types were in the design phase or under construction, with a total available budget for the coming 2015 fiscal year of \$9.5 million.

Various water master plan projects were completed as part of the Water Utility enterprise fund’s \$1.0 million investment in additional infrastructure in 2014. The Sanitation District contributed an additional \$1.7 million to the City’s enterprise fund infrastructure in 2014.

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, 2013</u>	<u>Balance at June 30, 2014</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	\$3,141	\$2,914
<u>Pension Obligation Bonds</u> Issued June 1, 2004 Final Maturity June 1, 2024	2.65% to 5.896%	\$36,235	\$29,810	\$28,380
<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	\$2,963	\$2,748
<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	\$6,330	\$5,815

ECONOMIC FACTORS

The Consumer Price Index-All Urban Consumers was 3.0 percent for the San Francisco-Oakland-San Jose region and 2.1 percent for the U.S. City average for the year ended June 2014, compared to 2.6 percent and 1.8 percent as of June 2013.

The Daly City annual average unemployment rate was 6.7 percent in December 2013, down from 7.8 percent in December 2012. This compares with 5.4 percent and 6.7 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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 1F)	\$68,160,351	\$35,544,080	\$103,704,431
Cash with fiscal agent (Note 1F)	24	11,229	11,253
Accounts receivable, net	4,388,158	3,671,840	8,059,998
Inventories (Note 1G)	287,918	1,943,803	2,231,721
Prepays (Note 1G)	9,839		9,839
Internal balances (Note 6)	(21,456)	21,456	
Notes receivable (Note 12)	1,292,446		1,292,446
Property held for development (Note 1C)	6,675,671		6,675,671
Prepaid PERS pension contribution (Note 7)	21,749,726		21,749,726
Capital assets (Note 4):			
Nondepreciable capital assets	24,308,087	5,701,824	30,009,911
Depreciable capital assets, net	62,878,414	70,097,615	132,976,029
Total Assets	189,729,178	116,991,847	306,721,025
LIABILITIES			
Accounts payable	2,339,015	1,718,356	4,057,371
Accrued payroll	1,090,383	133,396	1,223,779
Deposits payable	1,872,827	25,489	1,898,316
Interest payable	207,257	50,228	257,485
Unearned revenue	431,525		431,525
OPEB obligation, due in more than one year (Note 8)	6,987,484	1,657,806	8,645,290
Compensated absences (Note 1J):			
Due within one year	5,820,000	825,984	6,645,984
Due in more than one year	2,662,691	377,585	3,040,276
Accrued claims payable (Note 10):			
Due within one year	2,227,649		2,227,649
Due in more than one year	4,257,170		4,257,170
Long-term debt (Note 5):			
Due within one year	1,869,000	745,167	2,614,167
Due in more than one year	29,425,000	7,818,282	37,243,282
Due to the State (Note 3E)	3,750,000	2,000,000	5,750,000
Total Liabilities	62,940,001	15,352,293	78,292,294
NET POSITION (Note 11)			
Net investment in capital assets	84,272,501	67,235,990	151,508,491
Restricted for:			
Debt service	24	11,229	11,253
Streets and roads	6,552,511		6,552,511
Infrastructure	5,508,336		5,508,336
Low and Moderate Income Housing Asset	6,917,825		6,917,825
Other	1,042,859		1,042,859
Total Restricted Net Position	20,021,555	11,229	20,032,784
Unrestricted	22,495,121	34,392,335	56,887,456
Total Net Position	\$126,789,177	\$101,639,554	\$228,428,731

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	\$10,889,822	\$1,034,252	\$4,502,497	\$128,411	(\$5,224,662)		(\$5,224,662)
Public safety	42,704,694	4,454,105	829,032		(37,421,557)		(37,421,557)
Public works	5,597,137	1,036,109	400,000		(4,161,028)		(4,161,028)
Streets and infrastructure	3,318,214	1,135,335	47,977	197,421	(1,937,481)		(1,937,481)
Culture and recreation	13,350,277	2,812,145	916,003		(9,622,129)		(9,622,129)
Economic and community development	3,592,174	2,243,212	1,206,244		(142,718)		(142,718)
Interest on long-term debt	166,114				(166,114)		(166,114)
Total Governmental Activities	79,618,432	12,715,158	7,901,753	325,832	(58,675,689)		(58,675,689)
Business-type Activities:							
Water Utility	13,337,352	18,095,452				\$4,758,100	4,758,100
Civic Center	841,901	834,950				(6,951)	(6,951)
Transfer Station	165,477	375,000				209,523	209,523
Sanitation District	18,262,624	16,676,480				(1,586,144)	(1,586,144)
Total Business-type Activities	32,607,354	35,981,882				3,374,528	3,374,528
Total	\$112,225,786	\$48,697,040	\$7,901,753	\$325,832	(58,675,689)	3,374,528	(55,301,161)
General revenues:							
Taxes:							
Property tax					26,609,070	1,558,773	28,167,843
Sales tax					12,594,335		12,594,335
Utility users tax					6,422,821		6,422,821
Franchise fees					3,663,247		3,663,247
Other taxes					5,247,886		5,247,886
Investment earnings					925,838	493,501	1,419,339
Miscellaneous					3,936,433	918,589	4,855,022
Sale of property						5,065	5,065
Transfers (Note 6)					2,853,466	(2,853,466)	
Total general revenues and transfers					62,253,096	122,462	62,375,558
Change in Net Position					3,577,407	3,496,990	7,074,397
Net Position-Beginning					123,211,770	98,142,564	221,354,334
Net Position-Ending					\$126,789,177	\$101,639,554	\$228,428,731

See accompanying notes to financial statements

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Gas Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 1F)	\$25,008,607	\$6,306,845	\$17,422,535	\$1,585,896	\$50,323,883
Accounts receivable, net	3,299,837	471,044	25,083	422,924	4,218,888
Due from other funds (Note 6)	85,371				85,371
Inventories (Note 1G)	177,711				177,711
Prepays (Note 1G)	8,418			1,421	9,839
Notes receivable (Note 12)				1,292,446	1,292,446
Property held for development (Note 1C)				6,675,671	6,675,671
Total Assets	\$28,579,944	\$6,777,889	\$17,447,618	\$9,978,358	\$62,783,809
LIABILITIES					
Accounts payable	\$1,603,514	\$225,378	\$65,558	\$172,721	\$2,067,171
Accrued payroll	990,962			19,811	1,010,773
Due to other funds (Note 6)				85,371	85,371
Deposits payable	1,857,027			15,800	1,872,827
Unearned revenue				431,525	431,525
Total Liabilities	4,451,503	225,378	65,558	725,228	5,467,667
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - loans				1,292,446	1,292,446
Total Deferred Inflows of Resources				1,292,446	1,292,446
FUND BALANCES					
Fund Balance (Note 11)					
Nonspendable	186,129				186,129
Restricted		6,552,511	5,508,336	7,960,684	20,021,531
Assigned	12,103,389		11,873,724		23,977,113
Unassigned	11,838,923				11,838,923
Total Fund Balances	24,128,441	6,552,511	17,382,060	7,960,684	56,023,696
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$28,579,944	\$6,777,889	\$17,447,618	\$9,978,358	\$62,783,809

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, 2014

Total fund balances reported on the Governmental Funds Balance Sheet \$56,023,696

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. 80,114,611

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	17,836,492
Accounts receivable	169,270
Inventories	110,207
Internal balances	(21,456)
Capital assets	7,071,890
Prepaid PERS pension contribution	21,749,726
Accounts payable	(271,844)
Accrued payroll	(79,610)
Interest payable	(138,443)
Due to other governments	(3,750,000)
Accrued claims payable	(6,484,819)
Compensated absences	(531,586)
OPEB obligation	(1,033,526)
Long-term debt - due within one year	(1,625,000)
Long-term debt - due in more than one year	(26,755,000)

ACCRUAL OF NONCURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 1,292,446

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	(2,914,000)
Interest payable	(68,814)
OPEB Obligation	(5,953,958)
Compensated absences	(7,951,105)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$126,789,177

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, 2014

	General	Gas Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$26,609,070				\$26,609,070
Gas tax		\$3,426,245			3,426,245
Sales tax	11,389,346	1,734,705			13,124,051
Utility users tax	6,422,821				6,422,821
Franchise fees	3,663,247				3,663,247
Other taxes	5,247,886				5,247,886
Licenses and permits	1,697,703				1,697,703
Fines and forfeitures	2,301,580				2,301,580
Rents and interest	1,429,389	73,405	\$301,654	\$60,208	1,864,656
Federal programs and grants	15,955	197,419		1,841,577	2,054,951
Receipts from other agencies	609,732	339,635		507,085	1,456,452
Charges and fees	6,573,663	14,400	789,198	380,288	7,757,549
Miscellaneous	4,255,093		128,999	231,379	4,615,471
Total Revenues	70,215,485	5,785,809	1,219,851	3,020,537	80,241,682
EXPENDITURES					
Current:					
General government	10,882,785				10,882,785
Public safety	42,117,226			620,662	42,737,888
Public works	4,613,165			99,300	4,712,465
Culture and recreation	10,608,455			1,323,988	11,932,443
Economic and community development	2,917,244			978,968	3,896,212
Capital projects		2,932,067	1,217,471		4,149,538
Debt service:					
Principal				227,000	227,000
Interest				170,919	170,919
Total Expenditures	71,138,875	2,932,067	1,217,471	3,420,837	78,709,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(923,390)	2,853,742	2,380	(400,300)	1,532,432
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 6)	4,841,985	100,000	78,536	502,485	5,523,006
Transfers (out) (Note 6)	(3,600,408)	(1,681,877)	(87,392)		(5,369,677)
Total Other Financing Sources (Uses)	1,241,577	(1,581,877)	(8,856)	502,485	153,329
NET CHANGE IN FUND BALANCES	318,187	1,271,865	(6,476)	102,185	1,685,761
BEGINNING FUND BALANCES	23,810,254	5,280,646	17,388,536	7,858,499	54,337,935
ENDING FUND BALANCES	\$24,128,441	\$6,552,511	\$17,382,060	\$7,960,684	\$56,023,696

See accompanying notes to financial statements

CITY OF DALY CITY
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

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 \$1,685,761

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.	1,747,914
Net retirements are deducted from fund balance	
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$1,386,936 which has already been allocated to serviced funds).	(3,905,486)

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	227,000
Interest accrued is deducted from fund balance	4,805

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	161,773
Compensated absences	298,149
OPEB Obligation	927,468

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>2,430,023</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$3,577,407</u></u>
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See accompanying notes to financial statements

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property tax	\$24,586,709	\$26,128,049	\$26,609,070	\$481,021
Sales tax	10,222,732	10,222,732	11,389,346	1,166,614
Utility users tax	6,928,095	6,928,095	6,422,821	(505,274)
Franchise fees	3,629,468	3,629,468	3,663,247	33,779
Other taxes	4,774,503	4,774,503	5,247,886	473,383
Licenses and permits	1,700,033	1,700,033	1,697,703	(2,330)
Fines and forfeitures	2,530,875	2,530,875	2,301,580	(229,295)
Rents and interest	3,696,561	1,196,561	1,429,389	232,828
Federal programs and grants	21,264	36,657	15,955	(20,702)
Receipts from other agencies	645,825	648,815	609,732	(39,083)
Charges and fees	6,292,745	6,292,745	6,573,663	280,918
Miscellaneous	2,926,199	3,003,638	4,255,093	1,251,455
Total Revenues	<u>67,955,009</u>	<u>67,092,171</u>	<u>70,215,485</u>	<u>3,123,314</u>
EXPENDITURES				
Current Operations:				
General Government				
Legislative:				
Salaries and benefits	179,055	179,055	174,539	4,516
Services and supplies	27,161	27,161	24,834	2,327
Other charges	16,757	16,757	3,931	12,826
Total Legislative	<u>222,973</u>	<u>222,973</u>	<u>203,304</u>	<u>19,669</u>
Legal:				
Salaries and benefits	818,069	818,069	827,928	(9,859)
Services and supplies	122,545	122,670	94,072	28,598
Other charges	9,300	9,300	6,168	3,132
Total Legal	<u>949,914</u>	<u>950,039</u>	<u>928,168</u>	<u>21,871</u>
Administrative:				
Salaries and benefits	6,083,067	8,267,384	8,111,527	155,857
Services and supplies	1,074,776	1,356,770	1,173,225	183,545
Capital outlay		4,430		4,430
Other charges	2,760,201	565,260	466,561	98,699
Total Administrative	<u>9,918,044</u>	<u>10,193,844</u>	<u>9,751,313</u>	<u>442,531</u>
Total General Government	<u>11,090,931</u>	<u>11,366,856</u>	<u>10,882,785</u>	<u>484,071</u>
Public Safety				
Police:				
Salaries and benefits	20,700,400	20,714,308	20,951,997	(237,689)
Services and supplies	3,595,515	3,651,017	3,616,560	34,457
Capital outlay	37,666	146,571	105,798	40,773
Other charges	225,909	233,091	234,884	(1,793)
Total Police	<u>24,559,490</u>	<u>24,744,987</u>	<u>24,909,239</u>	<u>(164,252)</u>

(Continued)

CITY OF DALY CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire:				
Salaries and benefits	13,374,667	13,374,667	13,681,164	(306,497)
Services and supplies	1,569,540	1,572,129	1,522,879	49,250
Capital outlay	37,796	46,240	35,727	10,513
Other charges	75,099	75,099	94,862	(19,763)
Total Fire	15,057,102	15,068,135	15,334,632	(266,497)
Public Safety Communications				
Salaries and benefits	1,559,622	1,559,622	1,621,150	(61,528)
Services and supplies	242,761	242,761	242,061	700
Capital outlay	2,000	2,000	1,951	49
Other charges	12,433	12,433	8,193	4,240
Total Public Safety Communications	1,816,816	1,816,816	1,873,355	(56,539)
Total Public Safety	41,433,408	41,629,938	42,117,226	(487,288)
Public Works				
Salaries and benefits	3,551,112	3,329,742	2,803,750	525,992
Services and supplies	1,533,669	1,753,728	1,741,902	11,826
Other charges	56,023	56,023	67,513	(11,490)
Total Public Works	5,140,804	5,139,493	4,613,165	526,328
Culture and Recreation				
Salaries and benefits	7,077,869	6,854,782	6,218,093	636,689
Services and supplies	4,614,770	4,650,660	4,305,503	345,157
Capital outlay		11,800	11,793	7
Other charges	71,363	73,541	73,066	475
Total Culture and Recreation	11,764,002	11,590,783	10,608,455	982,328
Economic and Community Development				
Salaries and benefits	2,911,106	2,626,906	2,129,711	497,195
Services and supplies	594,252	840,227	751,783	88,444
Capital outlay	400	400		400
Other charges	57,219	57,219	35,750	21,469
Total Economic and Community Development	3,562,977	3,524,752	2,917,244	607,508
Total Expenditures	72,992,122	73,251,822	71,138,875	2,112,947
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,037,113)</u>	<u>(6,159,651)</u>	<u>(923,390)</u>	<u>5,236,261</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,637,355	5,637,355	4,841,985	(795,370)
Transfers out	(536,026)	(566,179)	(3,600,408)	(3,034,229)
Total Other Financing Sources (Uses)	5,101,329	5,071,176	1,241,577	(3,829,599)
NET CHANGE IN FUND BALANCE	<u>\$64,216</u>	<u>(\$1,088,475)</u>	318,187	<u>\$1,406,662</u>
BEGINNING FUND BALANCE			23,810,254	
ENDING FUND BALANCE			<u>\$24,128,441</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
GAS TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Gas tax	\$2,894,517	\$2,894,517	\$3,426,245	\$531,728
Sales tax	1,608,743	1,608,743	1,734,705	125,962
Rents and interest	37,512	37,512	73,405	35,893
Federal programs and grants		820,821	197,419	(623,402)
Receipts from other agencies	336,082	413,082	339,635	(73,447)
Charges and fees			14,400	14,400
Total Revenues	<u>4,876,854</u>	<u>5,774,675</u>	<u>5,785,809</u>	<u>11,134</u>
EXPENDITURES				
Capital projects	<u>2,474,360</u>	<u>5,374,783</u>	<u>2,932,067</u>	<u>2,442,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,402,494</u>	<u>399,892</u>	<u>2,853,742</u>	<u>2,453,850</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		100,000	100,000	
Transfers out	<u>(2,478,238)</u>	<u>(2,478,238)</u>	<u>(1,681,877)</u>	<u>796,361</u>
Total Other Financing Sources (Uses)	<u>(2,478,238)</u>	<u>(2,378,238)</u>	<u>(1,581,877)</u>	<u>796,361</u>
NET CHANGE IN FUND BALANCE	<u>(\$75,744)</u>	<u>(\$1,978,346)</u>	1,271,865	<u>\$3,250,211</u>
BEGINNING FUND BALANCE			<u>5,280,646</u>	
ENDING FUND BALANCE			<u>\$6,552,511</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	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)	\$8,335,421	\$23,882,113	\$3,326,546	\$35,544,080	\$17,836,468
Cash with fiscal agent (Note 1F)	11,229			11,229	24
Accounts receivable, net (Note 1H)	2,743,587	904,264	23,989	3,671,840	169,270
Inventories (Note 1G)	511,081	1,432,722		1,943,803	110,207
Total Current Assets	11,601,318	26,219,099	3,350,535	41,170,952	18,115,969
Noncurrent Assets:					
Prepaid PERS pension contribution (Note 7)					21,749,726
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		58,639,202		58,639,202	
Wells and pump stations	7,011,400			7,011,400	
Water reservoirs	12,715,925			12,715,925	
Mains and subsurface lines	16,721,835	22,161,295		38,883,130	
Equipment	5,604,904	7,218,485	957,617	13,781,006	18,117,822
Furniture and fixtures	21,824	74,999		96,823	52,707
Construction in progress	2,132,403	706,872		2,839,275	306,271
Total Capital Assets	45,202,090	89,710,419	9,499,769	144,412,278	18,890,960
Less accumulated depreciation	(18,436,815)	(45,352,346)	(4,823,678)	(68,612,839)	(11,819,070)
Net Capital Assets	26,765,275	44,358,073	4,676,091	75,799,439	7,071,890
Total Noncurrent Assets	26,765,275	44,358,073	4,676,091	75,799,439	28,821,616
Total Assets	38,366,593	70,577,172	8,026,626	116,970,391	46,937,585
LIABILITIES					
Current Liabilities:					
Accounts payable	715,461	914,792	14,203	1,644,456	271,844
Retentions payable	72,523	1,377		73,900	
Accrued payroll	42,039	91,357		133,396	79,610
Deposits payable	10,489		15,000	25,489	
Interest payable	10,146	40,082		50,228	138,443
Accrued claims payable (Note 10)					2,227,649
Compensated absences (Note 1J)	260,984	565,000		825,984	
Long-term debt (Note 5)	525,000	220,167		745,167	1,625,000
Due to the State (Note 3E)	2,000,000			2,000,000	
Total Current Liabilities	3,636,642	1,832,775	29,203	5,498,620	4,342,546
Noncurrent Liabilities:					
Compensated absences (Note 1J)		377,585		377,585	531,586
Accrued claims payable (Note 10)					4,257,170
OPEB obligation (Note 8)	678,934	978,872		1,657,806	1,033,526
Long-term debt (Note 5)	5,290,000	2,528,282		7,818,282	26,755,000
Total Noncurrent Liabilities	5,968,934	3,884,739		9,853,673	32,577,282
Total Liabilities	9,605,576	5,717,514	29,203	15,352,293	36,919,828
NET POSITION (Note 11)					
Net investment in capital assets	20,950,275	41,609,624	4,676,091	67,235,990	7,071,890
Restricted for:					
Debt service	11,229			11,229	24
Unrestricted	7,799,513	23,250,034	3,321,332	34,370,879	2,945,843
Total Net Position	\$28,761,017	\$64,859,658	\$7,997,423	101,618,098	\$10,017,757

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

	21,456
Net position of business-type activities	\$101,639,554

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, 2014

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$18,095,452	\$333,284		\$18,428,736	
Sewer service charges		16,189,256		16,189,256	
Connection charges		153,940		153,940	
Rental income			\$834,950	834,950	
Lease revenue			375,000	375,000	
Charges to City departments					\$16,650,618
Other revenues	723,398	49,660	145,531	918,589	296,374
Total Operating Revenues	18,818,850	16,726,140	1,355,481	36,900,471	16,946,992
OPERATING EXPENSES					
Salaries and benefits	2,817,322	5,961,572		8,778,894	5,326,386
Services and supplies	1,463,287	6,121,236	661,102	8,245,625	2,803,695
Water purchases	5,067,414			5,067,414	
Utilities	1,078,284	1,033,571	98,864	2,210,719	385,154
Insurance	117,686	309,066	9,519	436,271	1,094,988
Claims and settlements					2,413,596
Depreciation (Note 4)	1,261,733	2,103,532	220,301	3,585,566	1,386,936
Other charges	1,471,225	2,835,029		4,306,254	252,270
Total Operating Expenses	13,276,951	18,364,006	989,786	32,630,743	13,663,025
Operating Income (Loss)	5,541,899	(1,637,866)	365,695	4,269,728	3,283,967
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,558,773		1,558,773	
Gain (loss) on disposal of capital assets		5,065		5,065	41,696
Amortization					(1,839,999)
Interest income	113,021	342,042	38,438	493,501	201,955
Interest expense	(131,192)	(70,949)		(202,141)	(1,732,203)
Total Nonoperating Revenues (Expenses)	(18,171)	1,834,931	38,438	1,855,198	(3,328,551)
Income (Loss) Before Transfers	5,523,728	197,065	404,133	6,124,926	(44,584)
Transfers in (Note 6)		1,469,737		1,469,737	3,347,584
Transfers (out) (Note 6)	(2,318,225)	(1,400,630)	(604,348)	(4,323,203)	(647,447)
Net transfers	(2,318,225)	69,107	(604,348)	(2,853,466)	2,700,137
CHANGE IN NET POSITION	3,205,503	266,172	(200,215)	3,271,460	2,655,553
BEGINNING NET POSITION	25,555,514	64,593,486	8,197,638	98,346,638	7,362,204
ENDING NET POSITION	\$28,761,017	\$64,859,658	\$7,997,423	\$101,618,098	\$10,017,757

Net change in net position \$3,271,460

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.

225,530

Change in net position of business-type activities \$3,496,990

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$18,450,083	\$16,786,873	\$1,354,667	\$36,591,623	\$16,823,998
Payments to suppliers	(9,268,473)	(10,445,293)	(765,525)	(20,479,291)	(4,441,299)
Payments to employees	(2,755,860)	(5,769,464)		(8,525,324)	(5,096,579)
Claims paid					(2,229,795)
Cash Flows from Operating Activities	6,425,750	572,116	589,142	7,587,008	5,056,325
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax		1,558,773		1,558,773	
Principal paid on noncapital debt					(1,430,000)
Interest paid on noncapital debt					(1,738,647)
Transfers in		1,469,737		1,469,737	3,347,584
Transfers out	(2,318,225)	(1,400,630)	(604,348)	(4,323,203)	(647,447)
Cash Flows from (used for) Noncapital Financing Activities	(2,318,225)	1,627,880	(604,348)	(1,294,693)	(468,510)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(956,316)	(1,656,138)		(2,612,454)	(2,106,101)
Proceeds from sale of capital assets		5,065		5,065	41,696
Principal paid on capital debt	(515,000)	(214,797)		(729,797)	
Interest paid on capital debt	(132,050)	(74,081)		(206,131)	
Cash Flows from (used for) Capital and Related Financing Activities	(1,603,366)	(1,939,951)		(3,543,317)	(2,064,405)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	113,021	342,042	38,438	493,501	201,954
Net Cash Flows	2,617,180	602,087	23,232	3,242,499	2,725,364
Cash and investments at beginning of period	5,729,470	23,280,026	3,303,314	32,312,810	15,111,128
Cash and investments at end of period	\$8,346,650	\$23,882,113	\$3,326,546	\$35,555,309	\$17,836,492
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$5,541,899	(\$1,637,866)	\$365,695	\$4,269,728	\$3,283,967
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,261,733	2,103,532	220,301	3,585,566	1,386,936
Change in assets and liabilities:					
Accounts receivable, net	(363,912)	60,733	(814)	(303,993)	(122,994)
Inventories	(14,695)	(66,195)		(80,890)	(23,556)
Accounts payable	14,305	(32,677)	(11,040)	(29,412)	118,364
Retentions payable	(70,187)	(47,519)		(117,706)	
Accrued payroll	4,723	12,783		17,506	15,076
Deposits payable	(4,855)		15,000	10,145	
Accrued claims payable					183,801
Compensated absences	(69,879)	32,442		(37,437)	42,135
OPEB obligation	126,618	146,883		273,501	172,596
Cash Flows from Operating Activities	\$6,425,750	\$572,116	\$589,142	\$7,587,008	\$5,056,325

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, 2014

	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS		
Cash and investments (Note 1F)	\$608,093	\$2,951,654
Receivables	3,930	1,242,657
Other assets		67,990
Property held for redevelopment (Note 1C)	12,746,874	
Total Assets	13,358,897	\$4,262,301
LIABILITIES		
Accounts payable	4,735	\$2,409,113
Due to others		1,853,188
Deposits payable	157,050	
Interest payable, due in more than one year (Note 14B)	196,970	
Long-term debt, due in more that one year (Note 14B)	904,670	
Total Liabilities	1,263,425	\$4,262,301
NET POSITION		
Held in trust for other purposes	\$12,095,472	

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Successor Agency to the Redevelopment Agency <u>Private-Purpose Trust</u>
ADDITIONS	
Rents and interest	\$64,279
Receipts from other agencies	250,000
Charges and fees	8,010
Miscellaneous	<u>100</u>
Total additions	<u>322,389</u>
DEDUCTIONS	
Services and supplies	295,783
Other charges	3,588
Interest and fiscal charges	<u>27,140</u>
Total deductions	<u>326,511</u>
CHANGE IN NET POSITION	(4,122)
NET POSITION HELD IN TRUST FOR OTHER PURPOSES	
Beginning of year	<u>12,099,594</u>
End of year	<u><u>\$12,095,472</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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, 2014, the following expenditures exceeded the budgeted expenditures:

	<u>Expenditures Exceeded Budget</u>
General Fund:	
Fire	\$266,497
Police	164,252
Public Safety Communications	56,539

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	\$103,704,431
Restricted cash and investments	11,253
Cash and investments of the City	<u>103,715,684</u>
Cash and investments in Fiduciary Funds (separate statement)	3,559,747
Total cash and investments	<u><u>\$107,275,431</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	270 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		\$3,942,266	\$3,942,266
Money Market Mutual Funds	\$24		24
California Local Agency Investment Fund	3,735,653		3,735,653
San Mateo County Investment Pool	90,525,349		90,525,349
Total Investments	<u>\$94,261,026</u>	<u>\$3,942,266</u>	<u>98,203,292</u>
Cash in Bank and on Hand			<u>9,072,139</u>
Total Cash and Investments			<u><u>\$107,275,431</u></u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2014, these investments have an average maturity of 232 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, 2014, these investments matured in an average of 1.71 years.

Money Market Mutual Fund investments are available for withdrawal on demand and at June 30, 2014 have an average maturity of 48 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.

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, 2014 are provided by Standard and Poor's except as noted.

Investment Type	AAAm	AAAf	Total Investments
Money Market Mutual Funds	\$24		\$24
San Mateo County Investment Pool		\$90,525,349	90,525,349
Total	\$24	\$90,525,349	90,525,373
<i>Not rated:</i>			
California Local Agency Investment Fund			3,735,653
<i>Exempt from rating requirement:</i>			
U.S. Government-Sponsored Enterprise Agencies			3,942,266
Total Investments			\$98,203,292

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:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Balance June 30, 2013	\$8,738,705	\$1,241,006	\$9,979,711
Additions	5,654,796	840,547	6,495,343
Payments	<u>(5,910,810)</u>	<u>(877,984)</u>	<u>(6,788,794)</u>
Balance June 30, 2014	<u>\$8,482,691</u>	<u>\$1,203,569</u>	<u>\$9,686,260</u>
Due within one year	<u>\$5,820,000</u>	<u>\$825,984</u>	<u>\$6,645,984</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, 2014, the City had made commitments of approximately \$4.9 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, 2014 were \$103,389 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, 2014 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.

E. DUE TO STATE

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. On November 10, 2014, the City Council approved a resolution transferring \$5,750,000 to the Successor Agency of the former Daly City Redevelopment Agency.

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, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Governmental activities:					
Capital assets not being depreciated:					
Land	\$20,705,468				\$20,705,468
Construction in progress	3,233,826	\$712,993		(\$344,200)	3,602,619
Total capital assets not being depreciated	23,939,294	712,993		(344,200)	24,308,087
Capital assets being depreciated:					
Buildings & improvements	56,208,729				56,208,729
Streets & infrastructure	70,218,249	1,000,523		344,200	71,562,972
Vehicles & equipment	21,050,572	2,140,500	\$652,123		23,843,195
Furniture & fixtures	430,300				430,300
Park structures & improvements	5,851,735				5,851,735
Total capital assets being depreciated	153,759,585	3,141,023	652,123	344,200	157,896,931
Less accumulated depreciation for:					
Buildings & improvements	25,478,230	1,509,165			26,987,395
Streets & infrastructure	46,689,634	1,964,771			48,654,405
Vehicles & equipment	14,250,135	1,574,745	652,123		16,477,003
Furniture & fixtures	420,585	6,066			426,651
Park structures & improvements	2,235,388	237,675			2,473,063
Total accumulated depreciation	89,073,972	5,292,422	652,123		95,018,517
Net depreciable assets	64,685,613	(2,151,399)		344,200	62,878,414
Governmental activity capital assets, net	\$88,624,907	(\$1,438,406)			\$87,186,501

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$2,862,549			\$2,862,549
Construction in progress	6,685,109	1,293,465	(5,139,299)	2,839,275
Total capital assets not being depreciated	9,547,658	1,293,465	(5,139,299)	5,701,824
Capital assets being depreciated:				
Buildings	7,582,968			7,582,968
Sewage facilities	54,904,534	66,631	3,668,037	58,639,202
Wells & pump stations	7,011,400			7,011,400
Water reservoirs	12,715,925			12,715,925
Mains & subsurface lines	37,723,399	531,650	628,081	38,883,130
Equipment	12,263,422	674,403	843,181	13,781,006
Furniture & fixtures	50,518	46,305		96,823
Total capital assets being depreciated	132,252,166	1,318,989	5,139,299	138,710,454
Less accumulated depreciation for:				
Buildings	4,698,549	201,030		4,899,579
Sewage facilities	31,541,389	1,006,533		32,547,922
Wells & pump stations	3,160,638	160,635		3,321,273
Water reservoirs	4,196,119	219,205		4,415,324
Mains & subsurface lines	15,061,587	1,221,837		16,283,424
Equipment	6,318,473	773,009		7,091,482
Furniture & fixtures	50,518	3,317		53,835
Total accumulated depreciation	65,027,273	3,585,566		68,612,839
Net depreciable assets	67,224,893	(2,266,577)	5,139,299	70,097,615
Business-type activity capital assets, net	\$76,772,551	(\$973,112)		\$75,799,439

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	\$179,286
Public safety	284,542
Public works	659
Culture and recreation	1,469,712
Economic and community development	5,479
Streets and infrastructure	1,965,808
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,386,936</u>
Total Governmental Activities	<u><u>\$5,292,422</u></u>
Business-Type Activities	
Water Utility	\$1,261,733
Sanitation District	2,103,532
Civic Center	190,694
Transfer Station	<u>29,607</u>
Total Business-Type Activities	<u><u>\$3,585,566</u></u>

Note 5.
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2014, are as follows:

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
<i>Governmental Activity Debt</i>					
Housing & Urban Development Section 108 Loan					
2.31%-6.01%, due 2023	\$4,500,000	\$3,141,000	\$227,000	\$2,914,000	\$244,000
2004 Series A-1 Pension Obligation Bonds					
2.650%-5.896%, due 2024	36,235,000	29,810,000	1,430,000	28,380,000	1,625,000
Total Governmental Activity		32,951,000	1,657,000	31,294,000	1,869,000
<i>Business-Type Activity Debt</i>					
State Water Resources Control Board Loan					
2.5%, due 2025	4,450,128	2,963,246	214,797	2,748,449	220,167
2012 Water Revenue Refunding Bond					
2%, due 2024	6,890,000	6,330,000	515,000	5,815,000	525,000
Total Business-Type Activity		9,293,246	729,797	8,563,449	745,167
Total City Long-Term Obligations		\$42,244,246	\$2,386,797	\$39,857,449	\$2,614,167

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, 2014, total principal and interest remaining on the note is \$3,747,205. For fiscal year 2014, principal and interest paid were \$397,919 and total block grant revenues were \$1,310,890.

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 2014, principal and interest paid were \$3,168,647.

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, as defined in the loan agreement. As of June 30, 2014, total principal and interest remaining on the note is \$3,177,663. For fiscal year 2014, principal and interest paid were \$288,878 and total Sanitation District Enterprise net revenues were \$2,024,439.

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 but excluding depreciation, for debt service, as defined in the indenture. As of June 30, 2014, total principal and interest remaining on the bonds is \$6,491,950. For fiscal year 2014, principal and interest paid were \$647,050 and total Water Utility Enterprise Fund net revenues were \$6,803,632.

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
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	2,919,000	1,307,405	818,023	118,655
2020-2024	19,434,000	3,565,650	4,374,346	321,649
2025			281,833	7,045
	<u>\$31,294,000</u>	<u>\$11,472,291</u>	<u>\$8,563,449</u>	<u>\$1,106,164</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, 2014, the amounts of current interfund balances were as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Community Block Grant Special Revenue Fund	\$77,692
	Doelger Senior Center Special Revenue Fund	7,679
		<u>\$85,371</u>

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2014 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Transfer Amount</u>
General Fund	Capital Projects Fund	\$78,536
	Nonmajor Governmental Funds	469,342
	Internal Service Funds	3,052,530
Gas Tax Special Revenue Fund	General Fund	1,681,877
Capital Projects Fund	Nonmajor Governmental Funds	33,143
	Internal Service Funds	54,249
Water Utility Enterprise Fund	General Fund	845,197
	Sanitation District Enterprise Fund	1,469,737
	Internal Service Funds	3,291
Sanitation District Enterprise Fund	General Fund	1,065,116
	Gas Tax Special Revenue Fund	100,000
	Internal Service Funds	235,514
Nonmajor Enterprise Funds	General Fund	604,348
Internal Service Funds	General Fund	645,447
	Internal Service Funds	2,000
		<u>\$10,340,327</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, 2014, are summarized as follows:

	Safety		Safety New Tier		Miscellaneous		Miscellaneous New Tier	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date								
Benefit vesting schedule	5 years service							
Benefit payments	monthly for life							
Minimum retirement age	50		52		50		52	
Benefits, as a % of annual salary								
for each credited service year	2.4%-3.0%		2.2%-2.7%		2.0%-3.0%		1.0%-2.5%	
Required employee contribution rates	9%		11.25%		8%		6.50%	
Required employer contribution rates	21.949%		21.714%		17.405%		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 \$21,749,726 at June 30, 2014. During fiscal 2014, the amortization of the prepayment amounted to \$1,839,999. 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, 2014, 2013 and 2012 amounted to \$9,859,047, \$10,255,234, and \$10,093,674, 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, 2013	<u>(\$9,284,523)</u>	<u>(\$14,305,202)</u>	<u>(\$23,589,725)</u>
Annual required contribution (ARC)	4,203,706	3,815,342	8,019,048
Interest on net pension asset	(753,422)	(1,015,807)	(1,769,229)
Adjustment to ARC	<u>1,536,981</u>	<u>2,072,247</u>	<u>3,609,228</u>
Net pension cost	4,987,265	4,871,782	9,859,047
Contributions made by the City	<u>(4,203,706)</u>	<u>(3,815,342)</u>	<u>(8,019,048)</u>
Decrease in net pension asset	<u>783,559</u>	<u>1,056,440</u>	<u>1,839,999</u>
Net pension obligations (asset) at June 30, 2014	<u><u>(\$8,500,964)</u></u>	<u><u>(\$13,248,762)</u></u>	<u><u>(\$21,749,726)</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 Asset
2012	\$4,493,632	83%	\$10,013,449
2013	4,885,963	85%	9,284,523
2014	4,987,265	84%	8,500,964

Miscellaneous Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Asset
2012	\$5,600,042	83%	\$15,351,848
2013	5,369,271	81%	14,305,202
2014	4,871,782	78%	13,248,762

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
6/30/2010	\$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%
6/30/2012	238,721,552	214,167,771	24,553,781	89.7%	18,837,292	130.3%

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
6/30/2010	\$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%
6/30/2012	236,515,479	215,181,935	21,333,544	91.0%	25,397,542	84.0%

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, 2014, approximately 401 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 451 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 closed amortization period for an initial June 30, 2008 Unfunded Accrued Actuarial Liability (UAAL), a 20 year closed amortization period for method assumptions and plan changes and 15 years for gains and losses, with a maximum of a 30 year combined closed period.

B. FUNDING PROGRESS AND FUNDED STATUS

In fiscal year 2014, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Obligation June 30, 2013	<u>\$9,126,661</u>
Annual required contribution (ARC)	4,187,000
Interest on net OPEB obligation	410,314
Amortization of the net OPEB obligation	<u>(689,847)</u>
Net OPEB cost	3,907,467
Contributions made:	
City's contribution to CERBT	(2,400,000)
City's portion of current year premiums paid	<u>(1,988,838)</u>
Change in net OPEB Liability	<u>(481,371)</u>
Net OPEB Obligation June 30, 2014	<u><u>\$8,645,290</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
6/30/2012	\$3,593,563	\$1,684,682	47%	\$7,290,380
6/30/2013	3,684,401	1,848,120	50%	9,126,661
6/30/2014	3,907,467	4,388,838	112%	8,645,290

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	Funded	Covered	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
	Value of Assets	Accrued Liability	Accrued Liability	Ratio	Payroll	
1/1/2009	\$0	\$38,226,000	(\$38,226,000)	0%	\$47,798,000	(80%)
1/1/2011	0	40,910,000	(40,910,000)	0%	45,974,000	(89%)
1/1/2013	0	47,016,000	(47,016,000)	0%	42,630,000	(110%)

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 \$50,000 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, 2014, the City contributed \$306,025 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beginning balance of claims payable	\$6,301,018	\$6,182,532
Increase in estimated claims liability	2,413,596	2,119,323
Claims paid	<u>(2,229,795)</u>	<u>(2,000,837)</u>
Ending balance of claims payable	<u>\$6,484,819</u>	<u>\$6,301,018</u>
Current Portion	<u>\$2,227,649</u>	<u>\$2,093,018</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 are 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, debt service requirements and amounts required to be set aside for low and moderate income housing.

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 by resolution which may be altered only by formal action in the same manner. 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 by resolution or its designee (City Manager) and may be changed at the discretion of the City Council by resolution. 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, 2014, are below:

Fund Balance Classifications	General Fund	Gas Tax	Capital Projects	Other Governmental Funds	Total
Nonspendables:					
Items not in spendable form:					
Inventories	\$177,711				\$177,711
Prepaid expenses	8,418				8,418
Total Nonspendable Fund Balances	186,129				186,129
Restricted for:					
Gas Tax Projects		\$6,552,511			6,552,511
Capital Projects			\$5,508,336		5,508,336
Low and Moderate Income Housing Assets				\$6,917,825	6,917,825
Linda Vista Benefit Assessment				364,625	364,625
Traffic Safety				103,540	103,540
Grants				574,694	574,694
Total Restricted Fund Balances		6,552,511	5,508,336	7,960,684	20,021,531
Assigned to:					
Encumbrances	103,389				103,389
Operating Capital	12,000,000				12,000,000
Capital Projects			11,873,724		11,873,724
Total Assigned Fund Balances	12,103,389		11,873,724		23,977,113
Unassigned:					
General fund	11,838,923				11,838,923
Total Fund Balances	\$24,128,441	\$6,552,511	\$17,382,060	\$7,960,684	\$56,023,696

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 unavailable revenue as they are not expected to be repaid during the next fiscal year.

During fiscal 2014, the City made loans to 7 participants under this program and the CDBG loan program activity is as follows:

Beginning Balance	\$1,130,673
New loans	263,037
Loan repayments	<u>(101,264)</u>
Ending Balance	<u><u>\$1,292,446</u></u>

Note 13.
FUND DEFICIT

The Building Maintenance Internal Service Fund and the PERS Contributions Internal Service Fund had deficits amounting to \$536,900 and \$2,385,042, respectively, at June 30, 2014. 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, 2014 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, 2014.

B. 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, 2014 is \$1,101,640 which consists of \$904,670 principal and \$196,970 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

C. 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.



**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, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Rents and interest	\$157,450	\$301,654	\$144,204
Charges and fees	707,571	789,198	81,627
Miscellaneous	29,363	128,999	99,636
Total Revenues	894,384	1,219,851	325,467
EXPENDITURES			
Capital projects	2,725,794	1,217,471	1,508,323
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,831,410)	2,380	1,833,790
OTHER FINANCING SOURCES (USES)			
Transfers in	70,000	78,536	8,536
Transfers out	(87,392)	(87,392)	
Total Other Financing Sources (Uses)	(17,392)	(8,856)	8,536
NET CHANGE IN FUND BALANCES	(\$1,848,802)	(6,476)	\$1,842,326
BEGINNING FUND BALANCE		17,388,536	
ENDING FUND BALANCE		\$17,382,060	

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, 2014

	SPECIAL REVENUE FUNDS		
	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant
ASSETS			
Cash and investments	\$254,173	\$610	
Accounts receivable, net	4,417	32,885	\$178,248
Notes receivable			778,525
Prepays			
Property held for development	6,675,671		
Total Assets	\$6,934,261	\$33,495	\$956,773
LIABILITIES			
Accounts payable	\$169	\$18,843	\$94,290
Accrued payroll	467	6,973	6,266
Due to other funds		7,679	77,692
Deposits payable	15,800		
Unearned revenue			
Total Liabilities	16,436	33,495	178,248
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - loans			778,525
Total Deferred Inflows of Resources			778,525
FUND BALANCES			
Restricted	6,917,825		
Total Fund Balances	6,917,825		
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$6,934,261	\$33,495	\$956,773

SPECIAL REVENUE FUNDS

Linda Vista Benefit Assessment	Traffic Safety	Grants	Total Nonmajor Governmental Funds
\$364,636	\$103,279	\$863,198	\$1,585,896
		207,374	422,924
		513,921	1,292,446
	1,421		1,421
			6,675,671
<u>\$364,636</u>	<u>\$104,700</u>	<u>\$1,584,493</u>	<u>\$9,978,358</u>
\$11	\$1,160	\$58,248	\$172,721
		6,105	19,811
			85,371
			15,800
		431,525	431,525
<u>11</u>	<u>1,160</u>	<u>495,878</u>	<u>725,228</u>
		513,921	1,292,446
		513,921	1,292,446
<u>364,625</u>	<u>103,540</u>	<u>574,694</u>	<u>7,960,684</u>
<u>364,625</u>	<u>103,540</u>	<u>574,694</u>	<u>7,960,684</u>
<u>\$364,636</u>	<u>\$104,700</u>	<u>\$1,584,493</u>	<u>\$9,978,358</u>

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS		
	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant
REVENUES			
Rents and interest	\$54,400		
Federal programs and grants		\$145,947	\$1,182,845
Receipts from other agencies			
Charges and fees		263,194	
Miscellaneous	2,850	100,222	128,045
Total Revenues	57,250	509,363	1,310,890
EXPENDITURES			
Public safety			
Public works			
Culture and recreation		970,549	
Economic and community development	43,001		912,971
Debt service:			
Principal			227,000
Interest			170,919
Total Expenditures	43,001	970,549	1,310,890
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,249	(461,186)	
OTHER FINANCING SOURCES (USES)			
Transfers in		461,186	
Total Other Financing Sources (Uses)		461,186	
NET CHANGE IN FUND BALANCES	14,249		
BEGINNING FUND BALANCES	6,903,576		
ENDING FUND BALANCES	\$6,917,825		

SPECIAL REVENUE FUNDS

Linda Vista Benefit Assessment	Traffic Safety	Grants	Total Nonmajor Governmental Funds
\$5,405		\$403	\$60,208
		512,785	1,841,577
		507,085	507,085
41,313	\$75,781		380,288
	262		231,379
<u>46,718</u>	<u>76,043</u>	<u>1,020,273</u>	<u>3,020,537</u>
	64,890	555,772	620,662
17,226		82,074	99,300
		353,439	1,323,988
		22,996	978,968
			227,000
			170,919
<u>17,226</u>	<u>64,890</u>	<u>1,014,281</u>	<u>3,420,837</u>
<u>29,492</u>	<u>11,153</u>	<u>5,992</u>	<u>(400,300)</u>
		41,299	502,485
		41,299	502,485
29,492	11,153	47,291	102,185
<u>335,133</u>	<u>92,387</u>	<u>527,403</u>	<u>7,858,499</u>
<u>\$364,625</u>	<u>\$103,540</u>	<u>\$574,694</u>	<u>\$7,960,684</u>

CITY OF DALY CITY
 BUDGETED NONMAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	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	\$54,400	(\$20,000)			
Federal programs and grants				\$143,222	\$145,947	\$2,725
Receipts from other agencies						
Charges and fees				289,500	263,194	(26,306)
Miscellaneous	2,850	2,850		100,000	100,222	222
Total Revenues	77,250	57,250	(20,000)	532,722	509,363	(23,359)
EXPENDITURES						
Public Safety						
Salaries and benefits						
Services and supplies						
Capital outlay						
Other charges						
Total Public Safety						
Public Works						
Services and supplies						
Capital outlay						
Other charges						
Total Public Works						
Culture and Recreation						
Salaries and benefits				421,959	403,679	18,280
Services and supplies				577,140	565,699	11,441
Other charges				1,171	1,171	
Total Culture and Recreation				1,000,270	970,549	29,721
Economic and Community Development						
Salaries and benefits	80,266	35,486	44,780			
Services and supplies	41,164	7,515	33,649			
Capital outlay						
Other charges						
Debt Service:						
Principal						
Interest						
Total Economic and Community Development	121,430	43,001	78,429			
Total Expenditures	121,430	43,001	78,429	1,000,270	970,549	29,721
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,180)	14,249	58,429	(467,548)	(461,186)	6,362
OTHER FINANCING SOURCES (USES)						
Transfers in				435,493	461,186	25,693
Total Other Financing Sources (Uses)				435,493	461,186	25,693
NET CHANGE IN FUND BALANCES	(44,180)	14,249	\$58,429	(\$32,055)		\$32,055
BEGINNING FUND BALANCES		6,903,576				
ENDING FUND BALANCES		\$6,917,825				

COMMUNITY BLOCK GRANT			LINDA VISTA BENEFIT ASSESSMENT			TRAFFIC SAFETY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,689,112	\$1,182,845	(\$506,267)	\$3,000	\$5,405	\$2,405			
50,000	128,045	78,045	43,294	41,313	(1,981)	\$61,593	\$75,781	\$14,188
1,739,112	1,310,890	(428,222)	46,294	46,718	424	61,593	76,043	14,450
						13,598	13,040	558
						57,053	35,916	21,137
						17,907	11,661	6,246
						6,092	4,273	1,819
						94,650	64,890	29,760
			16,968	16,038	930			
			4,000	712	3,288			
			500	476	24			
			21,468	17,226	4,242			
396,375	378,426	17,949						
313,322	251,543	61,779						
1,370	937	433						
630,126	282,065	348,061						
227,000	227,000							
170,919	170,919							
1,739,112	1,310,890	428,222						
1,739,112	1,310,890	428,222	21,468	17,226	4,242	94,650	64,890	29,760
			24,826	29,492	4,666	(33,057)	11,153	44,210
			\$24,826	29,492	\$4,666	(\$33,057)	11,153	\$44,210
				335,133			92,387	
				\$364,625			\$103,540	

(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, 2014

	GRANTS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Rents and interest		\$403	\$403
Federal programs and grants	\$1,602,751	512,785	(1,089,966)
Receipts from other agencies	1,088,664	507,085	(581,579)
Charges and fees			
Miscellaneous			
Total Revenues	<u>2,691,415</u>	<u>1,020,273</u>	<u>(1,671,142)</u>
EXPENDITURES			
Public Safety			
Salaries and benefits	167,842	104,782	63,060
Services and supplies	642,021	115,677	526,344
Capital outlay	332,584	332,140	444
Other charges	7,983	3,173	4,810
Total Public Safety	<u>1,150,430</u>	<u>555,772</u>	<u>594,658</u>
Public Works			
Services and supplies			
Capital outlay	15,300	3,376	11,924
Other charges	217,215	78,698	138,517
Total Public Works	<u>232,515</u>	<u>82,074</u>	<u>150,441</u>
Culture and Recreation			
Salaries and benefits	319,067	288,702	30,365
Services and supplies	80,782	64,737	16,045
Other charges			
Total Culture and Recreation	<u>399,849</u>	<u>353,439</u>	<u>46,410</u>
Economic and Community Development			
Salaries and benefits	20,911	21,393	(482)
Services and supplies	2,174	1,603	571
Capital outlay			
Other charges	984,231		984,231
Debt Service:			
Principal			
Interest			
Total Economic and Community Development	<u>1,007,316</u>	<u>22,996</u>	<u>984,320</u>
Total Expenditures	<u>2,790,110</u>	<u>1,014,281</u>	<u>1,775,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(98,695)</u>	<u>5,992</u>	<u>104,687</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	41,299	41,299	
Total Other Financing Sources (Uses)	<u>41,299</u>	<u>41,299</u>	
NET CHANGE IN FUND BALANCES	<u>(\$57,396)</u>	<u>47,291</u>	<u>\$104,687</u>
BEGINNING FUND BALANCES		<u>527,403</u>	
ENDING FUND BALANCES		<u>\$574,694</u>	

NONMAJOR PROPRIETARY FUNDS

The City maintains the following nonmajor enterprise funds:

- Civic Center - to account for rental activity of real property owned by the City in the Civic Center area.
- Transfer Station - to account for the activity of the Mussel Rock garbage transfer station.

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
JUNE 30, 2014

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$2,358,108	\$968,438	\$3,326,546
Accounts receivable, net	22,888	1,101	23,989
	<u>2,380,996</u>	<u>969,539</u>	<u>3,350,535</u>
Total Current Assets			
Capital Assets:			
Land	1,695,762	93,384	1,789,146
Buildings	5,568,728	1,184,278	6,753,006
Equipment	936,705	20,912	957,617
	<u>8,201,195</u>	<u>1,298,574</u>	<u>9,499,769</u>
Total Capital Assets			
Less accumulated depreciation	<u>(3,764,056)</u>	<u>(1,059,622)</u>	<u>(4,823,678)</u>
Net Capital Assets	<u>4,437,139</u>	<u>238,952</u>	<u>4,676,091</u>
Total Assets	<u>6,818,135</u>	<u>1,208,491</u>	<u>8,026,626</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	11,198	3,005	14,203
Deposits payable	15,000		15,000
	<u>26,198</u>	<u>3,005</u>	<u>29,203</u>
Total Liabilities			
NET POSITION			
Net investment in capital assets	4,437,139	238,952	4,676,091
Unrestricted	2,354,798	966,534	3,321,332
	<u>\$6,791,937</u>	<u>\$1,205,486</u>	<u>\$7,997,423</u>
Total Net Position			

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$834,950		\$834,950
Lease revenue		\$375,000	375,000
Other revenues	48,684	96,847	145,531
	<u>883,634</u>	<u>471,847</u>	<u>1,355,481</u>
OPERATING EXPENSES			
Services and supplies	527,085	134,017	661,102
Utilities	98,864		98,864
Insurance	6,687	2,832	9,519
Depreciation	190,694	29,607	220,301
	<u>823,330</u>	<u>166,456</u>	<u>989,786</u>
Total Operating Revenues	<u>883,634</u>	<u>471,847</u>	<u>1,355,481</u>
Operating Income	<u>60,304</u>	<u>305,391</u>	<u>365,695</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	38,438		38,438
Income (Loss) Before Transfers	98,742	305,391	404,133
Transfers out	<u>(132,501)</u>	<u>(471,847)</u>	<u>(604,348)</u>
Change in Net Position	(33,759)	(166,456)	(200,215)
BEGINNING NET POSITION	<u>6,825,696</u>	<u>1,371,942</u>	<u>8,197,638</u>
ENDING NET POSITION	<u>\$6,791,937</u>	<u>\$1,205,486</u>	<u>\$7,997,423</u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Civic Center	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$882,820	\$471,847	\$1,354,667
Payments to suppliers	(616,690)	(148,835)	(765,525)
	<u>266,130</u>	<u>323,012</u>	<u>589,142</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(132,501)	(471,847)	(604,348)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	38,438		38,438
	<u>172,067</u>	<u>(148,835)</u>	<u>23,232</u>
Cash and investments at beginning of year	2,186,041	1,117,273	3,303,314
Cash and investments at end of year	<u>\$2,358,108</u>	<u>\$968,438</u>	<u>\$3,326,546</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	\$60,304	\$305,391	\$365,695
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	(814)		(814)
Accounts payable	946	(11,986)	(11,040)
Deposits payable	15,000		15,000
	<u>\$266,130</u>	<u>\$323,012</u>	<u>\$589,142</u>

INTERNAL SERVICE FUNDS

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

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net 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, 2014

	Motor Vehicles	Central Services	PBX	Building Maintenance
ASSETS				
Current Assets:				
Cash and investments	\$2,777,704	\$443,699	\$493,346	\$464,326
Cash with fiscal agent				
Accounts receivable, net	12,058			
Inventories	99,487			10,720
Total Current Assets	<u>2,889,249</u>	<u>443,699</u>	<u>493,346</u>	<u>475,046</u>
Long-Term Assets:				
Prepaid PERS contribution				
Capital Assets:				
Land				
Buildings	35,817			
Equipment	14,115,582		674,409	50,417
Furniture and fixtures				6,093
Construction in progress	234,512			
Total Capital Assets	<u>14,385,911</u>		<u>674,409</u>	<u>56,510</u>
Less Accumulated Depreciation	<u>(8,764,260)</u>		<u>(536,236)</u>	<u>(53,280)</u>
Net Capital Assets	<u>5,621,651</u>		<u>138,173</u>	<u>3,230</u>
Total Assets	<u>8,510,900</u>	<u>443,699</u>	<u>631,519</u>	<u>478,276</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	186,406	4,905	10,839	35,523
Accrued payroll	13,774	1,486		37,771
Interest payable				
Accrued claims payable				
PERS obligation bonds				
Total Current Liabilities	<u>200,180</u>	<u>6,391</u>	<u>10,839</u>	<u>73,294</u>
Long-Term Liabilities:				
Compensated absences	46,180			294,330
Accrued claims payable				
OPEB Obligation	174,614	41,466		647,552
PERS obligation bonds				
Total Long-Term Liabilities	<u>220,794</u>	<u>41,466</u>		<u>941,882</u>
Total Liabilities	<u>420,974</u>	<u>47,857</u>	<u>10,839</u>	<u>1,015,176</u>
NET POSITION				
Net investment in capital assets	5,621,651		138,173	3,230
Restricted for debt service				
Unrestricted	2,468,275	395,842	482,507	(540,130)
Total Net Position (Deficit)	<u>\$8,089,926</u>	<u>\$395,842</u>	<u>\$620,680</u>	<u>(\$536,900)</u>

<u>Information Services</u>	<u>Self- Insurance</u>	<u>PERS Contributions</u>	<u>Total</u>
\$2,238,675	\$7,035,067	\$4,383,651	\$17,836,468
		24	24
150	157,062		169,270
			110,207
<u>2,238,825</u>	<u>7,192,129</u>	<u>4,383,675</u>	<u>18,115,969</u>
		<u>21,749,726</u>	<u>21,749,726</u>
	378,343		378,343
3,277,414			35,817
46,614			18,117,822
71,759			52,707
			306,271
<u>3,395,787</u>	<u>378,343</u>		<u>18,890,960</u>
<u>(2,465,294)</u>			<u>(11,819,070)</u>
<u>930,493</u>	<u>378,343</u>		<u>7,071,890</u>
<u>3,169,318</u>	<u>7,570,472</u>	<u>26,133,401</u>	<u>46,937,585</u>
10,206	23,965		271,844
23,284	3,295		79,610
		138,443	138,443
	2,227,649		2,227,649
		1,625,000	1,625,000
<u>33,490</u>	<u>2,254,909</u>	<u>1,763,443</u>	<u>4,342,546</u>
112,317	78,759		531,586
	4,257,170		4,257,170
169,894			1,033,526
		26,755,000	26,755,000
<u>282,211</u>	<u>4,335,929</u>	<u>26,755,000</u>	<u>32,577,282</u>
<u>315,701</u>	<u>6,590,838</u>	<u>28,518,443</u>	<u>36,919,828</u>
930,493	378,343		7,071,890
		24	24
<u>1,923,124</u>	<u>601,291</u>	<u>(2,385,066)</u>	<u>2,945,843</u>
<u>\$2,853,617</u>	<u>\$979,634</u>	<u>(\$2,385,042)</u>	<u>\$10,017,757</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, 2014

	Motor Vehicles	Central Services	PBX	Building Maintenance
OPERATING REVENUES				
Charges to City departments	\$3,275,904	\$171,191	\$144,349	\$3,558,772
Other revenues	133,009			24,340
Total Operating Revenues	3,408,913	171,191	144,349	3,583,112
OPERATING EXPENSES				
Salaries and benefits	898,453	67,207		2,656,169
Services and supplies	1,239,741	144,210	37,465	727,611
Utilities	24,053	101	136,144	195,783
Insurance	289,386	114		3,021
Claims and settlements				
Depreciation	1,074,039		24,958	1,671
Other charges	4,998	666		3,565
Total Operating Expenses	3,530,670	212,298	198,567	3,587,820
Operating Income (Loss)	(121,757)	(41,107)	(54,218)	(4,708)
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	41,696			
Amortization				
Interest income	39,140	5,320	9,688	4,476
Interest expense				
Total Nonoperating Revenues (Expenses)	80,836	5,320	9,688	4,476
Income (Loss) Before Transfers	(40,921)	(35,787)	(44,530)	(232)
Transfers in	238,763	26,200	53,000	
Transfers out	(81,134)	(2,727)	(9,821)	(136,518)
Net Transfers	157,629	23,473	43,179	(136,518)
Change in Net Position	116,708	(12,314)	(1,351)	(136,750)
BEGINNING NET POSITION (DEFICITS)	7,973,218	408,156	622,031	(400,150)
ENDING NET POSITION (DEFICITS)	\$8,089,926	\$395,842	\$620,680	(\$536,900)

Information Services	Self-Insurance	PERS Contributions	Total
\$2,517,063	\$3,937,227	\$3,046,112	\$16,650,618
244	138,781		296,374
<u>2,517,307</u>	<u>4,076,008</u>	<u>3,046,112</u>	<u>16,946,992</u>
1,511,820	192,737		5,326,386
399,262	248,434	6,972	2,803,695
28,574	499		385,154
143	802,324		1,094,988
	2,413,596		2,413,596
286,268			1,386,936
239,658	3,383		252,270
<u>2,465,725</u>	<u>3,660,973</u>	<u>6,972</u>	<u>13,663,025</u>
<u>51,582</u>	<u>415,035</u>	<u>3,039,140</u>	<u>3,283,967</u>
			41,696
		(1,839,999)	(1,839,999)
37,231	106,076	24	201,955
		(1,732,203)	(1,732,203)
<u>37,231</u>	<u>106,076</u>	<u>(3,572,178)</u>	<u>(3,328,551)</u>
<u>88,813</u>	<u>521,111</u>	<u>(533,038)</u>	<u>(44,584)</u>
29,621		3,000,000	3,347,584
(218,886)	(198,361)		(647,447)
<u>(189,265)</u>	<u>(198,361)</u>	<u>3,000,000</u>	<u>2,700,137</u>
(100,452)	322,750	2,466,962	2,655,553
<u>2,954,069</u>	<u>656,884</u>	<u>(4,852,004)</u>	<u>7,362,204</u>
<u>\$2,853,617</u>	<u>\$979,634</u>	<u>(\$2,385,042)</u>	<u>\$10,017,757</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Motor Vehicles	Central Services	PBX	Building Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$3,410,707	\$171,191	\$144,349	\$3,583,112
Payments to suppliers	(1,437,800)	(140,186)	(172,633)	(938,114)
Payments to employees	(870,855)	(69,328)		(2,508,883)
Claims paid				
Cash Flows from (used for) Operating Activities	<u>1,102,052</u>	<u>(38,323)</u>	<u>(28,284)</u>	<u>136,115</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Transfers in	238,763	26,200	53,000	
Transfers out	(81,134)	(2,727)	(9,821)	(136,518)
Cash Flows from (used for) Noncapital Financing Activities	<u>157,629</u>	<u>23,473</u>	<u>43,179</u>	<u>(136,518)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,902,322)		(97,222)	
Proceeds from sale of capital assets	41,696			
Cash Flows from (used for) Capital and Related Financing Activities	<u>(1,860,626)</u>		<u>(97,222)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	39,140	5,320	9,688	4,475
Net Cash Flows	<u>(561,805)</u>	<u>(9,530)</u>	<u>(72,639)</u>	<u>4,072</u>
Cash and investments at beginning of period	3,339,509	453,229	565,985	460,254
Cash and investments at end of period	<u>\$2,777,704</u>	<u>\$443,699</u>	<u>\$493,346</u>	<u>\$464,326</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	(\$121,757)	(\$41,107)	(\$54,218)	(\$4,708)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	1,074,039		24,958	1,671
Change in assets and liabilities:				
Receivables, net	1,794			
Inventories	(21,519)			(2,037)
Accounts payable	141,897	4,905	976	(6,097)
Accrued claims payable				
Accrued payroll	4,139	105		6,402
Compensated absences	4,902			19,624
OPEB obligation	18,557	(2,226)		121,260
Cash Flows from (used for) Operating Activities	<u>\$1,102,052</u>	<u>(38,323)</u>	<u>(28,284)</u>	<u>\$136,115</u>

Information Services	Self-Insurance	PERS Contributions	Total
\$2,517,157	\$3,951,370	\$3,046,112	\$16,823,998
(700,528)	(1,045,066)	(6,972)	(4,441,299)
(1,456,534)	(190,979)		(5,096,579)
	(2,229,795)		(2,229,795)
<u>360,095</u>	<u>485,530</u>	<u>3,039,140</u>	<u>5,056,325</u>
		(1,430,000)	(1,430,000)
		(1,738,647)	(1,738,647)
29,621		3,000,000	3,347,584
<u>(218,886)</u>	<u>(198,361)</u>		<u>(647,447)</u>
<u>(189,265)</u>	<u>(198,361)</u>	<u>(168,647)</u>	<u>(468,510)</u>
(106,557)			(2,106,101)
			41,696
<u>(106,557)</u>			<u>(2,064,405)</u>
<u>37,231</u>	<u>106,076</u>	<u>24</u>	<u>201,954</u>
101,504	393,245	2,870,517	2,725,364
<u>2,137,171</u>	<u>6,641,822</u>	<u>1,513,158</u>	<u>15,111,128</u>
<u>\$2,238,675</u>	<u>\$7,035,067</u>	<u>\$4,383,675</u>	<u>\$17,836,492</u>
\$51,582	\$415,035	\$3,039,140	\$3,283,967
286,268			1,386,936
(150)	(124,638)		(122,994)
			(23,556)
(32,891)	9,574		118,364
	183,801		183,801
3,881	549		15,076
16,400	1,209		42,135
<u>35,005</u>			<u>172,596</u>
<u>\$360,095</u>	<u>\$485,530</u>	<u>\$3,039,140</u>	<u>\$5,056,325</u>



AGENCY FUNDS

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and nonpublic organizations. Agency funds are required to be presented separately from the Government-wide and Fund financial statements.

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 efforts 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, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<u>Billing Services</u>				
<u>Assets</u>				
Cash and investments	\$1,178,797	\$13,461,307	\$13,401,847	\$1,238,257
Receivables	981,263	2,349,314	2,462,607	867,970
Total Assets	<u>\$2,160,060</u>	<u>\$15,810,621</u>	<u>\$15,864,454</u>	<u>\$2,106,227</u>
<u>Liabilities</u>				
Accounts payable	<u>\$2,160,060</u>	<u>\$16,655,409</u>	<u>\$16,709,242</u>	<u>\$2,106,227</u>
 <u>PTCRA</u>				
<u>Assets</u>				
Cash and investments	\$175,336	\$3,411,104	\$3,368,365	\$218,075
Receivables	546,501	374,687	546,501	374,687
Other assets	57,496	14,901	5,428	66,969
Total Assets	<u>\$779,333</u>	<u>\$3,800,692</u>	<u>\$3,920,294</u>	<u>\$659,731</u>
<u>Liabilities</u>				
Accounts payable	\$184,484	\$2,452,019	\$2,448,032	\$188,471
Due to others	594,849	3,218,007	3,341,596	471,260
Total Liabilities	<u>\$779,333</u>	<u>\$5,670,026</u>	<u>\$5,789,628</u>	<u>\$659,731</u>
 <u>SMPHESG</u>				
<u>Assets</u>				
Cash and investments	\$665,700	\$4,556,705	\$3,962,003	\$1,260,402
Receivables	333,062		333,062	
Other assets	1,021	1,021	1,021	1,021
Total Assets	<u>\$999,783</u>	<u>\$4,557,726</u>	<u>\$4,296,086</u>	<u>\$1,261,423</u>
<u>Liabilities</u>				
Accounts payable	\$59,595	\$4,816,209	\$4,766,579	\$109,225
Due to others	940,188	4,144,647	3,932,637	1,152,198
Total Liabilities	<u>\$999,783</u>	<u>\$8,960,856</u>	<u>\$8,699,216</u>	<u>\$1,261,423</u>

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments	\$175,496	\$243,004	\$183,580	\$234,920
<u>Liabilities</u>				
Accounts payable	\$4,898	\$54,604	\$54,312	\$5,190
Due to others	170,598	240,381	181,249	229,730
Total Liabilities	\$175,496	\$294,985	\$235,561	\$234,920
<u>Peninsula Partnership</u>				
<u>Assets</u>				
Cash and investments	\$103,529	\$228,233	\$331,762	
Receivables	214,697	20,644	235,341	
Other assets	2,122		2,122	
Total Assets	\$320,348	\$248,877	\$569,225	
<u>Liabilities</u>				
Accounts payable	\$22,831	\$3,508	\$26,339	
Due to others	297,517		297,517	
Total Liabilities	\$320,348	\$3,508	\$323,856	
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$2,298,858	\$21,900,353	\$21,247,557	\$2,951,654
Receivables	2,075,523	2,744,645	3,577,511	1,242,657
Other assets	60,639	15,922	8,571	67,990
Total Assets	\$4,435,020	\$24,660,920	\$24,833,639	\$4,262,301
<u>Liabilities</u>				
Accounts payable	\$2,431,868	\$23,981,749	\$24,004,504	\$2,409,113
Due to others	2,003,152	7,603,035	7,752,999	1,853,188
Total Liabilities	\$4,435,020	\$31,584,784	\$31,757,503	\$4,262,301



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. Water Utility District

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

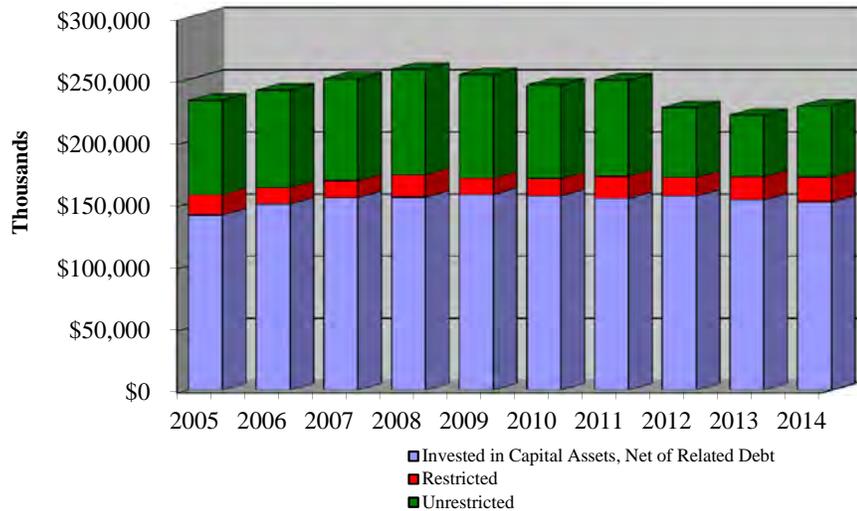
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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)



	2005	2006	2007	2008	2009
Governmental activities					
Net investment in capital asset	\$83,777,323	\$90,109,445	\$93,379,579	\$92,883,528	\$91,354,782
Restricted	7,361,686	6,304,192	9,032,201	13,869,264	13,104,841
Unrestricted	55,142,657	57,663,215	57,260,439	54,502,547	51,980,355
Total governmental activities net position	<u>\$146,281,666</u>	<u>\$154,076,852</u>	<u>\$159,672,219</u>	<u>\$161,255,339</u>	<u>\$156,439,978</u>
Business-type activities					
Net investment in capital asset	\$57,054,050	\$59,625,501	\$61,675,498	\$62,401,418	\$66,137,475
Restricted	9,252,661	6,978,418	4,371,497	4,218,833	4,597
Unrestricted	20,407,241	20,678,496	24,848,980	30,305,199	31,253,864
Total business-type activities net position	<u>\$86,713,952</u>	<u>\$87,282,415</u>	<u>\$90,895,975</u>	<u>\$96,925,450</u>	<u>\$97,395,936</u>
Primary government					
Net investment in capital asset	\$140,831,373	\$149,734,946	\$155,055,077	\$155,284,946	\$157,492,257
Restricted	16,614,347	13,282,610	13,403,698	18,088,097	13,109,438
Unrestricted	75,549,898	78,341,711	82,109,419	84,807,746	83,234,219
Total primary government net position	<u>\$232,995,618</u>	<u>\$241,359,267</u>	<u>\$250,568,194</u>	<u>\$258,180,789</u>	<u>\$253,835,914</u>
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital asset	\$90,670,525	\$87,925,557	\$87,549,833	\$85,483,907	\$84,272,501
Restricted	13,931,086	17,883,253	15,053,531	18,829,245	20,021,555
Unrestricted	43,329,957	40,494,570	23,884,922	18,898,618	22,495,121
Total governmental activities net position	<u>\$147,931,568</u>	<u>\$146,303,380</u>	<u>\$126,488,286</u>	<u>\$123,211,770</u>	<u>\$126,789,177</u>
Business-type activities					
Net investment in capital asset	\$65,670,580	\$66,344,770	\$68,587,946	\$67,479,305	\$67,235,990
Restricted					11,229
Unrestricted	32,019,212	36,653,957	32,290,613	30,663,259	34,392,335
Total business-type activities net position	<u>\$97,689,792</u>	<u>\$102,998,727</u>	<u>\$100,878,559</u>	<u>\$98,142,564</u>	<u>\$101,639,554</u>
Primary government					
Net investment in capital asset	\$156,341,105	\$154,270,327	\$156,137,779	\$152,963,212	\$151,508,491
Restricted	13,931,086	17,883,253	15,053,531	18,829,245	20,032,784
Unrestricted	75,349,169	77,148,527	56,175,535	49,561,877	56,887,456
Total primary government net position	<u>\$245,621,360</u>	<u>\$249,302,107</u>	<u>\$227,366,845</u>	<u>\$221,354,334</u>	<u>\$228,428,731</u>

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

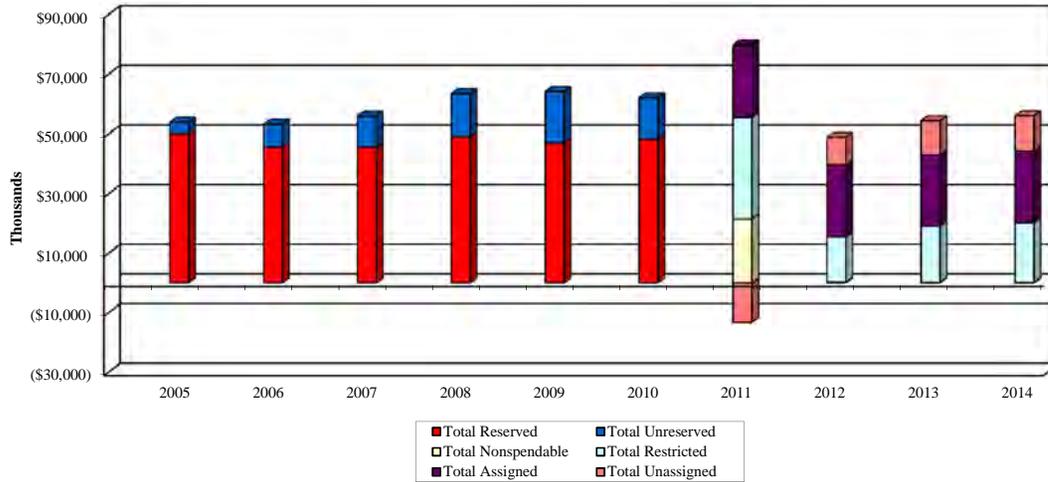
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$7,864,080	\$8,170,802	\$7,444,142	\$8,370,140	\$9,401,885	\$9,435,028	\$9,269,313	\$10,260,757	\$8,823,639	\$10,889,822
Public safety	36,824,085	34,815,945	39,270,270	41,515,902	42,404,296	44,054,707	42,429,411	45,511,296	44,910,136	42,704,694
Public works	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	5,597,137
Streets and infrastructure	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	3,318,214
Culture and recreation	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	13,350,277
Economic and community development	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	3,592,174
Nondepartmental	304,420	275,911	287,243							
Interest on long term debt	626,872	1,058,505	1,640,993	1,926,468	1,498,377	376,641	361,793	335,549	177,561	166,114
Total governmental activities expenses	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	79,618,432
Business-type activities:										
Water	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	13,337,352
Civic center	675,630	606,319	615,099	598,634	749,560	717,905	681,758	686,051	813,497	841,901
Transfer station	1,290,494	1,514,890	1,322,444	1,005,081	65,987	54,118	98,655	48,926	151,582	165,477
Sanitation district	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	18,262,624
Total business-type activities expenses	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	32,607,354
Total primary government expenses	\$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	\$112,225,786
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$166,527	\$221,542	\$96,257	\$111,829	\$117,873	\$128,702	\$540,836	\$764,719	\$753,748	\$1,034,252
Public safety	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	4,454,105
Public works	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	1,036,109
Streets and infrastructure	1,140,519	967,326	1,111,118	1,076,212	1,247,967	907,565	1,219,820	953,473	1,009,844	1,135,335
Culture and recreation	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	2,812,145
Economic and community development	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	2,243,212
Nondepartmental	2,145,568	352,195	795,596	\$454,839	462,733	341,860				
Operating grants and contributions	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	7,901,753
Capital grants and contributions	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	325,832
Total governmental activities program revenues	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	20,942,743
Business-type activities:										
Charges for services:										
Water	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	18,095,452
Civic center	918,213	933,137	959,500	985,189	1,011,711	805,391	831,384	759,286	671,556	834,950
Transfer station	1,613,410	1,616,423	1,622,442	2,086,047	375,000	375,000	375,000	375,000	375,000	375,000
Sanitation district	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	16,676,480
Capital grants and contributions	1,426,912									
Total business-type activities program revenues	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	35,981,882
Total primary government program revenues	\$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	\$56,924,625
Net (Expense)/Revenue										
Governmental activities	(\$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)	(\$58,675,689)
Business-type activities	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	3,374,528
Total primary government net expense	(\$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)	(\$55,301,161)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$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	\$26,609,070
Sales taxes	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	12,594,335
Utility users tax	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	6,422,821
Franchise fees	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	3,663,247
Other taxes	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	5,247,886
Motor vehicle in-lieu	682,042	726,666	569,826	470,726	362,136	315,203	493,293	109,179	45,981	
Investment earnings	2,024,600	2,530,208	4,259,540	4,013,587	1,703,334	960,155	711,989	1,018,793	12,330	925,838
Other revenues	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	3,936,433
Transfers	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	2,853,466
Extraordinary item								(19,006,131)	(383,112)	
Total government activities	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	62,253,096
Business-type activities:										
Property taxes	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	1,558,773
Investment earnings	727,399	843,264	1,224,333	1,138,848	311,498	486,593	413,972	534,239	(23,403)	493,501
Other revenues	903,234	1,227,052	620,714	465,093	556,795	591,386	1,252,433	704,506	715,729	918,589
Sale of property								14,001	1,872	5,065
Transfers	(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)	(2,853,466)
Extraordinary item									(2,000,000)	
Total business-type activities	(1,827,541)	(1,298,194)	(963,503)	1,025,842	(760,538)	(266,434)	2,386,227	(114,231)	(2,846,171)	122,462
Total primary government	\$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	\$62,375,558
Change in Net Position										
Governmental activities	\$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)	\$3,577,407
Business-type activities	3,228,450	568,463	3,613,560	6,029,475	470,486	293,856	5,308,935	(2,120,168)	(2,735,995)	3,496,990
Total primary government	\$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)	\$7,074,397



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



	2005	2006	2007	2008	2009	2010	(b) 2011	2012	2013	2014
General Fund										
Reserved	\$21,342,822	\$21,757,037	\$21,610,095	\$21,565,875	\$21,566,507	\$21,460,127				
Unreserved	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	\$186,129
Assigned							12,229,191	12,249,286	12,109,457	12,103,389
Unassigned							9,265,602	9,039,548	11,522,227	11,838,923
Total General Fund	\$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	\$24,128,441 (a)
All Other Governmental Funds										
Reserved	\$28,849,256	\$23,828,456	\$23,997,000	\$27,576,108	\$25,361,720	\$26,791,488				
Unreserved, reported in:										
Special revenue funds	(26,358,019)	(28,624,382)	(28,488,626)	(23,682,598)	(20,036,126)	(20,313,715)				
Capital project funds	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	\$20,021,531
Assigned							11,973,786	12,211,293	11,698,471	11,873,724
Unassigned							(22,559,924)			
Total all other governmental funds	\$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	\$31,895,255 (a)
All Governmental Funds										
Total Reserved	\$50,192,078	\$45,585,493	\$45,607,095	\$49,141,983	\$46,928,227	\$48,251,615				
Total Unreserved	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	\$186,129
Total Restricted							34,018,497	15,053,292	18,829,210	20,021,531
Total Assigned							24,202,977	24,460,579	23,807,928	23,977,113
Total Unassigned							(13,294,322)	9,039,548	11,522,227	11,838,923
Total All Governmental Funds	\$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	\$56,023,696

(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.

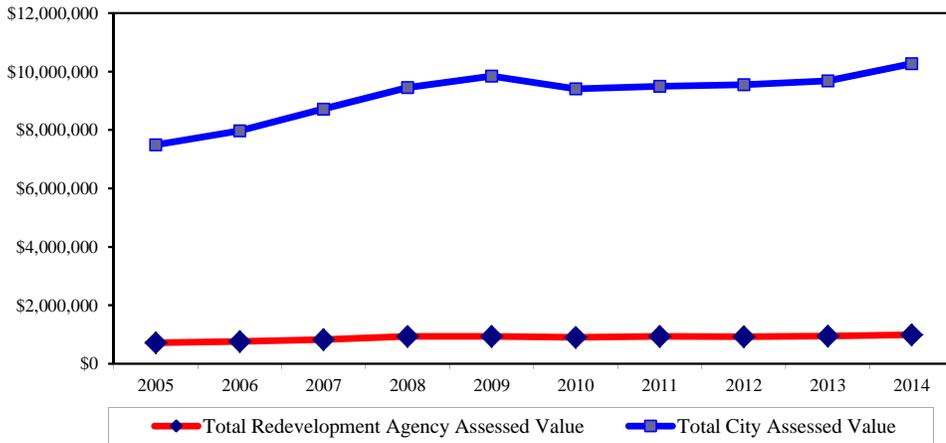
CITY OF DALY CITY
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Taxes	\$46,437,398	\$51,409,010	\$54,942,019	\$58,503,214
Licenses, permits and fees	1,840,586	1,779,575	1,850,696	1,558,126
Fines and forfeitures	2,584,993	2,527,979	2,106,353	1,986,902
Use of money and property	4,134,619	3,682,476	5,069,211	5,837,640
Intergovernmental revenues	7,334,878	11,217,670	8,267,077	8,736,129
Charges for services	7,576,630	7,347,459	7,037,911	6,853,338
Other	5,286,001	6,594,371	3,129,369	3,202,504
Total Revenues	<u>75,195,105</u>	<u>84,558,540</u>	<u>82,402,636</u>	<u>86,677,853</u>
Expenditures				
Current:				
General government	7,885,826	7,867,397	7,483,067	7,664,184
Public safety	34,599,971	34,747,286	37,591,200	40,150,051
Public works	5,838,199	6,111,691	5,766,831	5,790,515
Culture and recreation	11,050,212	12,132,440	13,361,317	14,189,456
Community development	8,437,272	14,053,768	8,089,467	6,854,996
Capital projects	13,750,189	12,009,663	9,754,278	6,209,739
Debt service:				
Principal repayment	104,714	361,522	256,767	272,150
Interest and fiscal charges	626,872	1,058,505	1,519,210	1,906,552
Total Expenditures	<u>82,293,255</u>	<u>88,342,272</u>	<u>83,822,137</u>	<u>83,037,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,098,150)</u>	<u>(3,783,732)</u>	<u>(1,419,501)</u>	<u>3,640,210</u>
Other Financing Sources (Uses)				
Sale of property				
Transfers in	12,124,753	8,833,353	8,718,603	7,413,734
Transfers out	(7,583,837)	(6,658,468)	(5,769,183)	(6,079,476)
Loan proceeds			904,670	2,480,000
Sale of capital assets	2,566,369	1,010,851	316,682	
Total other financing sources (uses)	<u>7,107,285</u>	<u>3,185,736</u>	<u>4,170,772</u>	<u>3,814,258</u>
Extraordinary items				
Assets transferred to/liabilities assumed by Successor Agency				
Net Change in fund balances	<u>\$9,135</u>	<u>(\$597,996)</u>	<u>\$2,751,271</u>	<u>\$7,454,468</u>
Debt service as a percentage of noncapital expenditures				
	1.1%	1.8%	2.4%	2.8%

For the Fiscal Year Ended June 30,

2009	2010	2011	2012	2013	2014
\$58,265,663	\$55,022,812	\$58,097,799	\$56,413,948	\$54,183,995	\$58,493,320
1,728,788	1,399,042	1,468,663	1,409,698	1,578,457	1,697,703
2,638,628	2,842,822	2,772,583	2,440,465	2,420,754	2,301,580
4,223,929	4,578,244	4,333,962	3,132,897	1,050,149	1,864,656
4,887,424	6,336,813	7,527,353	7,267,441	4,366,743	3,511,403
8,133,070	7,517,777	8,505,783	7,637,246	7,479,277	7,757,549
3,590,101	4,159,677	3,583,288	4,044,012	4,748,815	4,615,471
<u>83,467,603</u>	<u>81,857,187</u>	<u>86,289,431</u>	<u>82,345,707</u>	<u>75,828,190</u>	<u>80,241,682</u>
8,464,269	8,449,067	8,612,120	8,682,126	8,194,893	10,882,785
41,096,189	41,391,460	41,115,067	42,226,973	42,150,729	42,737,888
5,627,447	5,384,642	5,136,940	4,995,361	4,726,801	4,712,465
14,993,277	13,571,549	13,078,179	12,650,231	12,105,970	11,932,443
9,193,905	9,258,231	8,900,024	5,773,301	4,666,975	3,896,212
4,645,217	7,205,608	5,502,027	6,977,961	4,336,490	4,149,538
287,785	305,684	323,861	2,679,000	212,000	227,000
1,479,099	848,328	490,281	312,381	181,942	170,919
<u>85,787,188</u>	<u>86,414,569</u>	<u>83,158,499</u>	<u>84,297,334</u>	<u>76,575,800</u>	<u>78,709,250</u>
<u>(2,319,585)</u>	<u>(4,557,382)</u>	<u>3,130,932</u>	<u>(1,951,627)</u>	<u>(747,610)</u>	<u>1,532,432</u>
7,164,378	6,811,899	6,490,408	5,787	18,057	5,523,006
(4,127,119)	(4,358,230)	(5,249,853)	5,753,543	5,812,723	(5,369,677)
			(2,838,147)	(2,903,573)	
<u>3,037,259</u>	<u>2,453,669</u>	<u>1,240,555</u>	<u>2,921,183</u>	<u>2,927,207</u>	<u>153,329</u>
			<u>(18,543,965)</u>	<u>3,366,888</u>	
<u>\$717,674</u>	<u>(\$2,103,713)</u>	<u>\$4,371,487</u>	<u>(\$17,574,409)</u>	<u>\$5,546,485</u>	<u>\$1,685,761</u>
2.1%	1.4%	1.0%	4.0%	0.5%	0.5%

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

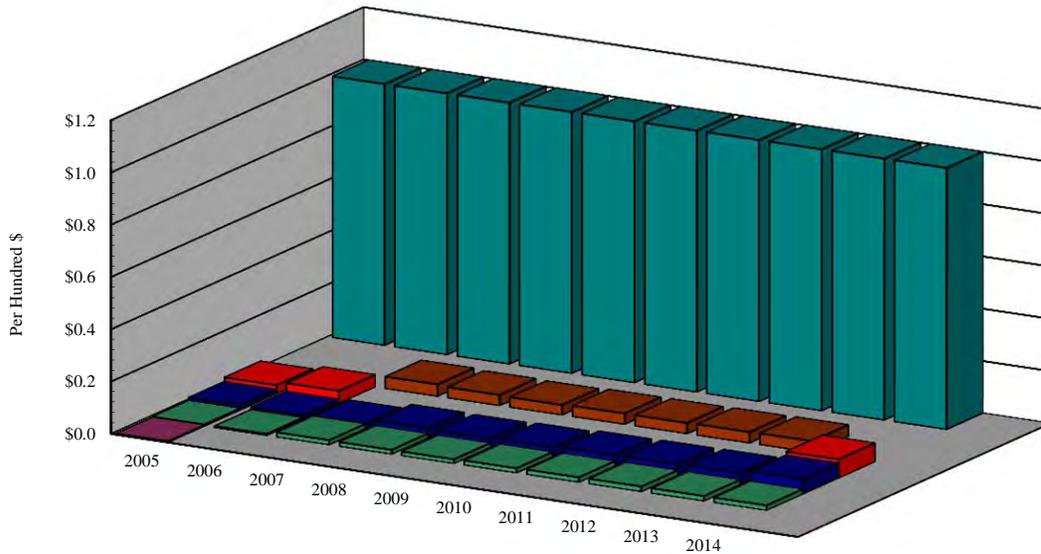


Fiscal Year Ended June 30	City				Redevelopment Agency				Total Direct Tax Rate (2)
	Secured	Unsecured	Exemptions	Total Assessed Value (1)	Secured	Unsecured	Exemptions	Total Assessed Value (1)	
2005	\$6,497,074	\$176,673	\$109,169	\$6,782,916	\$664,376	\$41,116	\$6,237	\$711,729	1.00%
2006	6,939,021	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%
2014	8,951,230	227,850	100,563	9,279,643	929,050	51,354	6,413	986,817	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**



■ South San Francisco Unified School District	■ San Mateo Junior College
■ Jefferson High School District	■ Jefferson Elementary School District
■ Pacifica Elementary School	■ Laguna Salada Elementary School
■ Basic County Wide Levy	

Fiscal Year	Basic County Wide Levy	Jefferson Elementary School District	Jefferson High School District	San Mateo Junior College	So San Francisco Unified School District	Pacifica Elementary School	Total
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
2014	1.0000	0.0713	0.0574	0.0194			1.1481

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

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

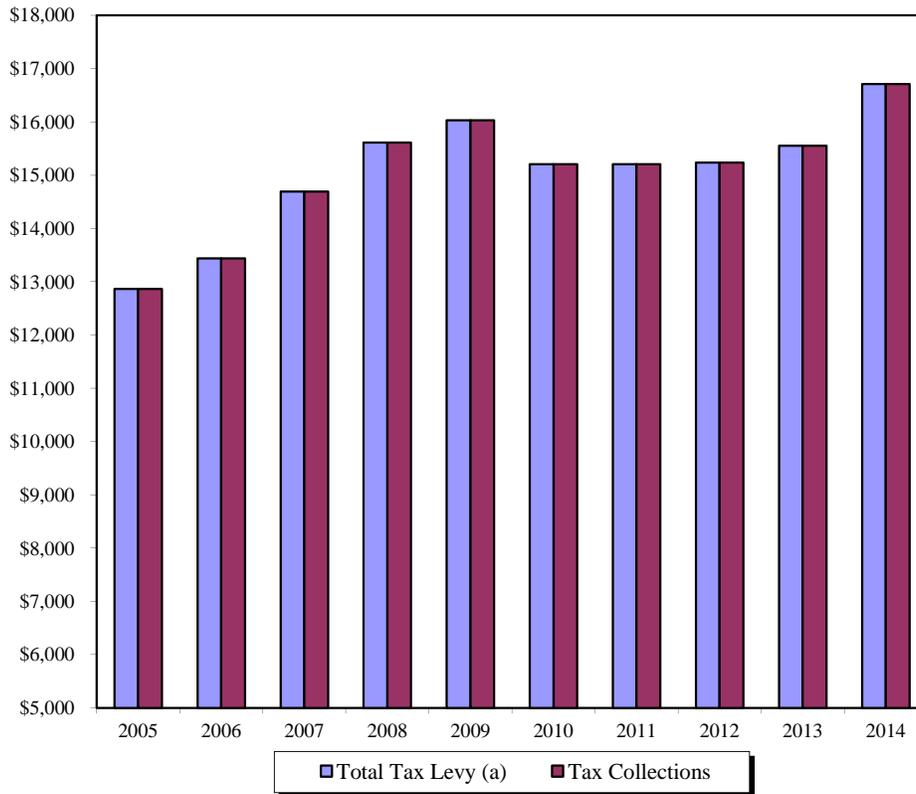
CITY OF DALY CITY
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2013-14</u>			<u>2004-2005</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Seton Medical Center	\$199,236,670	1	2.2%	\$170,198,844	1	2.6%
Daly City Serramonte Center, LLC	183,596,349	2	2.1%	139,110,502	2	2.1%
Westlake Kimco	156,142,412	3	1.7%	78,502,762	4	1.2%
Pacific Plaza	145,939,009	4	1.6%			
Westlake Associates (Apartments)	124,351,219	5	1.4%			
WASL - 165 Pierce	56,600,651	6	0.6%			
LINC Franciscan Mobile Home Park	50,466,935	7	0.6%	43,629,304	6	0.7%
Daly City Skyline Associates	46,838,037	8	0.5%			
Equity Hillside (88 Hillside)	40,364,220	9	0.5%			
Serramonte Corporate Center (Kaiser)	39,826,520	10	0.4%	34,494,021	7	0.5%
HPM Pacific Plaza LLC				124,659,822	3	1.9%
RMP Properties (Mission Plaza)						
John Daly Boulevard Associates, LP				57,602,064	5	0.9%
Met Life (Skyline Heights Apartments)				33,324,106	8	0.5%
Lavaca Portfolio Investors				30,244,217	9	0.5%
Daly City Partners (Serramonte Plaza)				28,613,913	10	0.4%
Subtotal	<u>\$1,043,362,022</u>		<u>11.7%</u>	<u>\$740,379,555</u>		<u>11.4%</u>

Total Assessed Valuation:
Fiscal Year 2013-2014 \$8,951,229,685
Fiscal Year 2004-2005 \$6,497,074,020

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)**



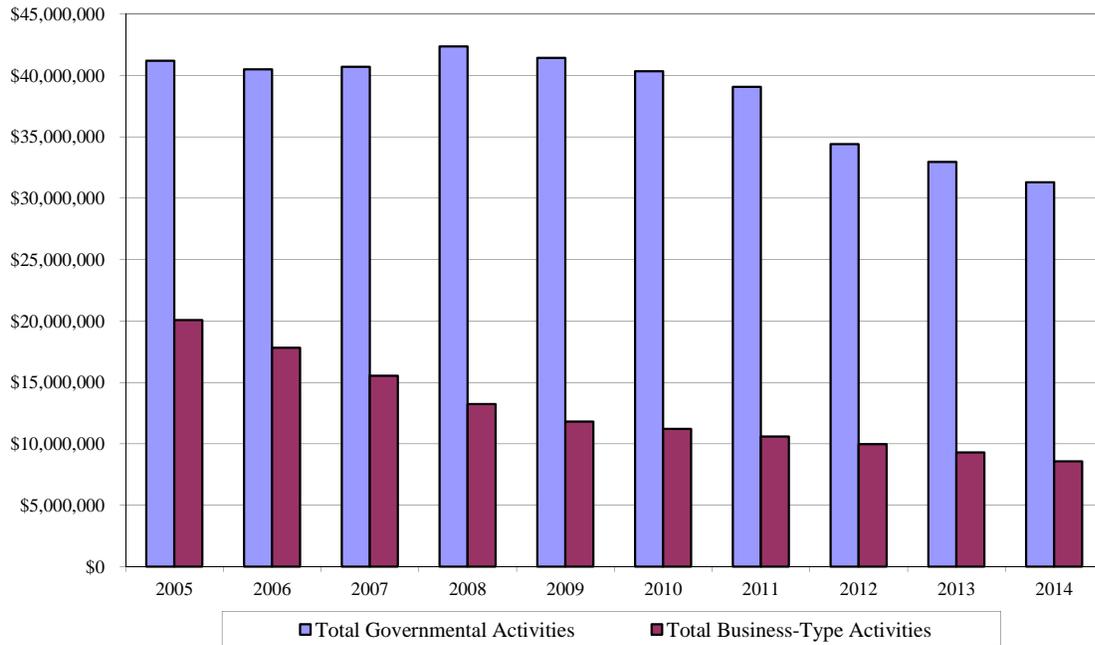
<u>Fiscal Year</u>	<u>Total Tax Levy (a)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2005	\$12,866	\$12,866	100.00%		\$12,866	100.00%
2006	13,435	13,435	100.00%		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%
2014	16,713	16,713	100.00%		16,713	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	Governmental Activities			CHFA HELP Loan	Promissory Note	Total
		Capital Lease	HUD Section 108 Loan	PERS Pension Obligation Bonds			
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
2014			2,914,000	28,380,000			31,294,000

Business-Type Activities

Fiscal Year	Business-Type Activities		Water Revenue Bond	State Water Resources Board Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Sewer Certificates of Participation	Water Certificates of Participation						
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	1.43%	408.76
2014			5,815,000	2,748,449	8,563,449	39,857,449	n/a (b)	379.32

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, 2014**

2013-14 Assessed Valuation

\$9,279,642,855

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	<u>Total Debt</u> 06/30/14	<u>% Applicable (1)</u>	<u>City's Share of</u> <u>Debt 06/30/14</u>
San Mateo Community College District	\$563,069,994	5.910%	\$33,277,437
South San Francisco Unified School District	121,571,335	8.543%	10,385,839
Jefferson Union High School District	147,461,507	51.006%	75,214,216
Brisbane School District	7,175,437	19.629%	1,408,467
Jefferson School District	62,045,000	85.830%	<u>53,253,224</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			 <u>173,539,183</u>
 <u>OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	\$473,769,816	5.910%	\$27,999,796
San Mateo County Board of Education Certificates of Participation	10,950,000	5.910%	647,145
San Mateo County Flood Control District Certificates of Participation	21,860,000	27.198%	5,945,483
South San Francisco Unified School District Certificates of Participation	902,878	8.543%	<u>77,133</u>
 TOTAL OVERLAPPING GENERAL FUND DEBT			 <u>34,669,557</u>
 TOTAL OVERLAPPING DEBT			 <u>208,208,740</u>
 <u>DIRECT DEBT</u>			
City of Daly City Pension Obligation Bonds	\$28,380,000	100.000%	\$28,380,000
HUD Section 108 Loan	2,914,000	100.000%	<u>2,914,000</u>
 TOTAL DIRECT DEBT			 <u>31,294,000</u>
 COMBINED TOTAL DEBT			 <u><u>\$239,502,740</u></u> (2)

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

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

Ratios to 2013-14 Assessed Valuation

Total Overlapping Tax and Assessment Debt	1.87%
Combined Total Debt	2.58%

Source: California Municipal Statistics, Inc.

**CITY OF DALY CITY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2014**

ASSESSED VALUATION:

Total property assessed value, net of exempt real property	\$9,279,642,855
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$347,986,607
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$5,815,000
Less: Tax Allocation Bonds and Certificate of Participation not subject to limit	5,815,000

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

LEGAL BONDED DEBT MARGIN	\$347,986,607
--------------------------	---------------

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)				
2003	\$211,166	0	\$211,166	0.00%
2004	231,002	0	231,002	0.00%
2005	254,359	0	254,359	0.00%
2006	270,478	0	270,478	0.00%
2007	295,895	0	295,895	0.00%
2008	319,395	0	319,395	0.00%
2009	333,954	0	333,954	0.00%
2010	319,145	0	319,145	0.00%
2011	321,195	0	321,195	0.00%
2012	323,750	0	323,750	0.00%
2013	327,397	0	327,397	0.00%
2014	347,987	0	347,987	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, 2014

<u>Category</u>	<u>Number of Connections</u>
Residential	21,770
Commercial	778
Government	96
Irrigation	255
Hydrant	11
Other	<u>-</u>
 Total Connections	 <u><u>22,910</u></u>

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

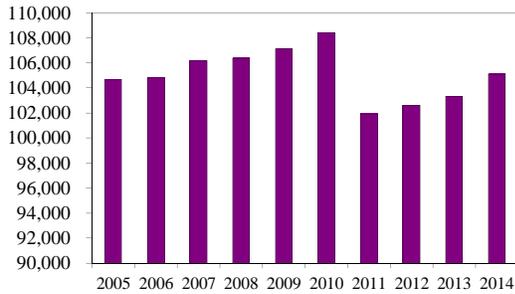
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross Revenues (1)	\$11,783,383	\$11,842,561	\$12,529,986	\$13,448,021	\$13,115,342	\$12,699,761	\$13,497,857	\$15,185,857	\$16,801,668	\$18,931,871
Operating Expenses (including depreciation) (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	\$13,276,951
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)	(\$1,261,733)
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	\$2,318,226
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	14,333,444
Net Revenue Available for Debt	<u>\$939,392</u>	<u>\$1,402,177</u>	<u>\$1,797,084</u>	<u>\$1,129,943</u>	<u>\$948,871</u>	<u>\$878,497</u>	<u>\$2,133,435</u>	<u>\$1,353,048</u>	<u>\$1,567,586</u>	<u>\$4,598,427</u>
Total Debt Service Requirement	<u>\$753,939</u>	<u>\$754,534</u>	<u>\$754,034</u>	<u>\$753,234</u>	<u>\$755,284</u>	<u>\$751,809</u>	<u>\$751,996</u>	<u>\$751,621</u>	<u>\$649,531</u>	<u>\$647,050</u>
Coverage	1.25	1.86	2.38	1.50	1.26	1.17	2.84	1.80	2.41	7.11

Notes: (1) Includes all Water Utility Operating Revenue, and Nonoperating Revenue including Nonoperating Interest Revenue
(2) Includes all Water Utility Operating Expenses

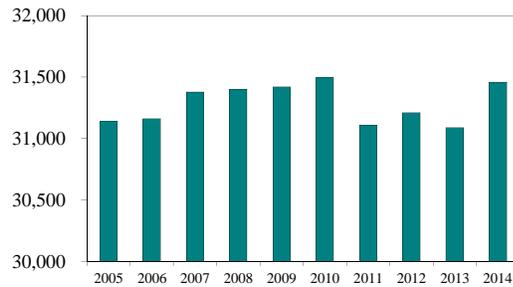
Source: City of Daly City Annual Financial Statements



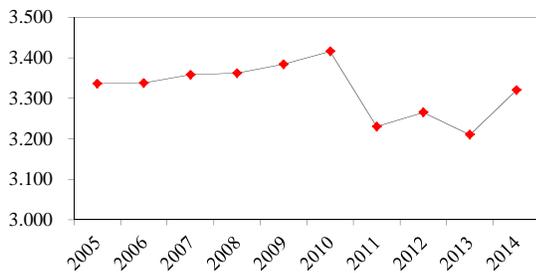
**CITY OF DALY CITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



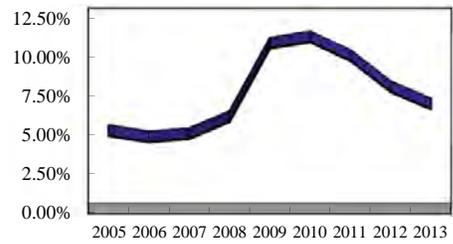
■ Daly City Population



■ Occupied Housing Units



◆ Persons per Occupied Housing Unit



■ Unemployment Rate (%)

Year	Daly City Population as of January as of January (1)	Occupied Housing Units per Occupied Housing Unit (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
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	6.7%	28,498	2,945,183	735,678	14.05%
2014	105,076	31,460	3.320	n/a	n/a	n/a	745,193	14.10%

Sources:

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

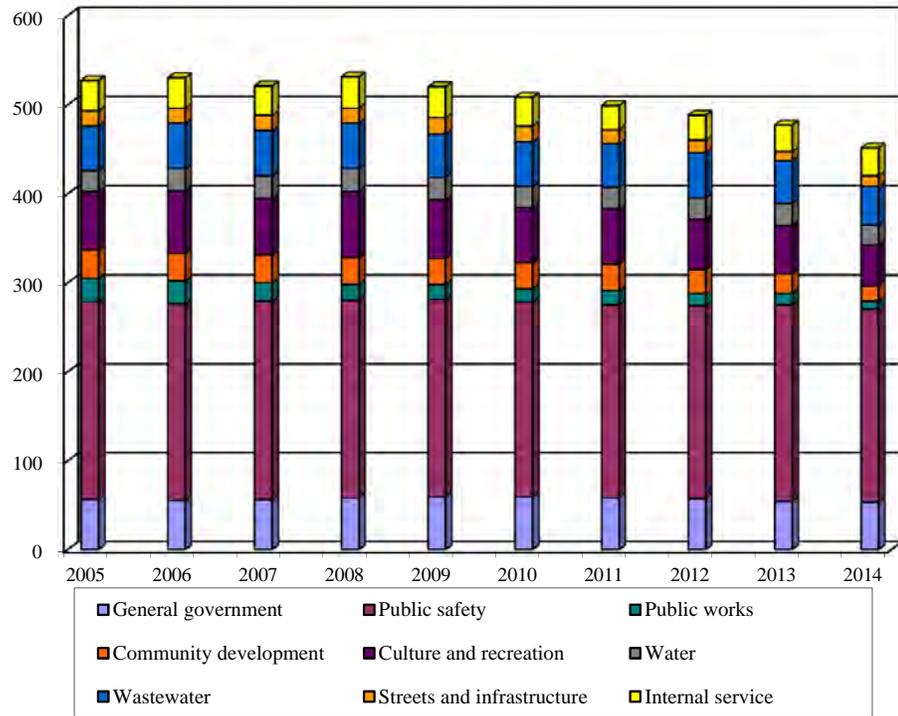
CITY OF DALY CITY
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2013-2014</u>			<u>2004-2005</u>		
	<u>Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Seton Medical Center	1,326	1	9.5%	1,711	1	15.5%
City of Daly City	644	2	4.6%	775	2	7.0%
Jefferson Elementary School District	604	3	4.3%	718	3	6.5%
Jefferson High School District	511	4	3.7%	700	5	6.3%
Genesys Telecommunications Laboratory	508	5	3.6%	714	4	6.5%
Cow Palace	397	6	2.8%	345	8	3.1%
St. Francis Convalescent Pavilion	350	7	2.5%	350	7	3.2%
Target Stores - Serramonte	320	8	2.3%	330	9	3.0%
Pacific, Gas & Electric	278	9	2.0%	81		0.7%
Macy's	265	10	1.9%	296	10	2.7%
US Postal Service including Intl Mail Facility				584	6	5.3%
Subtotal	<u>5,203</u>		<u>37.2%</u>	<u>6,604</u>		<u>59.8%</u>
Total Daly City Employment	<u>13,990</u> (3)			<u>11,048</u> (2)		

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

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

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



	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function										
General government	56	55	56	58	59	59	58	57	54	53
Public safety	222	221	223	222	222	219	217	217	221	217
Public works	27	26	21	18	17	15	16	14	13	9
Community development	32	31	31	30	29	29	30	27	22	17
Culture and recreation	65	70	64	74	66	62	62	56	54	46
Water	24	25	25	26	25	24	24	24	25	23
Wastewater	50	51	51	51	49	50	49	51	48	43
Streets and infrastructure	17	17	17	17	18	18	16	14	10	12
Internal service	34	34	33	35	35	32	27	28	30	31
Total	<u>527</u>	<u>530</u>	<u>521</u>	<u>531</u>	<u>520</u>	<u>508</u>	<u>499</u>	<u>488</u>	<u>477</u>	<u>451</u>

Source: City of Daly City

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function/Program					
Public safety (calendar year data)					
Fire					
Fire calls for service	5,745	6,086	6,012	6,206	6,308
Fire inspections conducted	3,169	3,576	4,305	4,544	3,951
Police					
Police calls for service	86,979	79,953	75,190	81,375	55,098
Law violations					
Part I crimes	2,458	2,656	2,448	2,349	2,006
Part II crimes	4,564	4,807	4,607	4,082	4,428
Physical arrests (adults)	2,068	1,995	1,861	1,644	1,896
Physical arrests (juvenile)	523	479	481	365	333
Traffic violations	14,926	13,119	9,124	8,359	13,345
Parking violations	67,849	60,056	56,070	74,512	91,549
Public works					
Street repairs - asphalt patching (sq. ft.)	11,470	22,338	20,610	5,655	4,350
Street slurry seal (ft.)	68,519	49,141	63,659	65,472	79,960
Street resurfacing (ft.)	17,403	18,127	5,973	3,907	0
Traffic signal responses	100	98	83	93	71
Street light responses	431	444	407	402	393
Street signs replaced	1,218	689	548	1,796	436
Streets swept (miles)	20,624	21,346	21,754	19,629	17,956
Line striping and curb painting (linear ft.)	8,800	2,290	8,671	3,403	5,732
Sidewalks inspected (miles)	15	18	13	17	20
Weeds and rubbish responses	495	475	493	387	445
Culture and recreation					
Recreation					
Recreation class participants	9,600	9,600	7,500	10,000	8,000
Youth recreation playground program participants	1,000	900	900	900	900
Volunteer support hours	45,000	45,000	45,000	45,000	45,000
Senior meals served	23,190	21,229	21,130	22,218	24,804
Number of health fair events	6	6	4	0	2
Health fair events attendance	2,000	2,250	2,000	0	1,000
Facility rentals (non City events)	1,300	1,300	900	900	750
Library					
Volumes in collection - all formats	189,402	197,034	206,581	211,999	217,529
Total volumes borrowed	592,208	591,336	625,783	632,935	664,348
# of uses of electronic resources	142,852	151,316	185,068	200,601	207,800
Youth services program attendance	11,661	14,818	9,864	15,195	19,296
Water					
Water service connections	22,745	22,887	23,034	22,814	22,790
Water main breaks	56	49	58	55	72
Average daily consumption (thousands of gallons)	7,890	7,240	7,324	7,785	7,317
Wastewater					
Sewer service connections	23,052	23,087	29,000	29,000	29,000
Sewer main blockages	14	10	6	7	7
Average daily treatment (thousands of gallons)	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	2014
6,309	6,516	7,129	7,179	n/a
3,510	3,554	3,309	3,558	n/a
75,970	72,665	73,095	79,999	n/a
2,071	2,079	2,040	2,082	n/a
4,791	4,745	4,641	4,685	n/a
2,315	2,450	2,494	2,562	n/a
316	342	352	207	n/a
14,843	8,910	9,637	8,134	n/a
72,128	65,505	62,867	60,301	n/a
40,067	17,118	9,500	20,000	59,050
57,250	60,720	64,416	87,648	59,140
9,963	7,920	14,256	12,144	8,444
67	58	14	10	35
371	314	78	54	225
560	1,108	450	320	455
19,956	20,712	21,966	25,019	25,054
3,785	500	10,778	12,000	5,600
16	3	0	0	0
396	400	804	800	450
7,500	6,158	10,621	10,862	13,075
500	3,400	4,251	4,472	5,002
50,000	78,921	60,667	63,753	82,475
23,821	29,586	26,305	32,971	24,700
2	1	1	1	2
1,100	150	300	400	800
800	2,255	1,252	1,300	1,000
225,109	222,946	215,373	214,466	220,123
729,420	596,428	533,135	501,757	480,349
234,308	115,846	81,318	66,982	60,374
17,021	14,941	17,624	16,025	13,194
22,843	22,830	22,868	22,921	22,910
60	43	79	98	86
7,521	6,519	6,868	7,142	6,571
29,000	29,000	22,946	22,942	22,942
1	2	1	1	3
6,817	7,160	6,500	6,290	6,940

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

	2005	2006	2007	2008	2009
Function/Program					
Public safety					
Fire stations	5	5	5	5	5
Police stations	1	1	1	1	1
Police patrol vehicles	33	33	31	31	30
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	70	70
Culture and recreation					
Parks and recreation					
City parks	19	19	19	19	19
City parks acreage	200	200	200	200	200
Park trees	2,500	2,500	2,500	2,400	2,400
Playgrounds	26	26	26	26	26
Picnic areas	23	23	23	23	23
Tot lots	7	7	7	7	7
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	2,700	2,700	2,700
Community centers and clubhouses	12	12	12	12	12
Senior centers	1	1	1	1	1
Gymnasiums	3	3	3	4	4
Tennis courts	7	7	7	9	9
Artificial turf sports fields	1	1	1	1	1
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	187	187	187
Fire hydrants	1,472	1,472	1,437	1,489	1,497
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,

2010	2011	2012	2013	2014
5	5	5	5	5
1	1	1	1	1
30	29	30	32	31
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
19	19	19	19	19
200	200	200	200	200
2,400	2,400	2,400	2,300	2,300
26	26	26	26	26
23	23	23	23	23
7	7	7	7	7
2	2	2	2	2
21	21	21	21	21
500	500	500	500	500
2,700	2,700	2,700	2,675	2,675
12	12	12	12	12
1	1	1	1	1
4	4	4	4	3
9	9	9	9	9
1	1	1	1	1
15	15	15	15	15
8	8	8	8	8
1	1	1	1	1
9	9	9	6	6
4	4	4	4	4
187	187	187	187	187
1,497	1,497	1,497	1,497	1,497
24,490	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

