

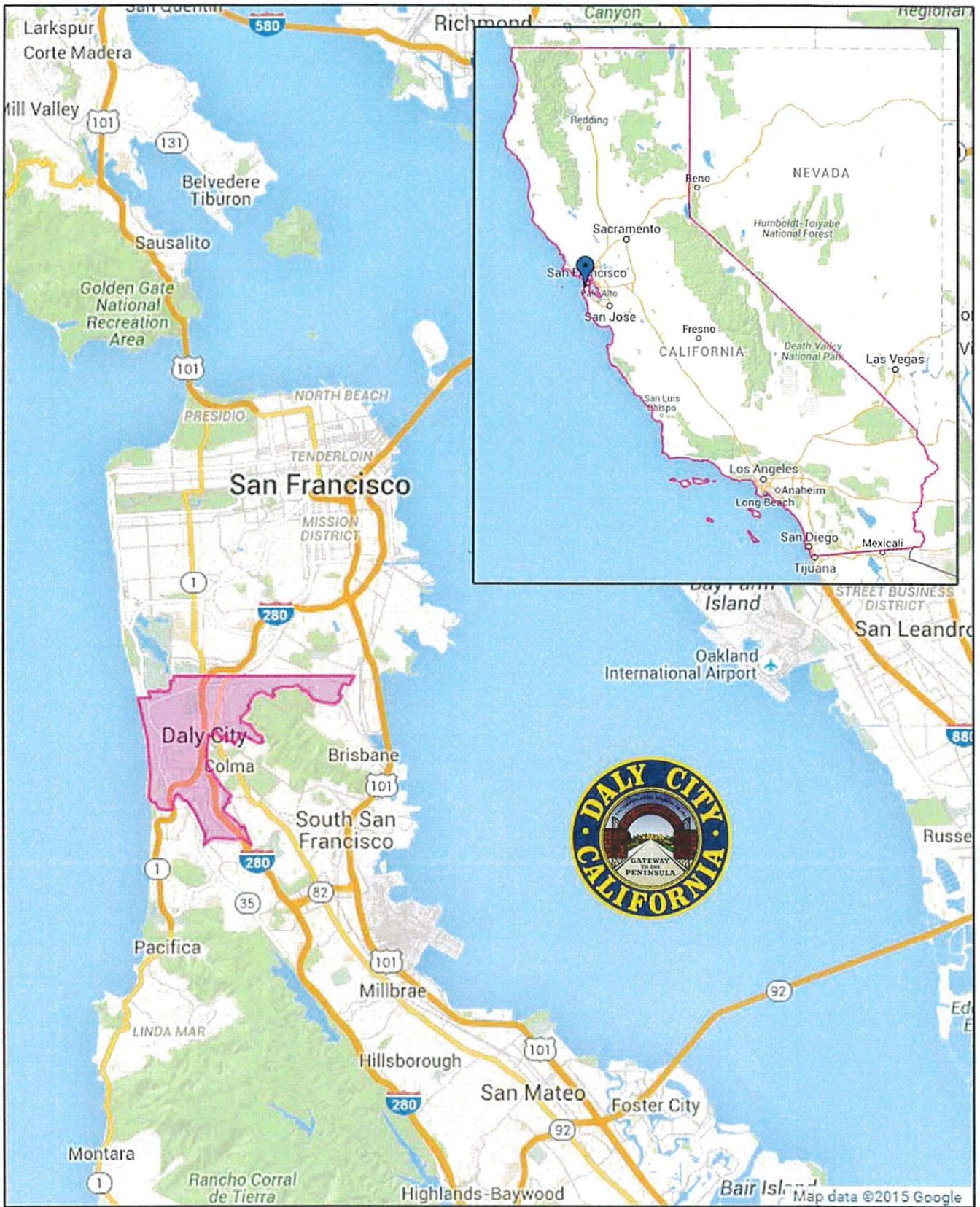


City of Daly City



Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2018



CITY OF DALY CITY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



Prepared by
DEPARTMENT OF FINANCE
AND
ADMINISTRATIVE SERVICES

Lawrence Chiu
Director



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CITY OF DALY CITY

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

December 6, 2018

Honorable Mayor
Members of the City Council
Citizens of Daly City

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Daly City for the Fiscal Year (FY) ended June 30, 2018. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatements and presented in conformity with generally accepted accounting principles (GAAP).

The City has contracted with Maze and Associates, an independent Certified Public Accountants (CPAs) to perform the audit of these financial statements. The auditors have issued an “unmodified” opinion on the City of Daly City’s financial statements. This is the most favorable conclusion and is commonly known as an “unmodified” or “clean” opinion. 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 independent audit is 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 the largest city in San Mateo County with an estimated population of 107,864 in January 2018. Daly City is a coastal community located at the northern edge of San Mateo County, approximately 7.7 square miles of substantially developed area.

The City is known as the "Gateway to the Peninsula", and its area extends to the Pacific Ocean on the west, and nearly to San Francisco Bay on the East. Daly City abuts on San Bruno Mountain, a State and County Park which features the highest peak in the area's hilly terrain. It is strategically located and is central to major growth areas of San Francisco and San Mateo counties.

Daly City was incorporated on March 22, 1911, as a General Law City. It is governed by 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 appoints the City Manager and the 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 biennial 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 of Daly City is a full-service city providing a full range of municipal services. These services include police, fire, library, recreation, 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 and sanitary sewer services. Operating and capital costs for these services are maintained in enterprise funds and are funded by user rates or debt proceeds.

The CAFR includes all funds and accounts of the City of Daly City and its blended component units. The financial statements includes 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 which is included in the proprietary fund type as an enterprise fund.

The biennial budget serves as the foundation for the City's financial planning and control. Using the Guiding Principles and Priorities established by the City Council, departments submit budget proposals to the City Manager for review. The City Manager's Proposed Budget is presented to 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 two-year budget cycle. 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. Budget 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

Economic Indicators

The University of California Los Angeles (UCLA) Anderson Forecast's second quarterly report in 2018 for the United States economy projects continued modest growth and the near-term Gross Domestic Product growth forecast expected to reach 3.0%, but it will dip to 2.0% growth in 2019 and 1.0% in 2020. The national unemployment rate will drop from its current 3.8% to 3.4% in mid-2019, but return to 3.8% by the end of 2020. The Anderson Forecast noted that the era of ultra-low interest rates has passed. The greatest risks to the forecast of the U.S. economy stem from a potential trade war with higher tariffs and non-tariff barriers that would raise prices and restrict output.

In California especially in the San Francisco Bay Area, housing prices are expensive and unaffordable, particularly for first time homebuyers. The housing market is equally tough for California renters, many of whom need to spend more than half of their income on rent. Housing market research suggests that limited supply to meet demand is one of the major causes of high home prices in the coastal California.

In California, the UCLA Forecast anticipates that California's average unemployment rate will remain higher than the national rate due to a younger and more entrepreneurial workforce. In June 2018, the national unemployment rate was at 4.0% and the California's unemployment rate was at 4.2% compared to 4.7% a year ago. California's unemployment rate is expected to remain at its normal differential to the national rate and is projected at 4.3% in 2020.

Local Economy and Fiscal Challenges

The City continues to face ongoing fiscal challenges stemming from the impacts of the economic recession in 2008. Each fiscal year since that time, reductions have been made in staffing levels across all City departments, resulting in significant reductions in direct services to the public. The economic recovery that began in 2009 has been sluggish in this community. 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.

While revenues are increasing modestly, operating costs are increasing as well. Increasing workforce expenditures, including rising healthcare costs, overtime due to staffing shortages, and escalating pension obligations due to CalPERS actuarial assumption changes, coupled with the lack of a diversified revenue base and overreliance on property, sales and utility users taxes, have contributed to a General Fund structural budget deficit. In order to achieve a balanced General Fund budget, the City has and will continue to control personnel expenses. In addition, all other controllable costs will be closely monitored.

General Fund revenues for FY 2018 increased by \$5.2 million to \$84.1 million. This is due primarily to the increase in property tax, sales tax and one-time revenue from the Excess Educational Revenue Augmentation Fund in FY 2018. General Fund expenditures increased slightly by \$0.6 million to \$77.7 million.

Enterprise Funds

The City's two major enterprise funds, the Water Utility Fund and Sanitation District Fund, derive revenue from water usage.

Revenues for Water Utility Fund increased by \$1.6 million to \$19.2 million in FY 2018 due to water rate increases. Expenditures increased \$1.8 million to \$17.1 million due to salary adjustments in FY 2018 and one-time pension expense adjustment in the prior fiscal year.

In November 2015, the City Council adopted a new water rate structure which adjusts both the Basic Charge and the Tiered Water Volume Charge (reducing the established rate tiers from eleven to two). In addition, the new rate structure limits the water rate increase to 8.0% effective January 1, 2016, and again on July 1, 2016, 2017 and 2018.

Revenue in the Sanitation District increased \$2.5 million to \$21.8 million in FY 2018 due to increases in sewer service and connection charges. Expenses in this fund increased by \$4.3 million to \$21.8 million in FY 2018 primarily due to salary and benefit adjustments related to pension expense.

In June 2016, the City Council, sitting as the North San Mateo County Sanitation District's Board of Directors, adopted a three-year rate increase plan with an 8.0% increase in fiscal years 2017, 2018 and 2019. The rate adjustments are due to anticipated capital maintenance projects and operating cost increases of the wastewater collection system and treatment plant.

LONG RANGE FINANCIAL PLANNING

The City employs a ten-year financial forecasting model to ensure accountability of service levels and to plan for future challenges. Long-range financial planning enables the City to foresee potential budget issues, giving the City sufficient time to respond to and analyze the long-term financial impact, as well as to take appropriate action before a problem develops. In addition, the long-range financial planning serves as a key planning tool for future budgets and decision-making.

The budget deficit drivers fall into two main categories. Some of the deficit drivers the City can control such as compensation, benefits and total staffing. The City's operating costs are driven by desired level of service and the programs offered by the City.

However, over 76% of the General Fund budget is related to workforce costs, efforts to balance the budget by controlling or reducing personnel costs could be difficult to enact.

On the other hand, some of the deficit drivers are outside the City's control. This includes changes in national and local economy; federal and state legislations; CalPERS actuarial assumptions and investment returns and its impact on employer contribution rates. Due to the passage of Propositions 13, 218 and 26 in California, the City has no ability to institute taxes and assessments without voter approvals. In order for a ballot measure to be successful, there must be broad community support for the use of the tax and an outside group who will champion the tax or assessment increase.

Given the current and forecast budget challenges, the City has implemented a multi-pronged approach to address long-term fiscal challenges and to ensure the sustainability of the City's finances into the future.

1. Maintain General Fund reserve. The City's Financial Policy is to maintain General Fund unassigned fund balance equal to 15% of annual budgeted expenditures. Accomplishing the reserve target of 15% requires closely monitoring the balance between revenues and expenses on an ongoing basis. The General Fund reserve provides a buffer to the City in the event of unexpected reductions in revenues or increases in costs. If the City draws down the General Fund reserve, year-end budget surpluses will be used to replenish the reserve.

2. Develop workforce management strategies. Since the 2008 economic recession, the City has explored options to reduce operation costs. Many different opportunities to improve efficiency and cost effectiveness have been analyzed and several have been implemented at significant cost savings with improved efficiency, including the consolidation of Library and Recreation into a single department, the consolidation of Parks Maintenance in Public Works Department and the consolidation of Police Dispatch with the County of San Mateo. The City will continue evaluating the current levels of services to the community, evaluating alternative service delivery models to maximize efficiency, and aligning staffing with service demand.

3. Identify potential voter-approved taxes or assessments and other revenues. Over the next ten years, General Fund expenses will continue to increase beyond the City's ability to fund with current revenue sources. The City placed ballot measures on cannabis business license tax ordinance and to increase transient occupancy tax and business license tax in the November 6, 2018 General Election. The three ballot measures were approved by the voters. Additionally, the City is planning to evaluate the fee schedules of City departments to ensure cost recovery of services provided.

4. Promote economic development and business expansion. While Daly City is largely built out, there are several development opportunities on the former Daly City Redevelopment parcels, if realized, will generate new sales, property, business licenses

and transient occupancy taxes. In FY 2018, the City has approved a proposed hotel and auto dealership development on the former Redevelopment parcels. Additionally, the City will develop an economic development strategy in the upcoming fiscal year to identify new opportunities for expanding and diversifying the economic base to ensure long-term fiscal sustainability.

5. Pre-fund Pension and Other Post-Employment Benefits (OPEB). A recent private letter ruling received from the Internal Revenue Service established that public agencies could create a separate trust to pre-fund pension and OPEB unfunded liabilities. In April 2017, the Council authorized participation in the Section 115 Trust Program which allows the City to set aside funds towards pension cost increases due to changes in CalPERS actuarial assumptions.

The Section 115 Trust Program will provide the City with an alternative to sending funds to CalPERS that will allow for greater control of the assets held in the trust and risk tolerance level for the investment. Other potential benefits include pension rate stabilization. Assets in the Trust Program can be transferred to CalPERS at the City's discretion, which could reduce large fluctuations in employer contributions to CalPERS.

6. Complete comprehensive facilities condition assessment. In 2017, Public Works Department completed the Facilities Condition Assessment. The project included development of an automated inventory of City facilities, evaluation of existing conditions of facilities, prioritization of deficient conditions, and development of short and long range maintenance needs over the next 10 years to be included in the Capital Improvement Plan.

MAJOR INITIATIVES

During the FY 2018, under the leadership of the City Council, several outstanding key programs and projects were successfully undertaken by the City.

The Public Works Department completed major projects to improve City's infrastructure. The John Daly Boulevard Streetscape project improves access and connectivity between the Daly City Bay Area Rapid Transit (BART) station and the SamTrans bus hub at the Top of the Hill (Mission Street). The \$3.5 million project narrowed the median island to accommodate the installation of bicycle lanes, new pedestrian facilities, and landscaping to improve the aesthetics of John Daly Boulevard. The LED Street Light Conversion Project completed the retrofit of 2,300 street lights to LED, saving \$165,000 per year in energy cost. Lastly, the Bayshore Slurry Seal Project was a \$1.1 million pavement preservation project to extend the useful life of the pavement's condition.

The Economic and Community Development Department has continued to see increased permit and construction activity over the past year. The Building Division

issued over 4,700 permits. Based on development proposals submitted to the Planning Division, it is expected that construction activity will continue to occur at the same rate in the coming fiscal year. The department has initiated the process for disposing of former Redevelopment Agency properties that were earmarked for future development. These sites could potentially accommodate additional housing, retail sales, and a hotel that will add property, sales and transient occupancy tax revenue to the City.

The Department of Library and Recreation Services hosted 1,013 programs for kids, teens, and adults with a total attendance of 19,988. There were 322,668 visits to the four public libraries. Patrons checked out 368,428 physical items and accessed e-books and online reference materials 40,240 times. In addition, 3,553 people obtained library cards for the first time to bring the total cardholder count to 48,036. Staff and volunteers served over 37,123 Congregate Nutrition Program meals to seniors at both the Doelger Senior Center and Lincoln Park Community Center. In October 2017, over 1,800 community members, guests, vendors and performers participated in the first outdoor festival, celebrating Filipino Heritage Month at Marchbank Park.

The Police Department continues to prevent crime and improve the quality of life for the community by participating in Community Policing. The Patrol Division participates in community events, such as National Night Out and Pacific Islanders Together. In October 2017, the Police Department sent 50 officers, sergeants and lieutenants to assist Napa and Sonoma Counties during the devastating fires. In April 2018, 27 members of the Police Department, including supervisors, officers, detectives and police assistants responded to the YouTube shooting in San Bruno. Staff were highlighted as being an integral part of the success of the operation.

The North County Fire Authority (NCFA) achieved an overall “Customer Satisfaction” rating of 98% in the delivery of emergency and non-emergency services; presented and instructed “Hands Only CPR” to residents, schools and businesses reaching over now 13,000 through multiple events. The NCFA achieved an overall 90% total reflex response time from dispatch, turnout and travel to arrival in 7 minutes or less by a first due fire company for all emergency incidents. In addition, the NCFA completed annual fire and life safety code compliance inspections for business, multi-family and permitted occupancies.

The Department of Water and Wastewater Resources presented the Final Environmental Impact Report for the Vista Grande Drainage Basin Improvement Project to the City Council in December 2017. The Council certified the document and adopted the California Environmental Quality Act findings allowing staff to continue to develop this multi-million dollar project. The department continued its active participation in the Regional Groundwater Storage and Recovery Program with the San Francisco Public Utilities Commission, which requires ongoing suspension of groundwater pumping allowing the Westside Basin Aquifer to grow in storage capacity.

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, 2017. This was the 31st 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 FYs 1991 through 2018. 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.

ACKNOWLEDGEMENTS

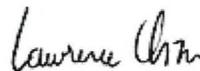
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated efforts of the Accounting Division of the Department of Finance and Administrative Services. Each individual has our sincere appreciation for the professionalism, dedication and contributions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



Shawna Maltbie
Interim City Manager



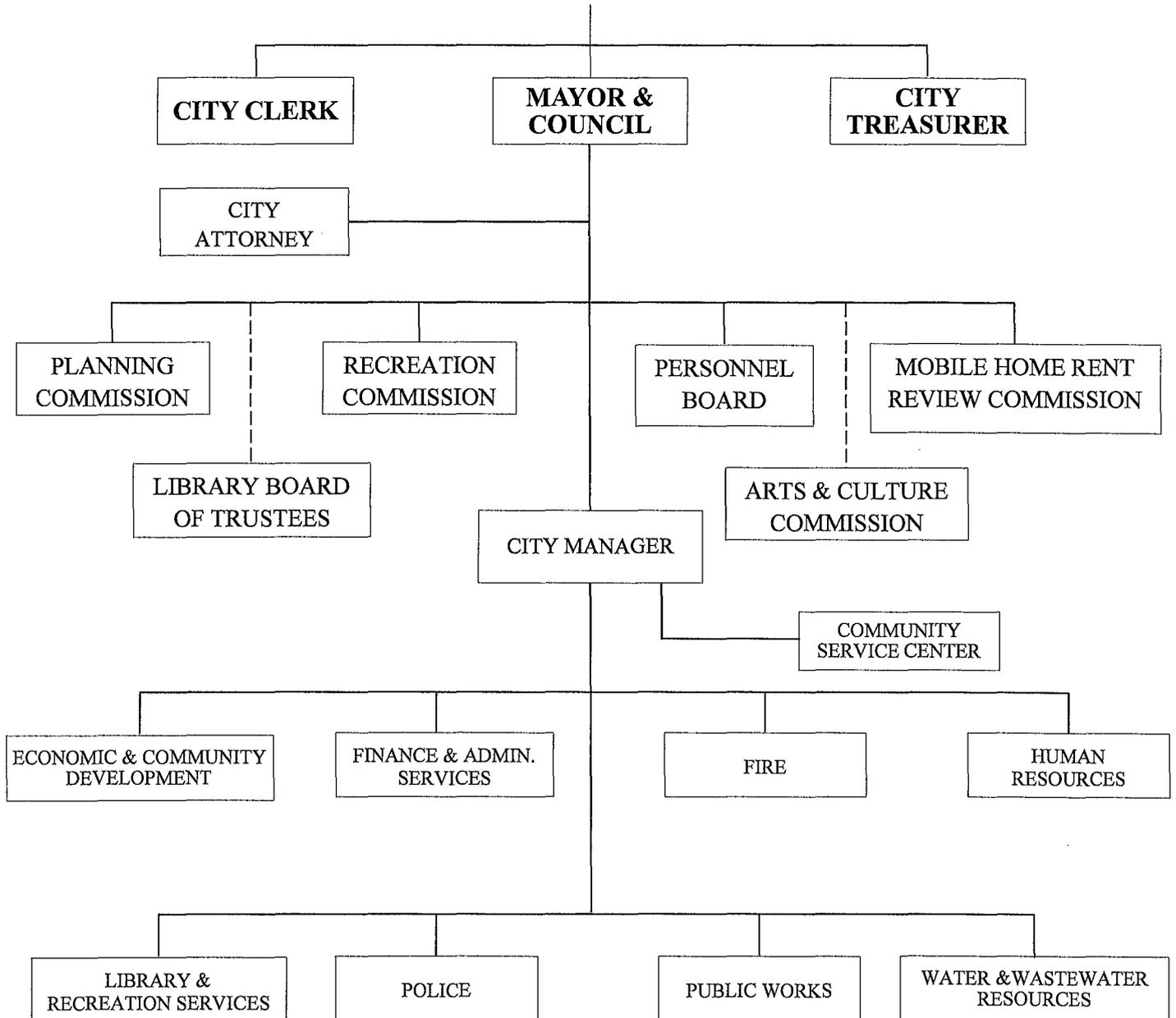
Lawrence Chiu
Director of Finance and
Administrative Services



City of Daly City
ORGANIZATION STRUCTURE

Fiscal Year 2018

CITIZENS OF DALY CITY



----- ADVISORY BOARDS AND COMMISSIONS

**CITY OF DALY CITY
CITY COUNCIL
JUNE 30, 2018**

Juslyn C. Manalo, Mayor

Raymond A. Buenaventura, Vice Mayor

Judith Christensen

Michael P. Guingona

Glenn R. Sylvester

K. 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
Shawwna Marques-Maltbie	Director of Human Resources
Patrick Hensley	Police Chief
Tatum Mothershead	Director of Economic & Community Development
Ron Myers	Fire Chief
Tom Piccolotti	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, 2017

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the
City Council of the City of Daly City, California

Report on the Financial Statements

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of net position as discussed in Notes 8 and 11C to the financial statements.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be 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. The Introductory Section, Supplementary 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 Supplementary 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 Supplementary 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 December 5, 2018 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.

Mane & Associates

Pleasant Hill, California
December 5, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview 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, 2018.

FISCAL YEAR 2018 FINANCIAL HIGHLIGHTS

- At June 30, 2018, net position totaled \$117.3 million, a decrease of \$35.0 million from the prior year total of \$152.3 million for both Governmental and Business-Type activities.
- Net position of governmental activities in Fiscal Year (FY) 2018 was \$24.9 million compared to \$55.2 million in FY 2017, a decrease of \$30.3 million. This was due mainly to the implementation of Governmental Accounting Standards Board (GASB) 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which required the City to record a \$32.1 million increase in the Net OPEB Liability from the \$8.4 million Net OPEB Obligation in FY 2017 to \$40.5 million in FY 2018.
- Net Pension Liability of governmental activities increased by \$22.9 million from \$130.4 million in FY 2017 to \$153.3 million in FY 2018.
- Net position of business-type activities in FY 2018 was \$92.4 million compared to \$97.0 million in FY 2017, a decrease of \$4.6 million. This was due primarily to the implementation of GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which required the City to record a \$5.9 million increase in the Net OPEB Liability from \$1.0 million Net OPEB Obligation in FY 2017 to \$6.9 million in FY 2018.
- Net Pension Liability of business-type activities increased by \$1.6 million from \$9.5 million in FY 2017 to \$11.1 million in FY 2018.
- In FY 2018, total City revenues, including program and general revenues, were \$142.0 million, while total expenses were \$140.8 million.
- Governmental program revenues were \$30.3 million in FY 2018 compared with \$28.8 million in FY 2017. Business-type program revenues were \$41.0 million in FY 2018 compared with \$37.1 million in FY 2017.
- Governmental general revenues were \$67.6 million in FY 2018 compared with \$63.5 million in FY 2017, an increase of \$4.1 million from the prior year. This was mainly due to increases in property tax and sales tax revenues. Business-type general revenues were \$3.1 million in FY 2018, an increase of \$0.3 million from the prior year.
- Unrestricted net position of governmental funds changed from negative (\$62.9) million in FY 2017 to negative (\$92.5) million in FY 2018. This negative unrestricted net position resulted from the implementation of:

- GASB 68 - Accounting and Financial Reporting for Pensions in FY 2015, which requires governments to recognize long-term obligations for pension benefits as a liability; and
- GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in FY 2018, which requires governments to recognize long-term obligations for Other Postemployment Benefits (OPEB) as a liability.

Since the implementation of GASB 68 and 75, it is common that there is a negative balance in unrestricted net position associated with pension and OPEB liabilities. See Notes 7 and 8 of the Notes to the Basic Financial Statements.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report (CAFR) 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, the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements, Required Supplementary Information, and Supplemental Information.
- 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 Government-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 non-major 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. Each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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. 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 Government-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	
	2018	2017*	2018	2017*	2018	2017*
Cash and investments	\$ 99,172	\$ 96,267	\$ 37,377	\$ 36,696	\$ 136,549	\$ 132,963
Other assets	29,805	26,392	7,986	8,197	37,791	34,589
Capital assets	99,792	99,953	70,612	70,776	170,404	170,729
Total assets	228,769	222,612	115,975	115,669	344,744	338,281
Deferred outflows of resources	43,063	47,085	3,583	3,896	46,646	50,981
Long-term debt	22,353	24,976	5,474	6,276	27,827	31,252
Net pension & OPEB liabilities	193,780	138,808	17,942	10,499	211,722	149,307
Other liabilities	27,855	28,442	3,497	3,704	31,352	32,146
Total liabilities	243,988	192,226	26,913	20,479	270,901	212,705
Deferred inflows of resources	2,945	22,237	288	2,066	3,233	24,303
Net assets (net position):						
Net investment in capital assets	97,959	97,821	65,138	64,500	163,097	162,321
Restricted	19,492	20,315	11	11	19,503	20,326
Unrestricted	(92,552)	(62,902)	27,208	32,509	(65,344)	(30,393)
Total net assets (net position)	\$ 24,899	\$ 55,234	\$ 92,357	\$ 97,020	\$ 117,256	\$ 152,254

* Not restated for the implementation of GASB Statement No. 75

Governmental Activities

The City's net position from governmental activities decreased from \$55.2 million in FY 2017 to \$24.9 million in FY 2018. The decrease in the Change in Net Position reflected in the Statement of Activities, as shown in Table 1. Increases and decreases of individual assets and liabilities include:

- Governmental cash and investments increased \$3.0 million from \$96.2 million in FY 2017 to \$99.2 million in FY 2018 due to higher property and sales taxes, and other revenues in the General Fund and Capital Projects Fund.
- In FY 2018, \$0.3 million in Housing and Urban Development Section 108 Loan and \$2.3 million in City's Pension Obligation Bonds were retired. Additional Net Pension Liability (NPL) and OPEB Liability amounts were recorded as required by GASB 68 and 75, respectively, totaling \$55.0 million.
- Restricted net position decreased \$0.8 million. The unrestricted net position changed by \$29.7 million from (\$62.9 million) in FY 2017 to (\$92.6 million) in FY 2018. Unrestricted net position is used to finance on-going operations, before allowance for such things as cash flow requirements and other planned but not legally committed expenditures.

Business-type Activities

The net position of business-type activities decreased \$4.6 million to a total of \$92.4 million in FY 2018 from \$97.0 million in FY 2017. Increases and decreases of individual assets and liabilities are as follows:

- Cash and investments increased \$0.7 million mainly due to water rate increase.
- 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 slightly by \$0.2 million to \$70.6 million. The net investment in capital assets increased \$0.6 million primarily as a result of debt payments.
- Liabilities increased by \$6.4 million due to recording increases to the Net Pension Liability as required by GASB 68 - Accounting and Financial Reporting for Pensions, and the Net OPEB Liability as required by GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. In addition, \$0.8 million in debt payments were 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 decreased \$5.3 million to \$27.2 million.

Changes in Net Position

Total governmental revenues in FY 2018 amounted to \$97.9 million compared to \$92.3 million in FY 2017, an increase of \$5.6 million in FY 2018 due to higher property and sales taxes. Governmental expenses increased by \$3.8 million in FY 2018.

Total business-type activity revenues increased \$4.1 million in FY 2018 due to increase in charge for services. Expenses increased \$8.8 million in FY 2018 due to increased pension costs and the implementation of GASB 75 in FY 2018; and salary and benefit adjustments.



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

	Governmental Activities		Business-type Activities		Total	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues:						
Program revenues:						
Charges for services	\$ 22,308	\$ 20,662	\$ 40,977	\$ 37,147	\$ 63,285	\$ 57,809
Operating grants & contributions	6,774	6,294			6,774	6,294
Capital grants & contributions	1,234	1,825			1,234	1,825
Total program revenues	<u>30,316</u>	<u>28,781</u>	<u>40,977</u>	<u>37,147</u>	<u>71,293</u>	<u>65,928</u>
General revenues:						
Property tax	33,070	31,417	1,958	1,859	35,028	33,276
Sales tax	15,233	13,805			15,233	13,805
Other taxes & franchise fees	16,408	16,195			16,408	16,195
Investments earnings	1,058	701	269	198	1,327	899
Other	1,832	1,379	914	775	2,746	2,154
Total general revenues	<u>67,601</u>	<u>63,497</u>	<u>3,141</u>	<u>2,832</u>	<u>70,742</u>	<u>66,329</u>
Total revenues	<u>97,917</u>	<u>92,278</u>	<u>44,118</u>	<u>39,979</u>	<u>142,035</u>	<u>132,257</u>
Expenses:						
General government	11,936	7,972			11,936	7,972
Public safety	55,604	63,616			55,604	63,616
Public works	10,964	7,574			10,964	7,574
Streets & infrastructure	2,198	3,335			2,198	3,335
Culture & recreation	12,412	10,221			12,412	10,221
Economic & community development	5,195	3,083			5,195	3,083
Interest on long-term debt	1,373	40			1,373	40
Water utility			17,407	14,954	17,407	14,954
Sewer			22,461	16,357	22,461	16,357
Civic center			962	801	962	801
Transfer station			266	207	266	207
Total expenses	<u>99,682</u>	<u>95,841</u>	<u>41,096</u>	<u>32,319</u>	<u>140,778</u>	<u>128,160</u>
Increase (decrease) in net position before transfers and special items	(1,765)	(3,563)	3,022	7,660	1,257	4,097
Special Items						
Loan receivable reestablishment		4,579				4,579
Transfers	2,189	4,616	(2,189)	(4,616)	-	-
Increase (decrease) in net assets / net position	<u>424</u>	<u>5,632</u>	<u>833</u>	<u>3,044</u>	<u>1,257</u>	<u>8,676</u>
Restatement of beginning net position (due to GASB 75)						
Net assets / net position, July 1 ⁽²⁾	<u>24,475</u>	<u>49,602</u>	<u>91,524</u>	<u>93,976</u>	<u>115,999</u>	<u>143,578</u>
Net assets / net position, June 30	<u>\$ 24,899</u>	<u>\$ 55,234</u>	<u>\$ 92,357</u>	<u>\$ 97,020</u>	<u>\$ 117,256</u>	<u>\$ 152,254</u>

(1) Not restated for the implementation of GASB Statement No. 75

(2) July 1, 2017 balance restated for the implementation of GASB Statement No. 75

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, 2018
(in thousands)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue (Expense)</u>
Governmental Activities			
General government	8,089	11,936	(3,847)
Public safety	8,014	55,604	(47,590)
Public works	1,977	10,964	(8,987)
Streets & infrastructure	2,596	2,198	398
Culture & recreation	4,033	12,412	(8,379)
Economic & community development	5,607	5,195	412
Interest on long-term debt		1,373	(1,373)
	<hr/>	<hr/>	<hr/>
Total governmental activities	30,316	99,682	(69,366)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2018, the City's major governmental funds consist of the General Fund, Gas Tax Fund, Grants 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 \$2.8 million to \$55.3 million in FY 2018 compared to \$52.5 million in FY 2017.

General Fund revenues for FY 2018 increased by \$5.1 million to \$84.1 million in FY 2018 compared to \$79.0 million in FY 2017 due to higher property and sales tax in FY 2018. General Fund expenditures increased by \$0.6 million to \$77.7 million in FY 2018.

In FY 2018, the Gas Tax Special Revenue Fund total fund balance decreased by \$1.8 million to \$3.6 million. The balance in this fund 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 remained constant in FY 2018 compared to FY 2017 at \$6.7 million.

The Capital Projects Fund total fund balance increased \$0.8 million in FY 2018 to \$21.6 million compared to \$20.8 million in FY 2017. This Fund is designated for specific capital projects that will benefit the community as a whole. Capital Projects Fund revenues increased \$0.7 million in FY 2018 to \$3.7 million.

Capital projects in FY 2018 included Drainage of Vista Grande Basin, Geneva/San Pedro/Junipero Serra Boulevard Pavement Rehabilitation, Bayshore Street Slurry Seal, and Police Department Locker Room Remodel.

Proprietary Funds

The City has two major proprietary funds, the Water Utility Fund and the Sanitation District Fund.

Water Utility operating revenues in FY 2018 increased \$1.6 million to \$19.2 million compared to FY 2017 due to an 8% water rate increase effective July 1, 2017. Operating expenses increased \$1.8 million to \$17.1 million due to net pension liability adjustment of \$1.6 million in FY 2018.

Sanitation District operating revenues increased \$2.5 million to \$21.8 million in FY 2018 due to an 8% sewer rate increase effective July 1, 2017 and increased connection charges due to housing development. Operating expenses increased by \$4.3 million to \$21.8 million in FY 2018 due to increased pension costs and the implementation of GASB 75 in FY 2018; and salary and benefit adjustments.

General Fund Budgetary Highlights

The City of Daly City uses a biennial budgeting process. FY 2018 represents the first year of a two-year budget. Two individual budget years are proposed to the City Council at the same time, with mid-budget 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. After mid-budget 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, small grants or reimbursements, or the need to reallocate resources during the fiscal year.

CAPITAL ASSETS

At the end of FY 2018 the City had \$170.4 million, net of accumulated depreciation, invested in a broad range of capital assets, as shown in Table 4 below (further detail may be found in Note 4 to the financial statements):

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

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 33,029	\$ 33,165	\$ 2,863	\$ 2,863	\$ 35,892	\$ 36,028
Buildings & improvements	29,284	29,334	2,192	2,403	31,476	31,737
Streets & infrastructures	24,402	25,049			24,402	25,049
Sewage facilities			21,549	22,769	21,549	22,769
Wells & pump stations			4,943	5,182	4,943	5,182
Water reservoirs			7,439	7,654	7,439	7,654
Mains and subsurface lines			23,333	22,204	23,333	22,204
Equipment	8,045	7,170	5,272	5,376	13,317	12,546
Furniture & fixtures	6		72	79	78	79
Construction in progress	5,026	5,235	2,949	2,246	7,975	7,481
Total net capital assets	\$ 99,792	\$ 99,953	\$ 70,612	\$ 70,776	\$ 170,404	\$ 170,729

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 June 30, 2017</u>	<u>Balance June 30, 2018</u>
<u>HUD Section 108 Loan for Bayshore Community Center</u> Issued January 29, 2004 Maturity August 1, 2022	0.35% to 2.49%	\$ 4,500	\$ 2,131	\$ 1,833
<u>Pension Obligation Bonds</u> Issued June 1, 2004 Maturity June 1, 2024	2.65% to 5.896%	\$ 36,235	22,845	20,520
<u>State Water Resources Control Board Revolving Fund Loan for Sanitation District Recycled Water Project</u> Issued November 18, 2003 Maturity December 1, 2024	2.50%	\$ 4,450	2,071	1,834
<u>Water Revenue Refunding Bonds to Refinance Water Certificates of Participation</u> Issued September 10, 2012 Maturity June 1, 2024	2.00%	\$ 6,890	4,205	3,640

ECONOMIC FACTORS

The Consumer Price Index - All Urban Consumers was 3.9% for the San Francisco-Oakland-San Jose region and 2.9% for the U.S. City average for the year ended June 2018, compared to 3.5% and 1.6% as of June 2017.

The Daly City annual average unemployment rate was 2.5% in June 2018, down from 3.4% in June 2017. This compares with 2.6% 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.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and deferred outflows of resources and all its liabilities and deferred inflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's Net Position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column. The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds.

The Statement of Activities reports increases and decreases in the City's Net Position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the “modified accrual” basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities and the Change in Net Position is computed and reconciled with the Statement of Net Position.

CITY OF DALY CITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 1H)	\$99,171,707	\$37,376,655	\$136,548,362
Cash with fiscal agent (Note 1H)	23,990	11,281	35,271
Restricted cash (Note 1H)	3,016,958		3,016,958
Accounts receivable, net	4,771,072	5,287,179	10,058,251
Inventories (Note 1I)	219,127	1,866,100	2,085,227
Prepays (Note 1I)	239,941	5,454	245,395
Internal balances (Note 6)	(816,301)	816,301	
Notes receivable (Note 12)	1,541,167		1,541,167
Loan receivable from Successor Agency (Note 14C)	17,442,448		17,442,448
Property held for development (Note 1C)	3,366,888		3,366,888
Capital assets (Note 4):			
Nondepreciable capital assets	38,054,913	5,811,514	43,866,427
Depreciable capital assets, net	61,736,727	64,800,554	126,537,281
Total Assets	228,768,637	115,975,038	344,743,675
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 7D)	39,482,712	2,978,112	42,460,824
Related to OPEB (Note 8)	3,580,546	604,760	4,185,306
Total Deferred Outflows of Resources	43,063,258	3,582,872	46,646,130
LIABILITIES			
Accounts payable	3,221,689	1,701,249	4,922,938
Accrued payroll	587,890	12,340	600,230
Deposits payable	4,278,192	28,796	4,306,988
Interest payable	116,362	32,816	149,178
Unearned revenue	1,055,234		1,055,234
Compensated absences (Note 1L):			
Due within one year	5,715,751	849,941	6,565,692
Due in more than one year	3,275,529	870,983	4,146,512
Accrued claims payable (Note 10):			
Due within one year	2,366,903		2,366,903
Due in more than one year	7,237,097		7,237,097
Net OPEB liability, due in more than one year (Note 8)	40,516,491	6,854,319	47,370,810
Net pension liability, due in more than one year (Note 7C)	153,263,940	11,088,164	164,352,104
Long-term debt (Note 5):			
Due within one year	2,919,000	818,023	3,737,023
Due in more than one year	19,434,000	4,656,179	24,090,179
Total Liabilities	243,988,078	26,912,810	270,900,888
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 7D)	2,893,903	279,340	3,173,243
Related to OPEB (Note 8)	51,204	8,662	59,866
Total Deferred Inflows of Resources	2,945,107	288,002	3,233,109
NET POSITION (Note 11)			
Net investment in capital assets	97,958,640	65,137,866	163,096,506
Restricted for:			
Debt service	23,990	11,281	35,271
Streets and roads	3,647,803		3,647,803
Infrastructure	5,586,022		5,586,022
Low and Moderate Income Housing Asset	7,568,731		7,568,731
Other	2,665,321		2,665,321
Total Restricted Net Position	19,491,867	11,281	19,503,148
Unrestricted	(92,551,797)	27,207,951	(65,343,846)
Total Net Position	\$24,898,710	\$92,357,098	\$117,255,808

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

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	\$11,936,041	\$4,459,835	\$3,286,867	\$342,469	(\$3,846,870)		(\$3,846,870)
Public safety	55,603,978	7,140,073	873,832		(47,590,073)		(47,590,073)
Public works	10,963,753	1,304,594	672,201		(8,986,958)		(8,986,958)
Streets and infrastructure	2,198,287	1,705,245		891,060	398,018		398,018
Culture and recreation	12,412,166	3,115,467	917,738		(8,378,961)		(8,378,961)
Economic and community development	5,194,603	4,582,767	1,023,450		411,614		411,614
Interest on long-term debt	1,373,040				(1,373,040)		(1,373,040)
Total Governmental Activities	99,681,868	22,307,981	6,774,088	1,233,529	(69,366,270)		(69,366,270)
Business-type Activities:							
Water Utility	17,406,932	18,879,659				\$1,472,727	1,472,727
Civic Center	961,868	589,569				(372,299)	(372,299)
Transfer Station	266,241					(266,241)	(266,241)
Sanitation District	22,460,549	21,507,323				(953,226)	(953,226)
Total Business-type Activities	41,095,590	40,976,551				(119,039)	(119,039)
Total	\$140,777,458	\$63,284,532	\$6,774,088	\$1,233,529	(69,366,270)	(119,039)	(69,485,309)
General revenues:							
Taxes:							
Property tax					33,069,899	1,957,737	35,027,636
Sales tax					15,232,989		15,232,989
Utility users tax					5,977,178		5,977,178
Franchise fees					4,022,440		4,022,440
Other taxes					6,408,495		6,408,495
Investment earnings					1,058,264	268,803	1,327,067
Miscellaneous					1,614,584	914,539	2,529,123
Gain from sale of capital assets					217,111		217,111
Transfers (Note 6)					2,188,873	(2,188,873)	
Total general revenues and transfers					69,789,833	952,206	70,742,039
Change in Net Position					423,563	833,167	1,256,730
Net Position-Beginning, as restated (Note 11C)					24,475,147	91,523,931	115,999,078
Net Position-Ending					\$24,898,710	\$92,357,098	\$117,255,808

See accompanying notes to financial statements



FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

CITY OF DALY CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Gas Tax	Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 1H)	\$38,269,193	\$3,843,393	\$974,967	\$21,502,915	\$4,468,446	\$69,058,914
Restricted cash and investments (Note 1H)	3,016,958					3,016,958
Accounts receivable, net	3,700,224	242,137	171,106	80,306	537,530	4,731,303
Due from other funds (Note 6)	153,109					153,109
Prepays	239,941					239,941
Inventories (Note 1I)	2,531	29,668				32,199
Notes receivable (Note 12)			470,523		1,070,644	1,541,167
Loan receivable from Successor Agency (Note 14C)	17,442,448					17,442,448
Property held for development (Note 1C)					3,366,888	3,366,888
Total Assets	\$62,824,404	\$4,115,198	\$1,616,596	\$21,583,221	\$9,443,508	\$99,582,927
LIABILITIES						
Accounts payable	\$2,093,953	\$467,395	\$95,314	\$23,148	\$51,013	\$2,730,823
Accrued payroll	583,055		1,136	1,319	836	586,346
Due to other funds (Note 6)					153,109	153,109
Deposits payable	4,269,561				8,631	4,278,192
Unearned revenue	539,221		516,013			1,055,234
Total Liabilities	7,485,790	467,395	612,463	24,467	213,589	8,803,704
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - loans			470,523		1,070,644	1,541,167
FUND BALANCES						
Fund Balance (Note 11)						
Nonspendable	17,684,920	29,668				17,714,588
Restricted	3,016,958	3,618,135	533,610	5,586,022	8,159,275	20,914,000
Assigned	12,047,395			15,972,732		28,020,127
Unassigned	22,589,341					22,589,341
Total Fund Balances	55,338,614	3,647,803	533,610	21,558,754	8,159,275	89,238,056
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$62,824,404	\$4,115,198	\$1,616,596	\$21,583,221	\$9,443,508	\$99,582,927

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, 2018

Total fund balances reported on the Governmental Funds Balance Sheet \$89,238,056

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. 92,024,285

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	30,136,783
Accounts receivable	39,769
Deferred outflows	270,327
Inventories	186,928
Internal balances	(816,301)
Capital assets	7,767,355
Accounts payable	(490,866)
Accrued payroll	(1,544)
Interest payable	(100,822)
Accrued claims payable	(9,604,000)
Compensated absences	(595,333)
Net OPEB liability	(3,757,170)
Deferred inflows	(4,748)
Long-term debt - due within one year	(2,600,000)
Long-term debt - due in more than one year	(17,920,000)

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. 1,541,167

DEFERRED INFLOWS AND OUTFLOWS

The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows	42,792,931
Deferred inflows	(2,940,359)

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	(1,833,000)
Interest payable	(15,540)
Net OPEB liability	(36,759,321)
Net pension liability	(153,263,940)
Compensated absences	(8,395,947)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$24,898,710

See accompanying notes to financial statements

CITY OF DALY CITY
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2018

	General	Gas Tax	Grants	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$33,069,899					\$33,069,899
Gas tax		\$2,228,055				2,228,055
Sales tax	13,187,743	2,045,246				15,232,989
Utility users tax	5,977,178					5,977,178
Franchise fees	4,022,440					4,022,440
Other taxes	6,408,495					6,408,495
Licenses and permits	2,727,715	160				2,727,875
Fines and forfeitures	3,678,828					3,678,828
Rents and interest	1,718,894	60,513	\$358	\$255,830	\$4,700	2,040,295
Federal programs and grants		126,446	96,155	480,035	1,222,087	1,924,723
Receipts from other agencies	1,216,348	1,107,096	994,333	135,783		3,453,560
Charges and fees	6,047,549	1,061,164		2,630,395	253,350	9,992,458
Miscellaneous	6,003,173	23,510		234,280	524,066	6,785,029
Total Revenues	84,058,262	6,652,190	1,090,846	3,736,323	2,004,203	97,541,824
EXPENDITURES						
Current:						
General government	10,259,919					10,259,919
Public safety	50,509,283		587,724		50,765	51,147,772
Public works	4,057,473	3,791,071	234,255	794,364	18,729	8,895,892
Culture and recreation	9,478,300		275,545		883,981	10,637,826
Economic and community development	3,358,176		30,698		1,726,618	5,115,492
Capital projects		4,866,126		2,061,028		6,927,154
Debt service:						
Principal					298,000	298,000
Interest					38,672	38,672
Total Expenditures	77,663,151	8,657,197	1,128,222	2,855,392	3,016,765	93,320,727
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,395,111	(2,005,007)	(37,376)	880,931	(1,012,562)	4,221,097
OTHER FINANCING SOURCES (USES)						
Sale of property	173,592				6,330	179,922
Transfers in (Note 6)	2,847,734	242,674	364	316,735	622,542	4,030,049
Transfers (out) (Note 6)	(6,592,368)	(5,691)		(479,829)	(19,004)	(7,096,892)
Total Other Financing Sources (Uses)	(3,571,042)	236,983	364	(163,094)	609,868	(2,886,921)
NET CHANGES IN FUND BALANCES	2,824,069	(1,768,024)	(37,012)	717,837	(402,694)	1,334,176
BEGINNING FUND BALANCES	52,514,545	5,415,827	570,622	20,840,917	8,561,969	87,903,880
ENDING FUND BALANCES	\$55,338,614	\$3,647,803	\$533,610	\$21,558,754	\$8,159,275	\$89,238,056

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, 2018

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 \$1,334,176

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.	3,463,427
Net retirements are deducted from fund balance	(377,324)
Depreciation expense is deducted from fund balance	
(Depreciation expense is net of internal service fund depreciation of \$1,770,751 which has already been allocated to serviced funds).	(4,131,573)

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	298,000
Interest accrued is deducted from fund balance	1,150

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:

Unearned revenue	132,536
Compensated absences	(799,328)
OPEB expense	1,649,705
Pension expense	(11,136,100)

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>9,988,894</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$423,563</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$29,889,184	\$32,331,199	\$33,069,899	\$738,700
Sales tax	12,035,913	12,045,913	13,187,743	1,141,830
Utility users tax	6,398,855	6,107,065	5,977,178	(129,887)
Franchise fees	3,884,841	3,814,420	4,022,440	208,020
Other taxes	5,258,228	5,729,651	6,408,495	678,844
Licenses and permits	2,235,615	2,487,109	2,727,715	240,606
Fines and forfeitures	3,058,108	3,138,496	3,678,828	540,332
Rents and interest	1,199,806	1,449,820	1,718,894	269,074
Receipts from other agencies	1,021,517	1,250,515	1,216,348	(34,167)
Charges and fees	5,050,489	5,578,626	6,047,549	468,923
Miscellaneous	1,895,502	5,490,308	6,003,173	512,865
Total Revenues	<u>71,928,058</u>	<u>79,423,122</u>	<u>84,058,262</u>	<u>4,635,140</u>
EXPENDITURES				
Current Operations:				
General Government				
Legislative:				
Salaries and benefits	192,280	192,280	194,538	(2,258)
Services and supplies	32,101	33,901	28,896	5,005
Other charges	15,605	10,605	9,072	1,533
Total Legislative	<u>239,986</u>	<u>236,786</u>	<u>232,506</u>	<u>4,280</u>
Legal:				
Salaries and benefits	907,653	907,653	824,919	82,734
Services and supplies	153,414	171,085	151,381	19,704
Other charges	8,569	8,569	5,764	2,805
Total Legal	<u>1,069,636</u>	<u>1,087,307</u>	<u>982,064</u>	<u>105,243</u>
Administrative:				
Salaries and benefits	6,770,154	6,540,232	6,653,457	(113,225)
Services and supplies	1,446,588	2,312,862	1,929,620	383,242
Capital outlay				
Other charges	1,302,276	567,776	462,272	105,504
Total Administrative	<u>9,519,018</u>	<u>9,420,870</u>	<u>9,045,349</u>	<u>375,521</u>
Total General Government	<u>10,828,640</u>	<u>10,744,963</u>	<u>10,259,919</u>	<u>485,044</u>
Public Safety				
Police:				
Salaries and benefits	25,003,057	25,025,015	25,791,330	(766,315)
Services and supplies	4,546,853	4,773,072	4,740,381	32,691
Capital outlay	101,841	235,495	102,716	132,779
Other charges	371,805	381,805	375,972	5,833
Total Police	<u>30,023,556</u>	<u>30,415,387</u>	<u>31,010,399</u>	<u>(595,012)</u>
Fire:				
Salaries and benefits	13,835,826	13,835,826	15,636,173	(1,800,347)
Services and supplies	2,255,371	2,214,371	2,116,348	98,023
Capital outlay	42,129	58,765	64,547	(5,782)
Other charges	113,285	137,285	127,442	9,843
Total Fire	<u>16,246,611</u>	<u>16,246,247</u>	<u>17,944,510</u>	<u>(1,698,263)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety Communications				
Salaries and benefits			21,273	(21,273)
Services and supplies	1,646,051	1,646,051	1,533,101	112,950
Total Public Safety Communications	1,646,051	1,646,051	1,554,374	91,677
Total Public Safety	47,916,218	48,307,685	50,509,283	(2,201,598)
Public Works				
Salaries and benefits	3,036,943	3,036,943	2,994,759	42,184
Services and supplies	977,630	998,694	1,003,195	(4,501)
Other charges	84,116	64,116	59,519	4,597
Total Public Works	4,098,689	4,099,753	4,057,473	42,280
Culture and Recreation				
Salaries and benefits	5,753,390	5,753,390	5,466,226	287,164
Services and supplies	3,904,713	3,959,357	3,942,755	16,602
Capital outlay	10,000	11,200	11,276	(76)
Other charges	55,868	55,868	58,043	(2,175)
Total Culture and Recreation	9,723,971	9,779,815	9,478,300	301,515
Economic and Community Development				
Salaries and benefits	2,598,020	2,648,417	2,622,164	26,253
Services and supplies	787,179	1,013,615	697,717	315,898
Other charges	49,244	50,925	38,295	12,630
Total Economic and Community Development	3,434,443	3,712,957	3,358,176	354,781
Total Expenditures	76,001,961	76,645,173	77,663,151	(1,017,978)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,073,903)	2,777,949	6,395,111	3,617,162
OTHER FINANCING SOURCES (USES)				
Sale of property			173,592	173,592
Transfers in	2,753,414	2,847,734	2,847,734	
Transfers out	(1,241,056)	(4,696,545)	(6,592,368)	(1,895,823)
Total Other Financing Sources (Uses)	1,512,358	(1,848,811)	(3,571,042)	(1,722,231)
Net changes in fund balances before special item	(2,561,545)	929,138	2,824,069	\$1,894,931
NET CHANGES IN FUND BALANCE			2,824,069	
BEGINNING FUND BALANCE			52,514,545	
ENDING FUND BALANCE			\$55,338,614	

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Gas tax	\$2,650,000	\$2,650,000	\$2,228,055	(\$421,945)
Sales tax	1,900,000	1,900,000	2,045,246	145,246
Licenses and permits			160	160
Rents and interest	30,000	30,000	60,513	30,513
Federal programs and grants	869,694	869,694	126,446	(743,248)
Receipts from other agencies	3,097,727	3,097,727	1,107,096	(1,990,631)
Charges and services	1,064,654	1,064,654	1,061,164	(3,490)
Miscellaneous	51,596	51,596	23,510	(28,086)
Total Revenues	<u>9,663,671</u>	<u>9,663,671</u>	<u>6,652,190</u>	<u>(3,011,481)</u>
EXPENDITURES				
Public works	3,417,894	3,417,894	3,791,071	(373,177)
Capital projects	12,794,839	12,794,839	4,866,126	7,928,713
Total Expenditures	<u>16,212,733</u>	<u>16,212,733</u>	<u>8,657,197</u>	<u>7,555,536</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,549,062)</u>	<u>(6,549,062)</u>	<u>(2,005,007)</u>	<u>4,544,055</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,658,778	1,658,778	242,674	(1,416,104)
Transfers out	(5,691)	(5,691)	(5,691)	
Total Other Financing Sources (Uses)	<u>1,653,087</u>	<u>1,653,087</u>	<u>236,983</u>	<u>(1,416,104)</u>
NET CHANGE IN FUND BALANCE	<u>(\$4,895,975)</u>	<u>(\$4,895,975)</u>	<u>(1,768,024)</u>	<u>\$3,127,951</u>
BEGINNING FUND BALANCE			<u>5,415,827</u>	
ENDING FUND BALANCE			<u>\$3,647,803</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
GRANTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Rents and interest			\$358	\$358
Federal programs and grants	\$248,144	\$515,411	96,155	(419,256)
Receipts from other agencies	<u>326,580</u>	<u>1,624,126</u>	<u>994,333</u>	<u>(629,793)</u>
Total Revenues	<u>574,724</u>	<u>2,139,537</u>	<u>1,090,846</u>	<u>(1,048,691)</u>
EXPENDITURES				
Public Safety				
Salaries and benefits		114,236	73,306	40,930
Services and supplies	146,835	1,136,764	487,076	649,688
Capital outlay		21,687	21,687	
Other charges		<u>46,537</u>	<u>5,655</u>	<u>40,882</u>
Total Public Safety	<u>146,835</u>	<u>1,319,224</u>	<u>587,724</u>	<u>731,500</u>
Public Works				
Capital Outlay		435,752	234,255	201,497
Other charges		<u>10,666</u>		<u>10,666</u>
Total Public Works		<u>446,418</u>	<u>234,255</u>	<u>212,163</u>
Culture and Recreation				
Salaries and benefits	284,200	284,200	260,191	24,009
Services and supplies	<u>79,950</u>	<u>79,950</u>	<u>15,354</u>	<u>64,596</u>
Total Culture and Recreation	<u>364,150</u>	<u>364,150</u>	<u>275,545</u>	<u>88,605</u>
Economic and Community Development				
Salaries and benefits	23,770	25,993	31,545	(5,552)
Services and supplies	1,044	2,424	21	2,403
Capital outlay			(868)	868
Other charges	<u>223,330</u>	<u>350,712</u>		<u>350,712</u>
Total Economic and Community Development	<u>248,144</u>	<u>379,129</u>	<u>30,698</u>	<u>348,431</u>
Total Expenditures	<u>759,129</u>	<u>2,508,921</u>	<u>1,128,222</u>	<u>1,380,699</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(184,405)</u>	<u>(369,384)</u>	<u>(37,376)</u>	<u>(2,429,390)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 6)		<u>3,967</u>	<u>364</u>	<u>3,603</u>
Total Other Financing Sources (Uses)		<u>3,967</u>	<u>364</u>	
NET CHANGE IN FUND BALANCES	<u>(\$184,405)</u>	<u>(\$365,417)</u>	<u>(37,012)</u>	<u>\$328,405</u>
BEGINNING FUND BALANCE			<u>570,622</u>	
ENDING FUND BALANCE			<u>\$533,610</u>	

See accompanying notes to financial statements

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
ASSETS					
Current Assets:					
Cash and investments (Note 1H)	\$4,424,956	\$30,078,561	\$2,873,138	\$37,376,655	\$30,112,793
Cash with fiscal agent (Note 1H)	11,281			11,281	23,990
Accounts receivable, net (Note 1J)	3,310,902	1,869,806	106,471	5,287,179	39,769
Prepays	499	4,955		5,454	
Inventories (Note 1I)	387,675	1,478,425		1,866,100	186,928
Total Current Assets	8,135,313	33,431,747	2,979,609	44,546,669	30,363,480
Capital Assets (Note 4):					
Land	839,856	233,547	1,789,146	2,862,549	378,343
Buildings	272,379	893,519	6,753,006	7,918,904	35,817
Sewage facilities		58,958,085		58,958,085	
Wells and pump stations	9,074,783			9,074,783	
Water reservoirs	12,715,925			12,715,925	
Mains and subsurface lines	19,557,929	25,390,267		44,948,196	
Equipment	5,837,919	9,102,719	957,617	15,898,255	21,633,191
Furniture and fixtures	37,154	114,174		151,328	52,707
Construction in progress	278,122	2,670,843		2,948,965	689,518
Total Capital Assets	48,614,067	97,363,154	9,499,769	155,476,990	22,789,576
Less accumulated depreciation	(23,639,639)	(55,520,402)	(5,704,881)	(84,864,922)	(15,022,221)
Net Capital Assets	24,974,428	41,842,752	3,794,888	70,612,068	7,767,355
Total Noncurrent Assets	24,974,428	41,842,752	3,794,888	70,612,068	7,767,355
Total Assets	33,109,741	75,274,499	6,774,497	115,158,737	38,130,835
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension (Note 7D)	824,648	2,153,464		2,978,112	
Related to OPEB (Note 8)	192,892	408,214	3,654	604,760	270,327
Total Deferred Outflows	1,017,540	2,561,678	3,654	3,582,872	270,327
LIABILITIES					
Current Liabilities:					
Accounts payable	800,396	880,384	20,469	1,701,249	490,866
Accrued payroll	7,191	5,149		12,340	1,544
Deposits payable	28,796			28,796	
Interest payable	6,067	26,749		32,816	100,822
Accrued claims payable (Note 10)					2,366,903
Compensated absences (Note 1L)	304,676	545,265		849,941	
Long-term debt (Note 5)	575,000	243,023		818,023	2,600,000
Total Current Liabilities	1,722,126	1,700,570	20,469	3,443,165	5,560,135
Noncurrent Liabilities:					
Compensated absences (Note 1L)	87,683	778,208	5,092	870,983	595,333
Accrued claims payable (Note 10)					7,237,097
OPEB liability (Note 8)	2,183,226	4,620,311	50,782	6,854,319	3,757,170
Net Pension Liability (Note 7C)	3,070,207	8,017,957		11,088,164	
Long-term debt (Note 5)	3,065,000	1,591,179		4,656,179	17,920,000
Total Noncurrent Liabilities	8,406,116	15,007,655	55,874	23,469,645	29,509,600
Total Liabilities	10,128,242	16,708,225	76,343	26,912,810	35,069,735
DEFERRED INFLOWS OF RESOURCES					
Related to pension (Note 7D)	77,350	201,990		279,340	
Related to OPEB (Note 8)	2,759	5,839	64	8,662	4,748
Total Deferred Inflows	80,109	207,829	64	288,002	4,748
NET POSITION (Note 11)					
Net investment in capital assets	21,334,428	40,008,550	3,794,888	65,137,866	7,767,355
Restricted for:					
Debt service	11,281			11,281	23,990
Unrestricted	2,573,221	20,911,573	2,906,856	26,391,650	(4,464,666)
Total Net Position	\$23,918,930	\$60,920,123	\$6,701,744	91,540,797	\$3,326,679

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

816,301
 Net position of business-type activities 92,357,098

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, 2018

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
OPERATING REVENUES					
Water sales	\$18,879,659	\$151,278		\$19,030,937	
Sewer service charges		20,598,225		20,598,225	
Connection charges		757,820		757,820	
Rental income			\$589,569	589,569	
Charges to City departments					\$20,405,332
Other revenues	334,753	246,716	333,070	914,539	633,280
Total Operating Revenues	<u>19,214,412</u>	<u>21,754,039</u>	<u>922,639</u>	<u>41,891,090</u>	<u>21,038,612</u>
OPERATING EXPENSES					
Salaries and benefits	3,758,589	8,878,019	217,142	12,853,750	5,090,495
Services and supplies	1,312,358	7,646,688	703,760	9,662,806	4,187,986
Water purchases	8,535,042			8,535,042	
Utilities	941,580	1,301,124	111,372	2,354,076	455,506
Insurance	194,401	493,861	14,041	702,303	1,551,309
Claims and settlements					2,688,492
Depreciation (Note 4)	1,330,058	2,512,241	220,300	4,062,599	1,770,751
Other charges	1,005,842	921,514		1,927,356	341,002
Total Operating Expenses	<u>17,077,870</u>	<u>21,753,447</u>	<u>1,266,615</u>	<u>40,097,932</u>	<u>16,085,541</u>
Operating Income (Loss)	<u>2,136,542</u>	<u>592</u>	<u>(343,976)</u>	<u>1,793,158</u>	<u>4,953,071</u>
NONOPERATING REVENUES (EXPENSES)					
Property taxes		1,957,737		1,957,737	
Gain (loss) from sale of capital assets					37,189
Interest income	15,661	248,495	4,647	268,803	210,899
Interest expense	(81,796)	(48,325)		(130,121)	(1,335,518)
Total Nonoperating Revenues (Expenses)	<u>(66,135)</u>	<u>2,157,907</u>	<u>4,647</u>	<u>2,096,419</u>	<u>(1,087,430)</u>
Income (Loss) Before Transfers	<u>2,070,407</u>	<u>2,158,499</u>	<u>(339,329)</u>	<u>3,889,577</u>	<u>3,865,641</u>
Transfers in (Note 6)		1,802,030	1,070	1,803,100	5,904,228
Transfers (out) (Note 6)	(2,449,304)	(1,221,777)	(320,892)	(3,991,973)	(648,512)
Net transfers	<u>(2,449,304)</u>	<u>580,253</u>	<u>(319,822)</u>	<u>(2,188,873)</u>	<u>5,255,716</u>
CHANGE IN NET POSITION	<u>(378,897)</u>	<u>2,738,752</u>	<u>(659,151)</u>	<u>1,700,704</u>	<u>9,121,357</u>
BEGINNING NET POSITION, AS RESTATED (NOTE 11C)	<u>24,297,827</u>	<u>58,181,371</u>	<u>7,360,895</u>	<u>89,840,093</u>	<u>(5,794,678)</u>
ENDING NET POSITION	<u>\$23,918,930</u>	<u>\$60,920,123</u>	<u>\$6,701,744</u>	<u>91,540,797</u>	<u>\$3,326,679</u>
Net change in net position				<u>1,700,704</u>	
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.				<u>(867,537)</u>	
Change in net position of business-type activities				<u>\$833,167</u>	
See accompanying notes to financial statements					

CITY OF DALY CITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water Utility	Sanitation District	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$18,963,087	\$21,260,973	\$880,290	\$41,104,350	\$21,078,947
Payments to suppliers	(12,273,992)	(10,641,995)	(842,386)	(23,758,373)	(5,865,515)
Payments to employees	(3,474,519)	(8,209,200)	(169,950)	(11,853,669)	(5,571,647)
Claims paid					(2,688,492)
Cash Flows from Operating Activities	3,214,576	2,409,778	(132,046)	5,492,308	6,953,293
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Property tax		1,957,737		1,957,737	
Principal paid on noncapital debt					(2,325,000)
Interest paid on noncapital debt					(1,346,941)
Transfers in		1,802,030	1,070	1,803,100	5,904,228
Transfers out	(2,449,304)	(1,221,777)	(320,892)	(3,991,973)	(648,512)
Cash Flows from (used for) Noncapital Financing Activities	(2,449,304)	2,537,990	(319,822)	(231,136)	1,583,775
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(23,624)	(3,875,522)		(3,899,146)	(2,686,924)
Proceeds from sale of capital assets					68,776
Principal paid on capital debt	(565,000)	(237,096)		(802,096)	
Interest paid on capital debt	(84,100)	(52,832)		(136,932)	
Cash Flows from (used for) Capital and Related Financing Activities	(672,724)	(4,165,450)		(4,838,174)	(2,618,148)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	15,661	248,495	4,647	268,803	210,899
Net Cash Flows	108,209	1,030,813	(447,221)	691,801	6,129,819
Cash and investments at beginning of period	4,328,028	29,047,748	3,320,359	36,696,135	24,006,964
Cash and investments at end of period	<u>\$4,436,237</u>	<u>\$30,078,561</u>	<u>\$2,873,138</u>	<u>\$37,387,936</u>	<u>\$30,136,783</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$2,136,542	\$592	(\$343,976)	\$1,793,158	\$4,953,071
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,330,058	2,512,241	220,300	4,062,599	1,770,751
Change in assets and liabilities:					
Accounts receivable, net	(243,255)	(493,066)	(42,349)	(778,670)	40,335
Prepaid	(394)	30		(364)	6,215
Inventories	32,785	101,169		133,954	(87,080)
Accounts payable	(317,160)	(292,200)	(13,213)	(622,573)	(54,847)
Retentions payable		(87,807)		(87,807)	
Accrued payroll	3,761	3,584		7,345	(578)
Deposits payable	(8,070)			(8,070)	
Accrued claims payable					806,000
Compensated absences	46,593	462,732		509,325	62,046
Due to OPEB system	28,150	(338,454)	47,192	(263,112)	(542,620)
Due to retirement system	205,566	540,957		746,523	
Cash Flows from Operating Activities	\$3,214,576	\$2,409,778	(132,046)	\$5,492,308	\$6,953,293
NONCASH TRANSACTIONS					
Retirement of capital assets					<u>(\$31,587)</u>

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.

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, 2018

	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS		
Cash and investments (Note 1H)	\$128,863	\$2,614,185
Receivables	2,282	1,935,407
Other assets		381,247
	131,145	3,930,839
Total Assets	131,145	\$4,930,839
LIABILITIES		
Accounts payable		\$3,208,059
Due to others		1,722,780
Deposits payable	4,050	
Loans payable to City (Note 14C)	17,442,448	
	17,446,498	4,930,839
Total Liabilities	17,446,498	\$4,930,839
NET POSITION		
Held in trust for other purposes	(\$17,315,353)	

See accompanying notes to financial statements

CITY OF DALY CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Successor Agency to the Redevelopment Agency Private-Purpose Trust</u>
ADDITIONS	
Rents and interest	\$39,898
Miscellaneous	<u>(25)</u>
Total additions	<u>39,873</u>
DEDUCTIONS	
Services and supplies	<u>23,761</u>
Total deductions	<u>23,761</u>
CHANGE IN NET POSITION	16,112
NET POSITION	
Net Position - Beginning	<u>(17,331,465)</u>
Net Position - Ending	<u><u>(\$17,315,353)</u></u>

See accompanying notes to financial statements



CITY OF DALY CITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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. Interfund services provided and used are not eliminated in the process of consolidation. 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.

GRANTS SPECIAL REVENUE FUND is used to account for miscellaneous grant monies, such as HOME, law enforcement special grants, and after school safety grants.

CAPITAL PROJECTS FUND is used to account for financial resources to be used for the acquisition or construction of major capital facilities or infrastructure 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 - These funds account for motor vehicles, central services, telephone, building maintenance, information services, self-insurance and pension bond payments. All of these services 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, and Supporters of Senior Center. 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 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 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 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 taxes and sales taxes 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 an assignment 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 ten 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, 2018, the following expenditures exceeded the budgeted expenditures:

	<u>Expenditures Exceeded Budget</u>
General Fund:	
Public Safety:	
Police	\$595,012
Fire	1,698,263
Gas Tax Special Revenue Fund	
Public Works	373,177
Linda Vista Benefit Assessment Special Revenue Fund	
Public Works	252
Low and Moderate Income Housing Assets Special Revenue Fund	
Economic and Community Development	817,927
Capital Projects Fund	
Public Works	27,145

For Police, expenditures exceeding budget were primarily driven by unanticipated overtime and higher pension expenses. For Fire, expenditures exceeding budget were primarily driven by unanticipated overtime, injury leave and higher pension expenses. For Public Works, expenditures exceeding budget were primarily driven by salaries and benefits adjustments and increased supplies usage. For Economic and Community Development, expenditures exceeding budget was primarily driven by a contribution to partially fund local affordable housing efforts.

F. NEW GASB PRONOUNCEMENTS

GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions – The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement were implemented during fiscal year 2018 as discussed in Note 8.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement did not have a material impact on the financial statements for the fiscal year 2018.

GASB Statement No. 85, *Omnibus 2017* - The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement did not have a material impact on the financial statements for the fiscal year 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement did not have a material impact on the financial statements for the fiscal year 2018.

G. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

H. 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 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	\$136,548,362
Cash with fiscal agent	35,271
Restricted cash and investments	<u>3,016,958</u>
Cash and investments of the City	139,600,591
Cash and investments in Fiduciary Funds (separate statement)	<u>2,743,048</u>
Total cash and investments	<u><u>\$142,343,639</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 following table 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
U. S. Treasury Bonds, Notes and Bills or Certificates of Indebtedness	5 Years	N/A	No Limit	No Limit
U.S. Government Agency Securities and U.S. Government Sponsored Enterprise Agencies	5 Years *	N/A	No Limit	No Limit
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	N/A	\$65,000,000 per account	\$65,000,000 per account
San Mateo County Treasurer's Pool	Upon Demand	N/A	No Limit	No Limit
State of California Treasury Notes or Bonds	5 Years	A	No Limit	5%
California Local Agency Obligations	5 Years	A	30%	5%
Bankers' Acceptances	180 Days	N/A	40%	5%
Commercial Paper	270 Days	A1/P1	25%	5%
Negotiable Certificates of Deposit	5 Years	A	30%	No Limit
Non-Negotiable Certificates of Deposit	5 Years	A	30%	No Limit
Money Market Mutual Funds	Upon Demand	AAAm	15%	5%
Passbook Savings Account	None	N/A	No Limit	No Limit
Repurchase Agreements	1 year	N/A	15%	5%
Reverse Repurchase Agreements	92 Days	N/A	15%	5%

* However, the City Council specifically grants the authority to the City Treasurer to invest a maximum of \$14,000,000 of the City's portfolio in Government National Mortgage Association securities which, at the time of investment, have terms remaining to maturity in excess of five years.

Public Agencies Post-Employment Trust

On May 22, 2017, the City Council adopted resolution 17-58 approving the adoption of the Public Agencies Post-Employment Trust administered by Public Agency Retirement Services (PARS). The Trust is an irrevocable trust and qualifies as an Internal Revenue Section 115 Trust. This Trust will assist the City in mitigating the CalPERS contribution rate volatility. Investments of funds held in Trust are governed by the Investment Guideline Document for the investment account and by the agreement for administrative services with PARS, rather than the general provisions of the California Government Code of the City's investment policy. The City elected a discretionary investment approach which allows the City to maintain oversight of the investment management, control on target yield and the portfolio' risk of tolerance, under the Moderately Conservative Index PLUS investment option. The assets in the Trust will eventually be used to fund pension plan obligations.

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 following table 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 State Obligations	N/A	AAA Highest Rating	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	No Limit	No Limit
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	One to Five Years	More than Five Years	Total
U.S. Government Agency Securities			\$1,417,222	\$1,417,222
Money Market Mutual Funds	\$35,271			35,271
California Local Agency Investment Fund	576,940			576,940
San Mateo County Investment Pool	122,599,985			122,599,985
Negotiable Certificates of Deposit		\$3,650,517		3,650,517
PARS Moderately Conservative Index PLUS Fund	3,016,958			3,016,958
Total Investments	\$126,229,154	\$3,650,517	\$1,417,222	131,296,893
Cash in Bank and on Hand				11,046,746
Total Cash and Investments				\$142,343,639

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. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$65 million and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. 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, 2018, these investments have an average maturity of 193 days.

The City is a participant in the San Mateo County Investment Pool (SMCIP) 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 SMCIP at the fair value amount provided by SMCIP. The balance available for withdrawal is based on the accounting records maintained by SMCIP, which are recorded on an amortized cost basis. Included in SMCIP'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, 2018, these investments matured in an average of 0.91 years.

Money Market Mutual Fund investments are available for withdrawal on demand and at June 30, 2018 have an average maturity of 37 days.

Fair Value Investments

Generally accepted accounting principles require 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, 2018 are provided by Standard and Poor's except as noted.

Investment Type	AAAm	AAm/AAf	Total Investments
Money Market Mutual Funds	\$23,990	\$11,281	\$35,271
San Mateo County Investment Pool		122,599,985	122,599,985
Total	<u>\$23,990</u>	<u>\$122,611,266</u>	122,635,256
<i>Not rated:</i>			
U.S. Government Agency Securities			1,417,222
California Local Agency Investment Fund			576,940
Negotiable Certificates of Deposit			3,650,517
PARS Moderately Conservative Index PLUS Fund			<u>3,016,958</u>
Total Investments			<u>\$131,296,893</u>

Custodial Credit Risk

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

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

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the City has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the City's own data. The City should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the City are not available to other market participants.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

Investment Type	Level 2	Total
Investments by Fair Value Level:		
U.S. Government Agency Securities	\$1,417,222	\$1,417,222
Negotiable Certificates of Deposit	3,650,517	3,650,517
Subtotal	\$5,067,739	5,067,739
Investments Measured at Amortized Cost:		
Money Market Mutual Funds		35,271
PARS Moderately Conservative Index PLUS Fund		3,016,958
Investments Not Subject to the Fair Value Hierarchy:		
California Local Agency Investment Fund		576,940
San Mateo County Investment Pool		122,599,985
Total Investments		\$131,296,893

All investments classified in Level 2 were valued using prices provided by the City's custodian bank.

I. 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.

J. 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.

K. ADVANCES TO OTHER FUNDS AND AGENCIES

Current portions of interfund loans receivable (reported in "due from" asset accounts) are considered available spendable resources.

L. ACCUMULATED UNPAID VACATION, COMPENSATORY AND SICK LEAVE

Accumulated unpaid employee benefits are accrued at year-end. If vacation or compensatory leave is not taken by employees during their employment, the City is obligated to make cash payments to them on termination or retirement at the salary rates then in effect. City employees receive from thirteen to twenty-eight days of vacation each year.

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

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

The changes in liability for compensated absences were as follows:

	Governmental Activities	Business Type Activities	Total
Balance July 1, 2017	\$8,129,906	\$1,211,599	\$9,341,505
Additions	6,396,268	1,315,997	7,712,265
Payments	(5,534,894)	(806,672)	(6,341,566)
Balance June 30, 2018	<u>\$8,991,280</u>	<u>\$1,720,924</u>	<u>\$10,712,204</u>
Due within one year	<u>\$5,715,751</u>	<u>\$849,941</u>	<u>\$6,565,692</u>

Compensated absences are liquidated by the fund that has recorded the liability. Governmental activities compensated absences are liquidated primarily by the General Fund.

M. 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.

N. 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 unearned revenues.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with 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, 2018, the City had made commitments of approximately \$3.8 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, 2018 were \$47,395 in the General Fund.

NOTE 4.

CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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 and Improvements	20-50 years	Sewage Collection Facilities	10-50 years
Streets and Infrastructure	20-60 years	Sewage Disposal and Treatment Facilities	15-50 years
Park Structures and Improvements	10-30 years	Water Mains	25 years
Vehicles, Equipment, Furniture and Fixtures	5-20 years	Wells and Pump Stations	40-50 years
Sanitation Subsurface Lines	25 years	Water Reservoirs	40-99 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, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Governmental activities:					
Capital assets not being depreciated:					
Land	\$33,164,342		(\$135,000)		\$33,029,342
Construction in progress	5,235,122	\$1,914,060	(242,324)	(\$1,881,287)	5,025,571
Total capital assets not being depreciated	<u>38,399,464</u>	<u>1,914,060</u>	<u>(377,324)</u>	<u>(1,881,287)</u>	<u>38,054,913</u>
Capital assets being depreciated:					
Buildings & improvements	56,121,047			1,703,355	57,824,402
Streets & infrastructure	80,319,566	1,475,030			81,794,596
Park structures & improvements	7,816,451				7,816,451
Vehicles & equipment	25,290,860	2,754,298	(1,070,376)	177,932	27,152,714
Furniture & fixtures	430,300	6,963			437,263
Total capital assets being depreciated	<u>169,978,224</u>	<u>4,236,291</u>	<u>(1,070,376)</u>	<u>1,881,287</u>	<u>175,025,426</u>
Less accumulated depreciation for:					
Buildings & improvements	31,409,799	1,420,262			32,830,061
Streets & infrastructure	55,271,282	2,121,539			57,392,821
Park structures & improvements	3,193,196	334,037			3,527,233
Vehicles & equipment	18,120,588	2,026,312	(1,038,789)		19,108,111
Furniture & fixtures	430,299	174			430,473
Total accumulated depreciation	<u>108,425,164</u>	<u>5,902,324</u>	<u>(1,038,789)</u>		<u>113,288,699</u>
Net depreciable assets	<u>61,553,060</u>	<u>(1,666,033)</u>	<u>(31,587)</u>	<u>1,881,287</u>	<u>61,736,727</u>
Governmental activity capital assets, net	<u>\$99,952,524</u>	<u>\$248,027</u>	<u>(\$408,911)</u>		<u>\$99,791,640</u>

	Balance June 30, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Business-type activities:					
Capital assets not being depreciated:					
Land	\$2,862,549				\$2,862,549
Construction in progress	2,246,159	\$3,226,218		(\$2,523,412)	2,948,965
Total capital assets not being depreciated	5,108,708	3,226,218		(2,523,412)	5,811,514
Capital assets being depreciated:					
Buildings & improvements	7,918,904				7,918,904
Sewage facilities	58,958,084				58,958,084
Mains & subsurface lines	42,414,450	10,334		2,523,412	44,948,196
Water reservoirs	12,715,925				12,715,925
Wells & pump stations	9,074,784				9,074,784
Equipment	15,235,661	662,594			15,898,255
Furniture & fixtures	151,328				151,328
Total capital assets being depreciated	146,469,136	672,928		2,523,412	149,665,476
Less accumulated depreciation for:					
Buildings & improvements	5,516,482	210,125			5,726,607
Sewage facilities	36,189,099	1,220,236			37,409,335
Mains & subsurface lines	20,210,141	1,404,532			21,614,673
Water reservoirs	5,061,689	215,455			5,277,144
Wells & pump stations	3,892,594	238,846			4,131,440
Equipment	9,860,222	766,086			10,626,308
Furniture & fixtures	72,096	7,319			79,415
Total accumulated depreciation	80,802,323	4,062,599			84,864,922
Net depreciable assets	65,666,813	(3,389,671)		2,523,412	64,800,554
Business-type activity capital assets, net	\$70,775,521	(\$163,453)			\$70,612,068

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	\$102,044
Public safety	329,898
Public works	9,825
Streets and infrastructure	2,131,832
Culture and recreation	1,557,974
Capital assets held by the City's internal service funds charged to the various functions based on their usage of the assets	<u>1,770,751</u>
Total Governmental Activities	<u><u>\$5,902,324</u></u>
Business-Type Activities	
Water Utility	\$1,330,058
Sanitation District	2,512,241
Civic Center	190,693
Transfer Station	<u>29,607</u>
Total Business-Type Activities	<u><u>\$4,062,599</u></u>

NOTE 5.
LONG-TERM DEBT

Changes in Long-Term Debt for the fiscal year ended June 30, 2018, are as follows:

	Original Issue Amount	Balance June 30, 2017	Retirements	Balance June 30, 2018	Current Portion
<i>Governmental Activity Debt</i>					
Housing & Urban Development Section 108 Loan 0.35%-2.49%, due FY 2023	\$4,500,000	\$2,131,000	\$298,000	\$1,833,000	\$319,000
2004 Series A-1 Pension Obligation Bonds 2.650%-5.896%, due FY 2024	36,235,000	22,845,000	2,325,000	20,520,000	2,600,000
Total Governmental Activity		<u>24,976,000</u>	<u>2,623,000</u>	<u>22,353,000</u>	<u>2,919,000</u>
<i>Business-Type Activity Debt</i>					
State Water Resources Control Board Loan 2.5%, due FY 2025	4,450,128	2,071,298	237,096	1,834,202	243,023
2012 Water Revenue Refunding Bond 2%, due FY 2024	6,890,000	4,205,000	565,000	3,640,000	575,000
Total Business-Type Activity		<u>6,276,298</u>	<u>802,096</u>	<u>5,474,202</u>	<u>818,023</u>
Total City Long-Term Obligations		<u>\$31,252,298</u>	<u>\$3,425,096</u>	<u>\$27,827,202</u>	<u>\$3,737,023</u>

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. On April 27, 2015, the City refinanced the loan in order to obtain a lower interest rate. The City realized an interest savings of approximately \$384,328. As of June 30, 2018, total principal and interest remaining on the note is \$1,940,969. For fiscal year 2018, principal and interest paid were \$336,672 and total block grant revenues were \$1,023,450.

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 2018, principal and interest paid were \$3,671,941.

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, 2018, total principal and interest remaining on the note is \$2,022,151. For fiscal year 2018, principal and interest paid were \$288,878 and total Sanitation District Enterprise net revenues were \$425,418.

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, 2018, total principal and interest remaining on the bonds is \$3,899,400. For fiscal year 2018, principal and interest paid were \$649,100 and total Water Utility Enterprise Fund net revenues were \$1,023,613.

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
2019	\$2,919,000	\$1,245,024	\$818,023	\$118,655
2020	3,236,000	1,086,402	834,099	101,079
2021	3,580,000	908,894	855,326	83,152
2022	3,950,000	711,142	876,709	64,769
2023	4,343,000	491,541	893,253	45,926
2024-2025	4,325,000	255,002	1,196,792	33,768
	<u>\$22,353,000</u>	<u>\$4,698,005</u>	<u>\$5,474,202</u>	<u>\$447,349</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, 2018, 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	Doelger Senior Center Special Revenue Fund	\$23,549
	Community Block Grant Special Revenue Fund	129,560
		<u>\$153,109</u>

INTERFUND TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Transfer Amount</u>
General Fund	Grants Special Revenue Fund	\$364
	Capital Projects Fund	100,000
	Non Major Governmental Funds	603,538
	Non Major Enterprise Funds	1,070
	Internal Service Fund - Motor Vehicles	94,500
	Internal Service Fund - Central Services	33,086
	Internal Service Fund - Building Maintenance	1,000,000
	Internal Service Fund - Information Services	1,040,310
	Internal Service Fund - PERS Contributions	1,719,500
	Internal Service Fund - Retiree Health	2,000,000
Gas Tax Special Revenue Fund	Internal Service Fund - Information Services	5,691
Capital Projects Fund	Gas Tax Special Revenue Fund	178,674
	Sanitation District Enterprise Fund	300,000
	Internal Service Fund -Information Services	1,155
Non Major Governmental Funds	Non Major Governmental Funds	19,004
Water Utility Enterprise Fund	General Fund	897,122
	Gas Tax Special Revenue Fund	24,000
	Capital Projects Fund	25,000
	Sanitation District Enterprise Fund	1,502,030
	Internal Service Fund -Information Services	1,152
Sanitation District Enterprise Fund	General Fund	1,149,147
	Gas Tax Special Revenue Fund	40,000
	Capital Projects Fund	25,000
	Internal Service Fund -Information Services	7,630
Non Major Enterprise Funds	General Fund	154,157
	Capital Projects Fund	166,735
Internal Service Fund - Motor Vehicles	General Fund	75,138
Internal Service Fund - Central Services	General Fund	10,763
Internal Service Fund - PBX	General Fund	12,284
Internal Service Fund - Building Maintenance	General Fund	124,581
	Internal Service Fund -Information Services	1,204
Internal Service Fund - Information Services	General Fund	212,065
Internal Service Fund - Self-Insurance	General Fund	212,477
		<u>\$11,737,377</u>

The purpose of the majority of transfers is to provide general support to 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

A. GENERAL INFORMATION ABOUT THE PENSION PLANS

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	52-67
Monthly benefits, as a % of eligible compensation	2.0%-3.0%	1.0%-2.5%
Required employee contribution rates	8%	6.50%
Required employer contribution rates	11.878%	11.878%
Required Unfunded Accrued Liability Contribution	\$3,517,127	

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.4%-3.0%	2.0%-2.7%
Required employee contribution rates	9%	10.75%
Required employer contribution rates	16.220%	16.220%
Required Unfunded Accrued Liability Contribution	\$3,666,477	

Beginning in fiscal year 2016, CalPERS collects employer contributions for each Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. The City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans were \$3,517,127 and \$3,666,477, respectively.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	463	306
Inactive employees entitled to but not yet receiving benefits	389	90
Active employees	308	168
Total	<u>1,160</u>	<u>564</u>

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s Contributions to the Plans for the year ended June 30, 2018 were \$6,146,305 for the Miscellaneous Plan and \$6,985,429 for the Safety Plan.

B. NET PENSION LIABILITY

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPers Membership Data for all Funds (2)

- (1) Net of pension plan investment and administrative expenses, including inflation
- (2) The mortality table used was developed based on CalPERS’ specific data. The table includes 5 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.88%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

C. CHANGES IN THE NET PENSION LIABILITY

The changes in the Net Pension Liability for each Plan follow:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 (Measurement Date)	\$283,565,724	\$221,428,349	\$62,137,375
Changes in the year:			
Service cost	4,961,492		4,961,492
Interest on the total pension liability	21,126,222		21,126,222
Changes in assumptions	17,607,198		17,607,198
Differences between actual and expected experience	(1,376,656)		(1,376,656)
Plan to Plan Resource Movement			
Contributions - employer		5,539,675	(5,539,675)
Contributions - employees		2,110,207	(2,110,207)
Net investment income		24,378,978	(24,378,978)
Benefit payments, including refunds of employee contributions	(13,610,749)	(13,610,749)	
Administrative Expense		(326,924)	326,924
Net changes	28,707,507	18,091,187	10,616,320
Balance at June 30, 2017 (Measurement Date)	\$312,273,231	\$239,519,536	\$72,753,695

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016 (Measurement Date)	\$292,136,007	\$214,412,882	\$77,723,125
Changes in the year:			
Service cost	5,566,167		5,566,167
Interest on the total pension liability	21,794,377		21,794,377
Changes in assumptions	17,425,044		17,425,044
Differences between actual and expected experience	293,934		293,934
Plan to Plan Resource Movement		341	(341)
Contributions - employer		6,087,507	(6,087,507)
Contributions - employees		1,935,079	(1,935,079)
Net investment income		23,497,877	(23,497,877)
Benefit payments, including refunds of employee contributions	(15,643,224)	(15,643,224)	
Administrative Expense		(316,566)	316,566
Net changes	29,436,298	15,561,014	13,875,284
Balance at June 30, 2017 (Measurement Date)	321,572,305	229,973,896	91,598,409
TOTAL - BOTH PLANS	\$633,845,536	\$469,493,432	\$164,352,104

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$115,033,660	\$133,338,987	\$248,372,647
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$72,753,695	\$91,598,409	\$164,352,104
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$37,898,957	\$57,013,937	\$94,912,894

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

D. PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense. For the year ended June 30, 2018, the City recognized pension expense of \$5,521,039 for the Miscellaneous Plan and \$7,862,748 for the Safety Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$6,146,305	
Differences between actual and expected experience		(\$1,832,945)
Changes in assumptions	9,951,895	
Net differences between projected and actual earnings on plan investments	3,443,221	
Total	<u>\$19,541,421</u>	<u>(\$1,832,945)</u>

Safety Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$6,985,429	
Differences between actual and expected experience	209,953	(\$545,192)
Changes in assumptions	12,446,460	(795,106)
Net differences between projected and actual earnings on plan investments	<u>3,277,561</u>	
Total	<u>\$22,919,403</u>	<u>(\$1,340,298)</u>
Total Miscellaneous and Safety Plans	<u>\$42,460,824</u>	<u>(\$3,173,243)</u>

The amount of \$13,131,734 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	<u>Annual Amortization</u>			
	<u>June 30</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
2019		\$5,923,524	\$3,795,580	\$9,719,104
2020		5,968,497	8,592,258	14,560,755
2021		1,428,357	3,904,138	5,332,495
2022		(1,758,207)	(1,698,300)	(3,456,507)

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 (PEHMCA). Required retiree medical plan contributions are also governed by PEHMCA for member agencies. The City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

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 PEHMCHA. Benefits continue for surviving spouses in amounts as required by PEHMCHA. 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 the June 30, 2017 measurement date, approximately 436 retirees were eligible and were receiving retiree health care benefits from the City and approximately 41 inactive employees entitled to but not yet receiving benefit payments. There were approximately 457 active full time employees that should they meet requirements will be eligible to receive health care benefits upon retirement. For the year ended June 30, 2018, the City contributed \$4,185,306 to the Plan.

A. FUNDING POLICY AND ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined as part of a June 30, 2017 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 2.75% inflation rate, 6.25% investment rate of return, 3% projected annual salary increase, and a medical trend of 7.5% (Non-Medicare) and 6.5% (Medicare) in 2019 decreasing to an ultimate rate of 4.0% in 2076. 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. NET OPEB LIABILITY

Actuarial Methods and Assumptions – The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the actuarial methods and assumptions shown above.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	4.82%
Fixed Income	39%	1.47%
TIPS	10%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. CHANGES IN NET OPEB LIABILITY

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2016	\$55,215,189	\$6,230,721	\$48,984,468
Changes Recognized for the Measurement Period:			
Service Cost	1,470,697		1,470,697
Interest on the total OPEB liability	3,449,729		3,449,729
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions			
Contributions from the employer		5,980,461	(5,980,461)
Net investment income		557,870	(557,870)
Administrative expenses		(4,247)	4,247
Benefit payments	(2,980,461)	(2,980,461)	0
Net changes	1,939,965	3,553,623	(1,613,658)
Balance at June 30, 2017 (Measurement Date)	\$57,155,154	\$9,784,344	\$47,370,810

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Plan financial report that may be obtained from the CERBT. The benefit payments include implied subsidy benefit payments in the amount of \$697,001.

D. SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE AND HEALTHCARE COST TREND RATES

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(5.25 %)	(6.25%)	(7.25%)
\$54,374,706	\$47,370,810	\$41,528,123

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$44,245,407	\$47,370,810	\$51,160,887

E. OPEB EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$4,426,669. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$4,185,306	
Net differences between projected and actual earnings on plan investments		(\$59,866)
Total	\$4,185,306	(\$59,866)

\$4,185,306 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$14,967)
2020	(14,967)
2021	(14,967)
2022	(14,965)

NOTE 9.

DEFERRED COMPENSATION PLAN

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

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

NOTE 10.

SELF-INSURANCE

The Self-Insurance Internal Service Fund was established in 1979 to provide for payment of costs associated with the City's risk management programs. Fund revenues consist of interest earnings, reimbursements of claims paid by the Fund and charges to other funds. The latter is intended to match the charges for insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, operating expenses and the provision of reserves for pending and possible future claims.

The City has a self-insured retention for the first \$250,000 of general and automobile liability claims and maintains a \$10,000 deductible for property losses. Losses in excess of the retention up to \$25,000,000 on general and automobile liability are covered by purchased excess insurance. The City purchases combined property, boiler and machinery and automobile comprehensive insurance covering all but the deductible on the full value of City property. Settlements have never exceeded insurance coverage. The City expenses the incurred liabilities for claims in cases where such amounts are reasonably determinable and where the likelihood of liability exists. Included are estimates for incurred but not reported claims, which are calculated based on claims experience.

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, 2018, the City contributed \$517,374 to CSAC-EIA for current year coverage. Audited financial statements for CSAC-EIA are available from CSAC-EIA at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

The City's present value liability for uninsured claims including a provision for claims incurred but not reported using a discount rate of 2% was computed as follows based on claims experience for the years ended June 30, 2018 and 2017:

	2018	2017
Beginning balance of claims payable	\$8,798,000	\$8,906,000
Increase in estimated claims liability	3,494,492	1,733,583
Claims paid	<u>(2,688,492)</u>	<u>(1,841,583)</u>
Ending balance of claims payable	<u>\$9,604,000</u>	<u>\$8,798,000</u>
Current Portion	<u>\$2,366,903</u>	<u>\$2,352,782</u>

The undiscounted claims totaled \$10,716,000 at June 30, 2018.

NOTE 11.

NET POSITION AND FUND BALANCE

A. *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.

B. GOVERNMENTAL FUND BALANCES

The City's fund balances are classified in accordance with generally accepted accounting principles, 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, 2018, are below:

<u>Fund Balance Classifications</u>	<u>General Fund</u>	<u>Gas Tax</u>	<u>Grants</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Total</u>
Nonspendables:						
Items not in spendable form:						
Inventories	\$2,531	\$29,668				\$32,199
Prepays	239,941					239,941
Loan Receivable from Successor Agency	17,442,448					17,442,448
Total Nonspendable	17,684,920	29,668				17,714,588
Restricted for:						
Pension benefits	3,016,958					3,016,958
Gas Tax Projects		3,618,135				3,618,135
Capital Projects				\$5,586,022		5,586,022
Low and Moderate Income Housing Assets					\$7,568,731	7,568,731
Linda Vista Benefit Assessment					474,538	474,538
Traffic Safety					113,933	113,933
Doelger Senior Center					2,073	2,073
Grants			\$533,610			533,610
Total Restricted	3,016,958	3,618,135	533,610	5,586,022	8,159,275	20,914,000
Assigned to:						
Operating Capital	12,000,000					12,000,000
Capital Projects				15,972,732		15,972,732
Other Contracts	47,395					47,395
Total Assigned	12,047,395			15,972,732		28,020,127
Unassigned:	22,589,341					22,589,341
Total Fund Balances	\$55,338,614	\$3,647,803	\$533,610	\$21,558,754	\$8,159,275	\$89,238,056

C. **RESTATEMENTS OF NET POSITION**

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2018.

In June 2015, GASB issued Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of other post-employment benefits expense.

The implementation of the above Statement required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities, Business-Type Activities, Water Utility Enterprise Fund, Sanitation District Enterprise Fund, Motor Vehicles Internal Service Fund, Central Services Internal Service Fund, Building Maintenance Internal Service Fund, and the Information Services Internal Service Fund were restated and reduced by \$30,759,064, \$5,495,399, \$1,561,189, \$3,934,210, \$611,702, \$251,714, \$1,908,544, and \$474,790, respectively. See Note 8 for additional information.

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 year 2018, the City made loans to 6 participants under this program and the CDBG loan program activity is as follows:

Beginning Balance	\$1,408,631
New loans	185,813
Loan repayments	<u>(53,277)</u>
Ending Balance	<u>\$1,541,167</u>

NOTE 13.
FUND DEFICIT

The Central Services, Building Maintenance and the PERS Contributions Internal Service Funds had deficits amounting to \$198,730, \$1,244,657 and \$11,970,379, respectively, at June 30, 2018. The deficits will be eliminated with future revenues and available funding or other resources.

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, 2018 are discussed in Note 1H above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2018.

B. LONG RANGE PROPERTY MANAGEMENT PLAN APPROVAL

On December 14, 2015 the Successor Agency received confirmation from the DOF that the DOF had reviewed and approved the Successor Agency's Long Range Property Management Plan (LRPMP).

C. LOANS BETWEEN THE CITY AND THE SUCCESSOR AGENCY

Due to the dissolution of the Redevelopment Agency, loans payable, totaling \$23,842,357, from the Redevelopment Agency to the General Fund were written off as of June 30, 2012. In May 2016 the State Department of Finance (DOF) confirmed and approved repayment of the loan payment from the former Redevelopment Agency to the City General Fund totaling \$13,775,503, payable at the statutory interest rate of 3% of the outstanding amount. In October 2016, the City received confirmation and approval of an additional repayment of the loan from the former Redevelopment Agency to the City General Fund totaling \$4,579,613. These loans are recorded as a loan receivable in the City's General Fund and is classified as nonspendable fund balance as it cannot be appropriated against until funds are received from the State. The balance of the loans as of June 30, 2018 is \$17,442,448.

REQUIRED SUPPLEMENTARY INFORMATION

AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS AND OPEB PLANS:

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

This schedule reports the beginning and ending balances of the total pension liability, the plan assets available for pension benefits (called plan net position), and the net pension liability, as well as the change in those amounts during the year presented by cause (similar to the note disclosure). It also reports the total pension liability, plan net position, net pension liability, a ratio of plan net position divided by the total pension liability, the payroll amount for current employees in the plan (covered payroll), and a ratio of the net pension liability divided by covered-employee payroll.

SCHEDULE OF CONTRIBUTIONS – PENSION PLANS

This schedule reports the agent multiple-employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered payroll.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

This schedule reports the beginning and ending balances of the total OPEB liability, the plan assets available for OPEB benefits (called plan net position), and the net OPEB liability, as well as the change in those amounts during the year presented by cause (similar to the note disclosure). It also reports the total OPEB liability, plan net position, net OPEB liability, a ratio of plan net position divided by the total OPEB liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net OPEB liability divided by covered-employee payroll.

SCHEDULE OF CONTRIBUTIONS – OPEB PLAN

This schedule reports the agent multiple-employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions (ADC) or contractually required contributions if the ADC has not been calculated, and a ratio of the actual contributions divided by covered-employee payroll.

City of Daly City, Agent Multiple-Employer Defined Benefit Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Period	MISCELLANEOUS			
	2013-2014	2014-2015	2015-2016	2016-2017
Total Pension Liability				
Service Cost	\$4,928,638	\$4,355,451	\$4,356,641	\$4,961,492
Interest	19,456,167	20,028,375	20,453,457	21,126,222
Differences between expected and actual experience		(5,096,599)	(6,329,013)	(1,376,656)
Changes in assumptions		(4,888,600)		17,607,198
Changes in benefits				
Benefit payments, including refunds of employee contributions	(11,304,889)	(12,134,586)	(12,862,999)	(13,610,749)
Net change in total pension liability	13,079,916	2,264,041	5,618,086	28,707,507
Total pension liability - beginning	262,603,681	275,683,597	277,947,638	283,565,724
Total pension liability - ending (a)	<u>\$275,683,597</u>	<u>\$277,947,638</u>	<u>\$283,565,724</u>	<u>\$312,273,231</u>
Plan fiduciary net position				
Contributions - employer	\$3,860,928	\$3,732,343	\$4,446,777	\$5,539,675
Contributions - employee	2,090,754	1,959,273	2,019,542	2,110,207
Net investment income	34,374,839	5,074,277	1,142,662	24,378,978
Benefit payments, including refunds of employee contributions	(11,304,889)	(12,134,586)	(12,862,999)	(13,610,749)
Administrative Expense		(255,289)	(138,235)	(326,924)
Plan to Plan Resource Movement		(493)		
Net change in plan fiduciary net position	29,021,632	(1,624,475)	(5,392,253)	18,091,187
Plan fiduciary net position - beginning	199,423,445	228,445,077	226,820,602	221,428,349
Plan fiduciary net position - ending (b)	<u>\$228,445,077</u>	<u>\$226,820,602</u>	<u>\$221,428,349</u>	<u>\$239,519,536</u>
Net pension liability - ending (a)-(b)	<u>\$47,238,520</u>	<u>\$51,127,036</u>	<u>\$62,137,375</u>	<u>\$72,753,695</u>
Plan fiduciary net position as a percentage of the total pension liability	82.86%	81.61%	78.09%	76.70%
Covered - payroll	\$24,443,972	\$22,658,681	\$22,823,982	\$23,568,915
Net pension liability as percentage of covered payroll	193.25%	225.64%	272.25%	308.68%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation.

Source: CalPERS Accounting Valuation

City of Daly City, Agent Multiple-Employer Defined Benefit Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Period	SAFETY			
	2013-2014	2014-2015	2015-2016	2016-2017
Total Pension Liability				
Service Cost	\$5,018,136	\$4,776,984	\$4,859,775	\$5,566,167
Interest	19,532,405	20,368,130	21,118,384	21,794,377
Differences between expected and actual experience		(455,068)	(1,021,524)	293,934
Changes in assumptions		(4,770,631)		17,425,044
Changes in benefits				
Benefit payments, including refunds of employee contributions	(12,996,278)	(13,776,270)	(14,939,167)	(15,643,224)
Net change in total pension liability	11,554,263	6,143,145	10,017,468	29,436,298
Total pension liability - beginning	264,421,131	275,975,394	282,118,539	292,136,007
Total pension liability - ending (a)	<u>\$275,975,394</u>	<u>\$282,118,539</u>	<u>\$292,136,007</u>	<u>\$321,572,305</u>
Plan fiduciary net position				
Contributions - employer	\$4,225,009	\$4,630,110	\$5,309,673	\$6,087,507
Contributions - employee	2,632,654	1,864,455	1,917,899	1,935,079
Net investment income	33,622,839	4,997,920	1,208,758	23,497,877
Benefit payments, including refunds of employee contributions	(12,996,278)	(13,776,270)	(14,939,167)	(15,643,224)
Administrative Expense		(249,064)	(134,719)	(316,566)
Plan to Plan Resource Management		493		341
Net change in plan fiduciary net position	27,484,224	(2,532,356)	(6,637,556)	15,561,014
Plan fiduciary net position - beginning	196,098,570	223,582,794	221,050,438	214,412,882
Plan fiduciary net position - ending (b)	<u>\$223,582,794</u>	<u>\$221,050,438</u>	<u>\$214,412,882</u>	<u>\$229,973,896</u>
Net pension liability - ending (a)-(b)	<u>\$52,392,600</u>	<u>\$61,068,101</u>	<u>\$77,723,125</u>	<u>\$91,598,409</u>
Plan fiduciary net position as a percentage of the total pension liability	81.02%	78.35%	73.39%	71.52%
Covered - payroll	\$19,652,763	\$19,567,377	\$19,784,134	\$19,829,558
Net pension liability as percentage of covered-employee payroll	266.59%	312.09%	392.86%	461.93%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Source: CalPERS Accounting Valuation

City of Daly City, Agent Multiple-Employer Defined Benefit Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year Ended June 30</u>	MISCELLANEOUS			<u>2018</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	
Actuarially determined contribution	\$4,637,116	\$6,771,305	\$5,540,220	\$6,146,305
Contributions in relation to the actuarially determined contributions	<u>(4,637,116)</u>	<u>(6,771,305)</u>	<u>(5,540,220)</u>	<u>(6,146,305)</u>
Contribution deficiency (excess)				
Covered - payroll	\$22,658,681	\$22,823,982	\$23,568,915	\$22,688,822
Contributions as a percentage of covered- payroll	20.47%	29.67%	23.51%	27.09%
Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

City of Daly City, Agent Multiple-Employer Defined Benefit Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year Ended June 30</u>	SAFETY			<u>2018</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	
Actuarially determined contribution	\$4,225,009	\$5,309,673	\$6,090,350	\$6,985,429
Contributions in relation to the actuarially determined contributions	<u>(4,225,009)</u>	<u>(5,309,673)</u>	<u>(6,090,350)</u>	<u>(6,985,429)</u>
Contribution deficiency (excess)				
Covered - payroll	\$19,567,377	\$19,784,134	\$19,829,558	\$20,477,192
Contributions as a percentage of covered - payroll	21.59%	26.84%	30.71%	34.11%
Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

City of Daly City, Agent Multiple-Employer Defined Benefit OPEB Plan
As of fiscal year ending June 30, 2018
Last 10 Years *
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Measurement Date Ended June 30	2017
Total OPEB Liability	
Service Cost	\$1,470,697
Interest	3,449,729
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(2,980,461)
Net change in total OPEB liability	1,939,965
Total OPEB liability - beginning	55,215,189
Total OPEB liability - ending (a)	\$57,155,154
 Plan fiduciary net position	
Contributions - employer	\$5,980,461
Contributions - employee	-
Net investment income	557,870
Administrative expense	(4,247)
Benefit payments	(2,980,461)
Net change in plan fiduciary net position	3,553,623
Plan fiduciary net position - beginning	6,230,721
Plan fiduciary net position - ending (b)	\$9,784,344
 Net OPEB liability - ending (a)-(b)	 \$47,370,810
 Plan fiduciary net position as a percentage of the total OPEB liability	 17.12%
 Covered-employee payroll	 \$43,165,918
 Net OPEB liability as a percentage of covered-employee payroll	 109.74%

* Fiscal year 2018 was the first year of implementation.

City of Daly City, Agent Multiple-Employer Defined Benefit OPEB Plan

As of fiscal year ending June 30, 2018

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30,	2018
Contractually required contributions	\$4,185,306
Contributions in relation to the contractually required contribution	<u>(4,185,306)</u>
Contribution deficiency (excess)	<u>\$0</u>
Covered-employee payroll	<u>\$43,165,918</u>
Contributions as a percentage of covered-employee payroll	9.70%

* Fiscal year 2018 was the first year of implementation.

GENERAL FUND

The 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. It comprises of the following activities: General, Special Deposits, and Traffic Enforcement.



CITY OF DALY CITY
GENERAL FUND
COMBINING FUND BALANCE SHEET
JUNE 30, 2018

	General	Special Deposits	Traffic Enforcement	Total General Fund
ASSETS				
Cash and investments	\$32,839,806	\$5,185,321	\$244,066	\$38,269,193
Restricted cash and investments	3,016,958			3,016,958
Accounts receivable, net	3,616,096	48,246	35,882	3,700,224
Due from other funds	153,109			153,109
Prepays	239,941			239,941
Inventories	2,531			2,531
Loan receivable from Successor Agency	17,442,448			17,442,448
Total Assets	\$57,310,889	\$5,233,567	\$279,948	\$62,824,404
LIABILITIES				
Accounts payable	\$1,580,504	\$491,369	\$22,080	\$2,093,953
Accrued payroll	582,730		325	583,055
Deposits payable		4,269,561		4,269,561
Unearned revenue	539,221			539,221
Total Liabilities	2,702,455	4,760,930	22,405	7,485,790
FUND BALANCES				
Fund Balance				
Nonspendable	17,684,920			17,684,920
Restricted	3,016,958			3,016,958
Assigned	12,047,395			12,047,395
Unassigned	21,859,161	472,637	257,543	22,589,341
Total Fund Balances	54,608,434	472,637	257,543	55,338,614
Total Liabilities, and Fund Balances	\$57,310,889	\$5,233,567	\$279,948	\$62,824,404

CITY OF DALY CITY
GENERAL FUND
COMBINING FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	General	Special Deposits	Traffic Enforcements	Total General Funds
REVENUES				
Property tax	\$33,069,899			\$33,069,899
Sales tax	13,187,743			13,187,743
Utility users tax	5,977,178			5,977,178
Franchise fees	4,022,440			4,022,440
Other taxes	6,408,495			6,408,495
Licenses and permits	2,727,715			2,727,715
Fines and forfeitures	3,408,660		\$270,168	3,678,828
Rents and interest	1,718,894			1,718,894
Receipts from other agencies	1,216,348			1,216,348
Charges and fees	6,027,112	\$20,437		6,047,549
Miscellaneous	5,984,251	18,922		6,003,173
Total Revenues	83,748,735	39,359	270,168	84,058,262
EXPENDITURES				
Current:				
General government	10,248,880	11,039		10,259,919
Public safety	50,195,763		313,520	50,509,283
Public works	4,057,473			4,057,473
Culture and recreation	9,478,029	271		9,478,300
Economic and community development	3,358,176			3,358,176
Total Expenditures	77,338,321	11,310	313,520	77,663,151
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,410,414	28,049	(43,352)	6,395,111
OTHER FINANCING SOURCES (USES)				
Sale of property	173,592			173,592
Transfers in	2,847,734			2,847,734
Transfers (out)	(6,592,368)			(6,592,368)
Total Other Financing Sources (Uses)	(3,571,042)			(3,571,042)
NET CHANGES IN FUND BALANCES	2,839,372	28,049	(43,352)	2,824,069
BEGINNING FUND BALANCES	51,769,062	444,588	300,895	52,514,545
ENDING FUND BALANCES	\$54,608,434	\$472,637	\$257,543	\$55,338,614

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

The Capital Projects Fund is used 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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Rents and interest	\$138,500	\$255,830	\$117,330
Federal programs and grants	555,035	480,035	(75,000)
Receipts from other agencies	261,354	135,783	(125,571)
Charges and fees	1,056,146	2,630,395	1,574,249
Miscellaneous		234,280	234,280
	<u>2,011,035</u>	<u>3,736,323</u>	<u>1,725,288</u>
EXPENDITURES			
Public Works	767,219	794,364	(27,145)
Capital projects	<u>5,122,252</u>	<u>2,061,028</u>	<u>3,061,224</u>
	<u>5,889,471</u>	<u>2,855,392</u>	<u>3,034,079</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(3,878,436)</u>	<u>880,931</u>	<u>4,759,367</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	889,009	316,735	(572,274)
Transfers (out)	<u>(2,360,933)</u>	<u>(479,829)</u>	<u>1,881,104</u>
	<u>(1,471,924)</u>	<u>(163,094)</u>	<u>1,308,830</u>
NET CHANGE IN FUND BALANCES			
	<u>(\$5,350,360)</u>	717,837	<u>\$6,068,197</u>
BEGINNING FUND BALANCE			
		<u>20,840,917</u>	
ENDING FUND BALANCE			
		<u>\$21,558,754</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

The City's Special Revenue Funds are as follows:

- 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.

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

SPECIAL REVENUE FUNDS

	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	Traffic Safety	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$3,877,034			\$474,538	\$116,874	\$4,468,446
Accounts receivable, net	334,107	\$39,954	\$163,413		56	537,530
Notes receivable			1,070,644			1,070,644
Property held for development	3,366,888					3,366,888
Total Assets	<u>\$7,578,029</u>	<u>\$39,954</u>	<u>\$1,234,057</u>	<u>\$474,538</u>	<u>\$116,930</u>	<u>\$9,443,508</u>
LIABILITIES						
Accounts payable	\$667	\$13,496	\$33,853		\$2,997	\$51,013
Accrued payroll		836				836
Due to other funds		23,549	129,560			153,109
Deposits payable	8,631					8,631
Total Liabilities	<u>9,298</u>	<u>37,881</u>	<u>163,413</u>		<u>2,997</u>	<u>213,589</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - loans			1,070,644			1,070,644
FUND BALANCES						
Restricted	7,568,731	2,073		\$474,538	113,933	8,159,275
Unassigned						
Total Fund Balances	<u>7,568,731</u>	<u>2,073</u>		<u>474,538</u>	<u>113,933</u>	<u>8,159,275</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$7,578,029</u>	<u>\$39,954</u>	<u>\$163,413</u>	<u>\$474,538</u>	<u>\$116,930</u>	<u>\$9,443,508</u>

CITY OF DALY CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS					Total Nonmajor Governmental Funds
	Low and Moderate Income Housing Assets	Doelger Senior Center	Community Block Grant	Linda Vista Benefit Assessment	Traffic Safety	
REVENUES						
Rents and interest				\$4,700		\$4,700
Federal programs and grants		\$198,637	\$1,023,450			1,222,087
Charges and fees		159,530		44,380	\$49,440	253,350
Miscellaneous	\$336,957	104,810	82,124		175	524,066
Total Revenues	336,957	462,977	1,105,574	49,080	49,615	2,004,203
EXPENDITURES						
Public safety					50,765	50,765
Public works				18,729		18,729
Culture and recreation		883,981				883,981
Economic and community development	976,721		749,897			1,726,618
Debt service:						
Principal			298,000			298,000
Interest			38,672			38,672
Total Expenditures	976,721	883,981	1,086,569	18,729	50,765	3,016,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(639,764)	(421,004)	19,005	30,351	(1,150)	(1,012,562)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property					6,330	6,330
Transfers in	201,538	421,004				622,542
Transfers in			(19,004)			(19,004)
Total Other Financing Sources (Uses)	201,538	421,004	(19,004)		6,330	609,868
NET CHANGE IN FUND BALANCES	(438,226)		1	30,351	5,180	(402,694)
BEGINNING FUND BALANCES	8,006,957	2,073	(1)	444,187	108,753	8,561,969
ENDING FUND BALANCES	<u>\$7,568,731</u>	<u>\$2,073</u>	<u></u>	<u>\$474,538</u>	<u>\$113,933</u>	<u>\$8,159,275</u>

CITY OF DALY CITY
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	LOW AND MODERATE INCOME HOUSING ASSETS			DOELGER SENIOR CENTER		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Rents and interest						
Federal programs and grants				\$203,991	\$198,637	(\$5,354)
Charges and fees	\$35,531		(\$35,531)	176,400	159,530	(16,870)
Miscellaneous	2,850	\$336,957	334,107	102,700	104,810	2,110
Total Revenues	<u>38,381</u>	<u>336,957</u>	<u>298,576</u>	<u>483,091</u>	<u>462,977</u>	<u>(20,114)</u>
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				370,560	344,282	26,278
Services and supplies				530,674	530,192	482
Other charges				9,074	9,507	(433)
Total Culture and Recreation				<u>910,308</u>	<u>883,981</u>	<u>26,327</u>
Economic and Community Development						
Salaries and benefits	123,544	128,354	(4,810)			
Services and supplies	35,000	31,917	3,083			
Other charges	250	816,450	(816,200)			
Debt Service:						
Principal						
Interest						
Total Economic and Community Development	<u>158,794</u>	<u>976,721</u>	<u>(817,927)</u>			
Total Expenditures	<u>158,794</u>	<u>976,721</u>	<u>(817,927)</u>	<u>910,308</u>	<u>883,981</u>	<u>26,327</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>(120,413)</u>	<u>(639,764)</u>	<u>(519,351)</u>	<u>(427,217)</u>	<u>(421,004)</u>	<u>6,213</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in	35,566	201,538	165,972	427,215	421,004	(6,211)
Transfers out						
Total Other Financing Sources (Uses)	<u>35,566</u>	<u>201,538</u>	<u>165,972</u>	<u>427,215</u>	<u>421,004</u>	<u>(6,211)</u>
NET CHANGE IN FUND BALANCES	<u>(\$84,847)</u>	<u>(438,226)</u>	<u>(\$353,379)</u>	<u>(\$2)</u>		<u>\$2</u>
BEGINNING FUND BALANCES		<u>8,006,957</u>			<u>2,073</u>	
ENDING FUND BALANCES		<u>\$7,568,731</u>			<u>\$2,073</u>	

COMMUNITY BLOCK GRANT			LINDA VISTA BENEFIT ASSESSMENT			TRAFFIC SAFETY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,067,172	\$1,023,450	(\$43,722)	\$2,000	\$4,700	\$2,700			
60,000	82,124	22,124	44,381	44,380	(1)	\$69,008	\$49,440	(\$19,568)
1,127,172	1,105,574	(21,598)	46,381	49,080	2,699	69,008	49,615	(19,393)
						13,934		13,934
						55,158	32,719	22,439
						27,049	13,527	13,522
						9,296	4,519	4,777
						105,437	50,765	54,672
			16,227	16,157	70			
			2,000	2,070	(70)			
			250	502	(252)			
			18,477	18,729	(252)			
341,254	342,812	(1,558)						
176,550	163,306	13,244						
291,929	243,779	48,150						
298,000	298,000							
38,672	38,672							
1,146,405	1,086,569	59,836						
1,146,405	1,086,569	59,836	18,477	18,729	(252)	105,437	50,765	54,672
(19,233)	19,005	38,238	27,904	30,351	2,447	(36,429)	(1,150)	35,279
						6,330	6,330	
(39,169)	(19,004)	20,165						
(39,169)	(19,004)	20,165				6,330	6,330	
(\$58,402)	1	\$58,403	\$27,904	30,351	\$2,447	(\$30,099)	5,180	\$35,279
	(1)			444,187			108,753	
				\$474,538			\$113,933	



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, 2018

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$1,354,492	\$1,518,646	\$2,873,138
Accounts receivable, net	4,887	101,584	106,471
Total Current Assets	1,359,379	1,620,230	2,979,609
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
Total Capital Assets	8,201,195	1,298,574	9,499,769
Less accumulated depreciation	(4,526,831)	(1,178,050)	(5,704,881)
Net Capital Assets	3,674,364	120,524	3,794,888
Total Assets	5,033,743	1,740,754	6,774,497
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB		3,654	3,654
LIABILITIES			
Current Liabilities:			
Accounts payable	14,998	5,471	20,469
Compensated absences		5,092	5,092
Net OPEB liability		50,782	50,782
Total Liabilities	14,998	61,345	76,343
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB		64	64
NET POSITION			
Net investment in capital assets	3,674,364	120,524	3,794,888
Unrestricted	1,344,381	1,562,475	2,906,856
Total Net Position	\$5,018,745	\$1,682,999	\$6,701,744

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Civic Center</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Rental income	\$589,569		\$589,569
Other revenues	<u>55,446</u>	<u>\$277,624</u>	<u>333,070</u>
Total Operating Revenues	<u>645,015</u>	<u>277,624</u>	<u>922,639</u>
OPERATING EXPENSES			
Salaries and benefits		217,142	217,142
Services and supplies	675,987	27,773	703,760
Utilities	110,428	944	111,372
Insurance	14,041		14,041
Depreciation	<u>190,693</u>	<u>29,607</u>	<u>220,300</u>
Total Operating Expenses	<u>991,149</u>	<u>275,466</u>	<u>1,266,615</u>
Operating Income	<u>(346,134)</u>	<u>2,158</u>	<u>(343,976)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>4,647</u>		<u>4,647</u>
Income (Loss) Before Transfers	(341,487)	2,158	(339,329)
Transfers in		1,070	1,070
Transfers out	<u>(226,572)</u>	<u>(94,320)</u>	<u>(320,892)</u>
Change in Net Position	(568,059)	(91,092)	(659,151)
BEGINNING NET POSITION	<u>5,586,804</u>	<u>1,774,091</u>	<u>7,360,895</u>
ENDING NET POSITION	<u>\$5,018,745</u>	<u>\$1,682,999</u>	<u>\$6,701,744</u>

CITY OF DALY CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Civic Center	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$660,393	\$219,897	\$880,290
Payments to suppliers	(795,583)	(46,803)	(842,386)
Payments to employees		(169,950)	(169,950)
	<u>(135,190)</u>	<u>3,144</u>	<u>(132,046)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in		1,070	1,070
Transfers out	(226,572)	(94,320)	(320,892)
	<u>(226,572)</u>	<u>(93,250)</u>	<u>(319,822)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	4,647		4,647
	<u>(357,115)</u>	<u>(90,106)</u>	<u>(447,221)</u>
Cash and investments at beginning of year	1,711,607	1,608,752	3,320,359
Cash and investments at end of year	<u>\$1,354,492</u>	<u>\$1,518,646</u>	<u>\$2,873,138</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	(\$346,134)	\$2,158	(\$343,976)
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	190,693	29,607	220,300
Change in assets and liabilities:			
Accounts receivable	15,378	(57,727)	(42,349)
Accounts payable	4,873	(18,086)	(13,213)
OPEB related items		47,192	47,192
	<u>(\$135,190)</u>	<u>\$3,144</u>	<u>(\$132,046)</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.
- Retiree Health – to account for contributions to the OPEB trust.

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Motor Vehicles	Central Services	PBX	Building Maintenance
ASSETS				
Current Assets:				
Cash and investments	\$3,079,442	\$89,048	\$283,037	\$1,091,058
Cash with fiscal agent	16,117			
Accounts receivable, net	148,303			38,625
Inventories				
Total Current Assets	<u>3,243,862</u>	<u>89,048</u>	<u>283,037</u>	<u>1,129,683</u>
Capital Assets:				
Land				
Buildings	35,817			
Equipment	16,771,436	9,370	932,404	76,777
Furniture and fixtures				6,093
Construction in progress				
Total Capital Assets	<u>16,807,253</u>	<u>9,370</u>	<u>932,404</u>	<u>82,870</u>
Less Accumulated Depreciation	<u>(10,516,598)</u>	<u>(7,496)</u>	<u>(932,404)</u>	<u>(58,198)</u>
Net Capital Assets	<u>6,290,655</u>	<u>1,874</u>		<u>24,672</u>
Total Assets	<u>9,534,517</u>	<u>90,922</u>	<u>283,037</u>	<u>1,154,355</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB	<u>51,143</u>	<u>21,918</u>		<u>149,776</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	63,234	5,778	11,673	70,816
Accrued payroll		772		772
Interest payable				
Accrued claims payable				
PERS obligation bonds				
Total Current Liabilities	<u>63,234</u>	<u>6,550</u>	<u>11,673</u>	<u>71,588</u>
Long-Term Liabilities:				
Compensated absences	107,042			392,893
Accrued claims payable				
Net OPEB Liability	710,816	304,635		2,081,676
PERS obligation bonds				
Total Long-Term Liabilities	<u>817,858</u>	<u>304,635</u>		<u>2,474,569</u>
Total Liabilities	<u>881,092</u>	<u>311,185</u>	<u>11,673</u>	<u>2,546,157</u>
DEFERRED INFLOWS OF RESOURCES				
Related to OPEB	<u>898</u>	<u>385</u>		<u>2,631</u>
NET POSITION				
Net investment in capital assets	6,290,655	1,874		24,672
Restricted for debt service				
Unrestricted	<u>2,413,015</u>	<u>(200,604)</u>	<u>271,364</u>	<u>(1,269,329)</u>
Total Net Position (Deficit)	<u>\$8,703,670</u>	<u>(\$198,730)</u>	<u>\$271,364</u>	<u>(\$1,244,657)</u>

<u>Information Services</u>	<u>Self-Insurance</u>	<u>PERS Contributions</u>	<u>Retiree Health</u>	<u>Total</u>
\$3,753,862	\$10,938,826	\$8,877,520	\$2,000,000	\$30,112,793
		23,990		23,990
150	23,502			39,769
				186,928
<u>3,754,012</u>	<u>10,962,328</u>	<u>8,901,510</u>	<u>2,000,000</u>	<u>30,363,480</u>
	378,343			378,343
				35,817
3,843,204				21,633,191
46,614				52,707
689,518				689,518
<u>4,579,336</u>	<u>378,343</u>			<u>22,789,576</u>
<u>(3,507,525)</u>				<u>(15,022,221)</u>
<u>1,071,811</u>	<u>378,343</u>			<u>7,767,355</u>
<u>4,825,823</u>	<u>11,340,671</u>	<u>8,901,510</u>	<u>2,000,000</u>	<u>38,130,835</u>
<u>40,184</u>	<u>7,306</u>			<u>270,327</u>
45,662	42,636	251,067		490,866
				1,544
		100,822		100,822
	2,366,903			2,366,903
		2,600,000		2,600,000
<u>45,662</u>	<u>2,409,539</u>	<u>2,951,889</u>		<u>5,560,135</u>
63,141	32,257			595,333
	7,237,097			7,237,097
558,498	101,545			3,757,170
		17,920,000		17,920,000
<u>621,639</u>	<u>7,370,899</u>	<u>17,920,000</u>		<u>29,509,600</u>
<u>667,301</u>	<u>9,780,438</u>	<u>20,871,889</u>		<u>35,069,735</u>
<u>706</u>	<u>128</u>			<u>4,748</u>
1,071,811	378,343			7,767,355
		23,990		23,990
3,126,189	1,189,068	(11,994,369)	2,000,000	(4,464,666)
<u>\$4,198,000</u>	<u>\$1,567,411</u>	<u>(\$11,970,379)</u>	<u>\$2,000,000</u>	<u>\$3,326,679</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, 2018

	Motor Vehicles	Central Services	PBX	Building Maintenance
OPERATING REVENUES				
Charges to City departments	\$3,779,490	\$233,361	\$240,357	\$4,038,185
Other revenues	338,249		1,254	7,594
Total Operating Revenues	4,117,739	233,361	241,611	4,045,779
OPERATING EXPENSES				
Salaries and benefits	926,164	121,771		2,477,032
Services and supplies	1,189,592	133,173	56,775	918,610
Utilities	24,831	276	153,637	248,085
Insurance	398,753	151		4,796
Claims and settlements				
Depreciation	1,490,640	1,874	24,285	1,780
Other charges	9,720	1,530		5,924
Total Operating Expenses	4,039,700	258,775	234,697	3,656,227
Operating Income (Loss)	78,039	(25,414)	6,914	389,552
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of capital assets	37,189			
Interest income	40,518	(11,492)	3,008	3,623
Interest expense				
Total Nonoperating Revenues (Expenses)	77,707	(11,492)	3,008	3,623
Income (Loss) Before Transfers	155,746	(36,906)	9,922	393,175
Transfers in	94,500	33,086		1,000,000
Transfers out	(75,138)	(10,763)	(12,284)	(125,785)
Net Transfers	19,362	22,323	(12,284)	874,215
Change in Net Position	175,108	(14,583)	(2,362)	1,267,390
BEGINNING NET POSITION (DEFICITS), AS RESTATED	8,528,562	(184,147)	273,726	(2,512,047)
ENDING NET POSITION (DEFICITS)	\$8,703,670	(\$198,730)	\$271,364	(\$1,244,657)

Information Services	Self-Insurance	PERS Contributions	Retiree Health	Total
\$2,461,314	\$5,835,010	\$3,817,615		\$20,405,332
150	286,033			633,280
<u>2,461,464</u>	<u>6,121,043</u>	<u>3,817,615</u>		<u>21,038,612</u>
1,057,427	508,101			5,090,495
500,842	1,383,067	5,927		4,187,986
27,867	810			455,506
190	1,147,419			1,551,309
	2,688,492			2,688,492
252,172				1,770,751
316,435	7,393			341,002
<u>2,154,933</u>	<u>5,735,282</u>	<u>5,927</u>		<u>16,085,541</u>
306,531	385,761	3,811,688		4,953,071
				37,189
35,285	117,950	22,007		210,899
		(1,335,518)		(1,335,518)
<u>35,285</u>	<u>117,950</u>	<u>(1,313,511)</u>		<u>(1,087,430)</u>
<u>341,816</u>	<u>503,711</u>	<u>2,498,177</u>		<u>3,865,641</u>
1,057,142		1,719,500	\$2,000,000	5,904,228
(212,065)	(212,477)			(648,512)
<u>845,077</u>	<u>(212,477)</u>	<u>1,719,500</u>	<u>2,000,000</u>	<u>5,255,716</u>
1,186,893	291,234	4,217,677	2,000,000	9,121,357
<u>3,011,107</u>	<u>1,276,177</u>	<u>(16,188,056)</u>		<u>(5,794,678)</u>
<u>\$4,198,000</u>	<u>\$1,567,411</u>	<u>(\$11,970,379)</u>	<u>\$2,000,000</u>	<u>\$3,326,679</u>

CITY OF DALY CITY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Motor Vehicles	Central Services	PBX	Building Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$4,109,730	\$233,361	\$241,611	\$4,045,779
Payments to suppliers	(1,729,488)	(135,036)	(267,428)	(1,209,715)
Payments to employees	(961,523)	(94,552)		(2,916,423)
Claims paid				
Cash Flows from (used for) Operating Activities	<u>1,418,719</u>	<u>3,773</u>	<u>(25,817)</u>	<u>(80,359)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal paid on noncapital debt				
Interest paid on noncapital debt				
Interfund receipts	94,500	33,086		1,000,000
Interfund payments	(75,138)	(10,763)	(12,284)	(125,785)
Cash Flows from (used for) Noncapital Financing Activities	<u>19,362</u>	<u>22,323</u>	<u>(12,284)</u>	<u>874,215</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(2,213,872)		1	(14,300)
Proceeds from sale of capital assets	68,776			
Cash Flows from (used for) Capital and Related Financing Activities	<u>(2,145,096)</u>		<u>1</u>	<u>(14,300)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income (expense)	40,518	(11,492)	3,008	3,623
Net Cash Flows	(666,497)	14,604	(35,092)	783,179
Cash and investments at beginning of period	3,745,939	74,444	318,129	307,879
Cash and investments at end of period	<u>\$3,079,442</u>	<u>\$89,048</u>	<u>\$283,037</u>	<u>\$1,091,058</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$78,039	(\$25,414)	\$6,914	\$389,552
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	1,490,640	1,874	24,285	1,780
Change in assets and liabilities:				
Receivables, net	(8,009)			
Inventories	(56,949)			(30,131)
Prepaid				765
Accounts payable	(49,643)	94	(57,016)	(2,934)
Accrued claims payable				
Accrued payroll	(160)	43		(159)
Compensated absences	27,037			49,259
OPEB related items	(62,236)	27,176		(488,491)
Cash Flows from (used for) Operating Activities	<u>\$1,418,719</u>	<u>\$3,773</u>	<u>(25,817)</u>	<u>(80,359)</u>
NONCASH TRANSACTIONS				
Retirement of capital assets	<u>(\$31,587)</u>			

Information Services	Self-Insurance	PERS Contributions	Retiree Health	Total
\$2,461,314	\$6,169,537	\$3,817,615		\$21,078,947
(817,830)	(1,700,091)	(5,927)		(5,865,515)
(1,182,540)	(416,609)			(5,571,647)
	(2,688,492)			(2,688,492)
460,944	1,364,345	3,811,688		6,953,293
		(2,325,000)		(2,325,000)
		(1,346,941)		(1,346,941)
1,057,142		1,719,500	\$2,000,000	5,904,228
(212,065)	(212,477)			(648,512)
845,077	(212,477)	(1,952,441)	2,000,000	1,583,775
(458,753)				(2,686,924)
				68,776
(458,753)				(2,618,148)
35,285	117,950	22,007		210,899
882,553	1,269,818	1,881,254	2,000,000	6,129,819
2,871,309	9,669,008	7,020,256		24,006,964
\$3,753,862	\$10,938,826	\$8,901,510	\$2,000,000	\$30,136,783
\$306,531	\$385,761	\$3,811,688		\$4,953,071
252,172				1,770,751
(150)	48,494			40,335
				(87,080)
5,450				6,215
22,054	32,598			(54,847)
	806,000			806,000
	(302)			(578)
(11,677)	(2,573)			62,046
(113,436)	94,367			(542,620)
\$460,944	\$1,364,345	\$3,811,688		\$6,953,293
				(\$31,587)



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 Republic Services Group.
- 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.

CITY OF DALY CITY
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Billing Services</u>				
<u>Assets</u>				
Cash and investments	\$1,407,249	\$2,425,692	\$2,585,060	\$1,247,881
Receivables	1,177,811	1,935,407	1,177,811	1,935,407
Total Assets	<u>\$2,585,060</u>	<u>\$4,361,099</u>	<u>\$3,762,871</u>	<u>\$3,183,288</u>
<u>Liabilities</u>				
Accounts payable	<u>\$2,585,060</u>	<u>\$4,361,099</u>	<u>\$3,762,871</u>	<u>\$3,183,288</u>
 <u>PTCRA</u>				
<u>Assets</u>				
Cash and investments	\$341,156	\$1,790,617	\$2,126,879	\$4,894
Receivables	588,755		588,755	
Other assets	70,547		70,547	
Total Assets	<u>\$1,000,458</u>	<u>\$1,790,617</u>	<u>\$2,786,181</u>	<u>\$4,894</u>
<u>Liabilities</u>				
Accounts payable	\$239,279		\$239,279	
Due to others	761,179	\$1,790,617	2,546,902	\$4,894
Total Liabilities	<u>\$1,000,458</u>	<u>\$1,790,617</u>	<u>\$2,786,181</u>	<u>\$4,894</u>
 <u>SMPHESG</u>				
<u>Assets</u>				
Cash and investments	\$1,365,582	\$4,772,532	\$5,038,754	\$1,099,360
Other assets	368,710	381,247	368,710	381,247
Total Assets	<u>\$1,734,292</u>	<u>\$5,153,779</u>	<u>\$5,407,464</u>	<u>\$1,480,607</u>
<u>Liabilities</u>				
Accounts payable	\$42,837	\$18,365	\$42,837	\$18,365
Due to others	1,691,455	5,135,414	5,364,627	1,462,242
Total Liabilities	<u>\$1,734,292</u>	<u>\$5,153,779</u>	<u>\$5,407,464</u>	<u>\$1,480,607</u>

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Supporters of Senior Center</u>				
<u>Assets</u>				
Cash and investments		\$510,221	\$248,171	\$262,050
Other assets	\$149,999		149,999	
Total Assets	<u>\$149,999</u>	<u>\$510,221</u>	<u>\$398,170</u>	<u>\$262,050</u>
<u>Liabilities</u>				
Accounts payable	\$33,650	\$6,406	\$33,650	\$6,406
Due to others	116,349	503,815	364,520	255,644
Total Liabilities	<u>\$149,999</u>	<u>\$510,221</u>	<u>\$398,170</u>	<u>\$262,050</u>
 <u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,113,987	\$9,499,062	\$9,998,864	\$2,614,185
Receivables	1,766,566	1,935,407	1,766,566	1,935,407
Other assets	589,256	381,247	589,256	381,247
Total Assets	<u>\$5,469,809</u>	<u>\$11,815,716</u>	<u>\$12,354,686</u>	<u>\$4,930,839</u>
<u>Liabilities</u>				
Accounts payable	\$2,900,826	\$4,385,870	\$4,078,637	\$3,208,059
Due to others	2,568,983	7,429,846	8,276,049	1,722,780
Total Liabilities	<u>\$5,469,809</u>	<u>\$11,815,716</u>	<u>\$12,354,686</u>	<u>\$4,930,839</u>



STATISTICAL SECTION

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

Financial Trends

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

1. Net 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

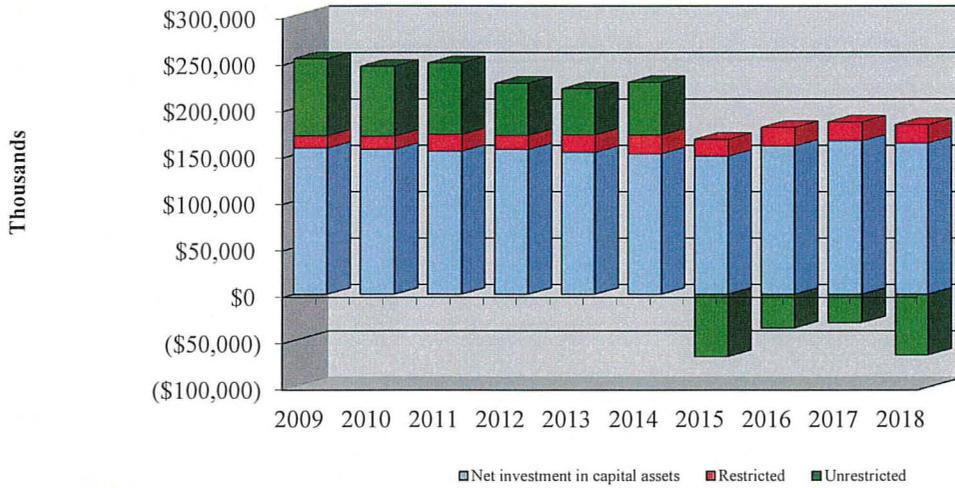
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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)



	For the Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$91,354,782	\$90,670,525	\$87,925,557	\$87,549,833	\$85,483,907
Restricted	13,104,841	13,931,086	17,883,253	15,053,531	18,829,245
Unrestricted	51,980,355	43,329,957	40,494,570	23,884,922	18,898,618
Total governmental activities net position	<u>\$156,439,978</u>	<u>\$147,931,568</u>	<u>\$146,303,380</u>	<u>\$126,488,286</u>	<u>\$123,211,770</u>
Business-type activities					
Net investment in capital asset	\$66,137,475	\$65,670,580	\$66,344,770	\$68,587,946	\$67,479,305
Restricted	4,597				
Unrestricted	31,253,864	32,019,212	36,653,957	32,290,613	30,663,259
Total business-type activities net position	<u>\$97,395,936</u>	<u>\$97,689,792</u>	<u>\$102,998,727</u>	<u>\$100,878,559</u>	<u>\$98,142,564</u>
Primary government					
Net investment in capital assets	\$157,492,257	\$156,341,105	\$154,270,327	\$156,137,779	\$152,963,212
Restricted	13,109,438	13,931,086	17,883,253	15,053,531	18,829,245
Unrestricted	83,234,219	75,349,169	77,148,527	56,175,535	49,561,877
Total primary government net position	<u>\$253,835,914</u>	<u>\$245,621,360</u>	<u>\$249,302,107</u>	<u>\$227,366,845</u>	<u>\$221,354,334</u>
	For the Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$84,272,501	\$82,583,587	\$94,823,140	\$97,821,524	\$97,958,640
Restricted	20,021,555	17,933,727	19,744,996	20,315,097	19,491,867
Unrestricted	22,495,121	(88,028,802)	(64,966,915)	(62,902,410)	(92,551,797)
Total governmental activities net position	<u>\$126,789,177</u>	<u>\$12,488,512</u>	<u>\$49,601,221</u>	<u>\$55,234,211</u>	<u>\$24,898,710</u>
Business-type activities					
Net investment in capital assets	\$67,235,990	\$66,278,166	\$65,118,626	\$64,499,223	\$65,137,866
Restricted	11,229	11,231	11,250	11,250	11,281
Unrestricted	34,392,335	20,914,381	28,846,650	32,508,857	27,207,951
Total business-type activities net position	<u>\$101,639,554</u>	<u>\$87,203,778</u>	<u>\$93,976,526</u>	<u>\$97,019,330</u>	<u>\$92,357,098</u>
Primary government					
Net investment in capital assets	\$151,508,491	\$148,861,753	\$159,941,766	\$162,320,747	\$163,096,506
Restricted	20,032,784	17,944,958	19,756,246	20,326,347	19,503,148
Unrestricted	56,887,456	(67,114,421)	(36,120,265)	(30,393,553)	(65,343,846)
Total primary government net position	<u>\$228,428,731</u>	<u>\$99,692,290</u>	<u>\$143,577,747</u>	<u>\$152,253,541</u>	<u>\$117,255,808</u>

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

	For the Fiscal Year Ended June 30,			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$9,401,885	\$9,435,028	\$9,269,313	\$10,260,757
Public safety	42,404,296	44,054,707	42,429,411	45,511,296
Public works	6,526,712	5,725,707	6,350,402	5,406,051
Streets and infrastructure	3,823,885	3,661,752	3,133,030	3,395,911
Culture and recreation	17,045,290	18,130,986	16,181,808	14,415,687
Economic and community development	9,274,398	9,395,160	8,581,051	5,654,736
Nondepartmental				
Interest on long term debt	1,498,377	376,641	361,793	335,549
Total governmental activities expenses	<u>89,974,843</u>	<u>90,779,981</u>	<u>86,306,808</u>	<u>84,979,987</u>
Business-type activities:				
Water	11,496,966	11,230,423	10,537,952	13,460,939
Civic center	749,560	717,905	681,758	686,051
Transfer station	65,987	54,118	98,655	48,926
Sanitation district	17,006,931	16,742,058	15,710,913	18,587,421
Total business-type activities expenses	<u>29,319,444</u>	<u>28,744,504</u>	<u>27,029,278</u>	<u>32,783,337</u>
Total primary government expenses	<u>\$119,294,287</u>	<u>\$119,524,485</u>	<u>\$113,336,086</u>	<u>\$117,763,324</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$117,873	\$128,702	\$540,836	\$764,719
Public safety	4,953,076	4,939,418	4,689,990	4,685,400
Public works	1,123,139	1,431,784	1,533,714	1,259,803
Streets and infrastructure	1,247,967	907,565	1,219,820	953,473
Culture and recreation	2,975,580	2,567,160	2,732,104	2,913,641
Economic and community development	2,717,488	2,135,626	2,070,063	2,095,455
Nondepartmental	462,733	341,860		
Operating grants and contributions	7,310,809	7,391,970	10,608,563	8,189,627
Capital grants and contributions	534,330	2,271,751	1,744,640	3,421,710
Total governmental activities program revenues	<u>21,442,995</u>	<u>22,115,836</u>	<u>25,139,730</u>	<u>24,283,828</u>
Business-type activities:				
Charges for services:				
Water	12,752,887	12,272,749	13,014,097	14,625,062
Civic center	1,011,711	805,391	831,384	759,286
Transfer station	375,000	375,000	375,000	375,000
Sanitation district	16,410,870	15,851,654	15,731,505	15,018,052
Total business-type activities program revenues	<u>30,550,468</u>	<u>29,304,794</u>	<u>29,951,986</u>	<u>30,777,400</u>
Total primary government program revenues	<u>\$51,993,463</u>	<u>\$51,420,630</u>	<u>\$55,091,716</u>	<u>\$55,061,228</u>
Net (Expense)/Revenue				
Governmental activities	(\$68,531,848)	(\$68,664,145)	(\$61,167,078)	(\$60,696,159)
Business-type activities	1,231,024	560,290	2,922,708	(2,005,937)
Total primary government net expense	<u>(\$67,300,824)</u>	<u>(\$68,103,855)</u>	<u>(\$58,244,370)</u>	<u>(\$62,702,096)</u>

For the Fiscal Year Ended June 30,

2013	2014	2015	2016	2017	2018
\$8,823,639	\$10,889,822	\$9,669,627	\$10,685,635	\$7,972,197	\$11,936,041
44,910,136	42,704,694	43,774,625	45,867,228	63,616,023	55,603,978
5,064,375	5,597,137	7,579,522	8,196,165	7,573,579	10,963,753
4,114,332	3,318,214	3,466,347	4,014,914	3,335,132	2,198,287
13,811,273	13,350,277	11,621,738	12,263,494	10,221,420	12,412,166
4,661,549	3,592,174	4,718,470	4,099,948	3,083,160	5,194,603
177,561	166,114	172,642	40,000		1,373,040
<u>81,562,865</u>	<u>79,618,432</u>	<u>81,002,971</u>	<u>85,167,384</u>	<u>95,801,511</u>	<u>99,681,868</u>
15,266,033	13,337,352	14,451,497	16,082,814	14,954,595	17,406,932
813,497	841,901	853,913	892,003	800,786	961,868
151,582	165,477	178,290	37,579	206,918	266,241
16,663,492	18,262,624	18,629,686	14,325,333	16,357,133	22,460,549
<u>32,894,604</u>	<u>32,607,354</u>	<u>34,113,386</u>	<u>31,337,729</u>	<u>32,319,432</u>	<u>41,095,590</u>
<u>\$114,457,469</u>	<u>\$112,225,786</u>	<u>\$115,116,357</u>	<u>\$116,505,113</u>	<u>\$128,120,943</u>	<u>\$140,777,458</u>
\$753,748	\$1,034,252	\$5,054,225	\$4,074,661	\$3,850,838	\$4,459,835
4,415,226	4,454,105	5,403,840	6,490,600	6,833,086	7,140,073
1,313,510	1,036,109	1,528,698	2,524,779	994,308	1,304,594
1,009,844	1,135,335	1,283,105	1,528,812	1,432,015	1,705,245
2,723,265	2,812,145	2,989,174	3,162,473	2,906,739	3,115,467
2,374,804	2,243,212	4,961,729	6,162,433	4,645,536	4,582,767
7,356,801	7,901,753	8,467,395	6,311,937	6,293,562	6,774,088
763,676	325,832	3,355,718	2,492,055	1,824,697	1,233,529
<u>20,710,874</u>	<u>20,942,743</u>	<u>33,043,884</u>	<u>32,747,750</u>	<u>28,780,781</u>	<u>30,315,598</u>
16,357,654	18,095,452	18,731,931	16,645,244	17,186,882	18,879,659
671,556	834,950	976,374	695,906	676,391	589,569
375,000	375,000	375,000	281,250		
<u>15,600,570</u>	<u>16,676,480</u>	<u>18,416,575</u>	<u>19,695,887</u>	<u>19,284,396</u>	<u>21,507,323</u>
<u>33,004,780</u>	<u>35,981,882</u>	<u>38,499,880</u>	<u>37,318,287</u>	<u>37,147,669</u>	<u>40,976,551</u>
<u>\$53,715,654</u>	<u>\$56,924,625</u>	<u>\$71,543,764</u>	<u>\$70,066,037</u>	<u>\$65,928,450</u>	<u>\$71,292,149</u>
(\$60,851,991)	(\$58,675,689)	(\$47,959,087)	(\$52,419,634)	(\$67,060,976)	(\$69,366,270)
110,176	3,374,528	4,386,494	5,980,558	4,828,237	(119,039)
<u>(\$60,741,815)</u>	<u>(\$55,301,161)</u>	<u>(\$43,572,593)</u>	<u>(\$46,439,076)</u>	<u>(\$62,232,739)</u>	<u>(\$69,485,309)</u>

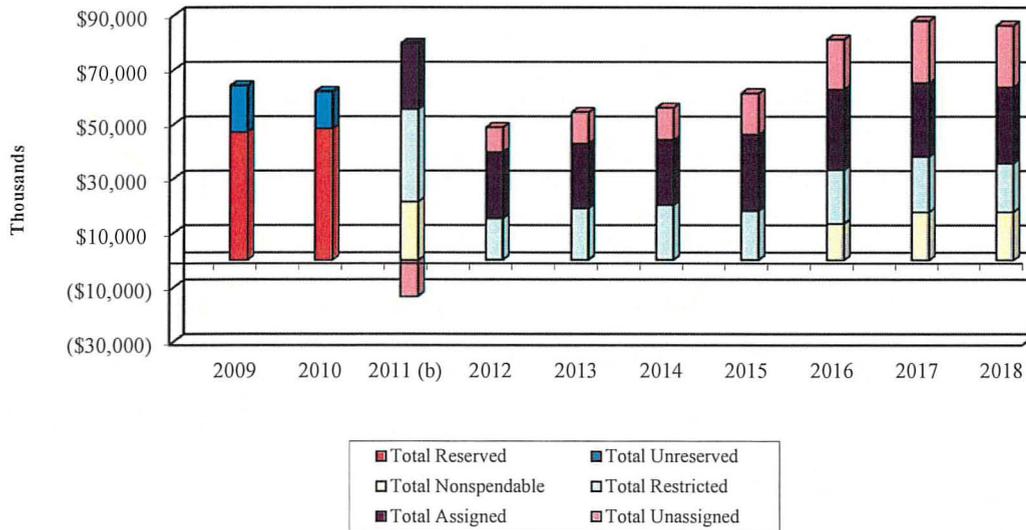
(Continued)

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

	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$30,964,095	\$29,262,868	\$29,886,156	\$27,903,523
Sales taxes	10,520,797	9,016,619	10,178,386	10,638,574
Utility users tax	6,870,869	6,779,160	6,635,130	6,532,361
Franchise fees	3,378,546	3,432,346	3,471,922	3,500,118
Other taxes	4,134,141	3,962,240	4,189,893	4,203,616
Motor vehicle in-lieu	362,136	315,203	493,293	109,179
Investment earnings	1,703,334	960,155	711,989	1,018,793
Other revenues	2,700,781	3,706,703	3,313,961	3,180,451
Transfers	3,081,788	2,720,441	658,160	2,800,581
Gain/(Loss) on sale of property Extraordinary or Special item				(19,006,131)
Total government activities	63,716,487	60,155,735	59,538,890	40,881,065
Business-type activities:				
Property taxes	1,452,957	1,376,028	1,377,982	1,433,604
Investment earnings	311,498	486,593	413,972	534,239
Other revenues	556,795	591,386	1,252,433	704,506
Gain/(Loss) on sale of property				14,001
Transfers	(3,081,788)	(2,720,441)	(658,160)	(2,800,581)
Extraordinary item or special item				
Total business-type activities	(760,538)	(266,434)	2,386,227	(114,231)
Total primary government	\$62,955,949	\$59,889,301	\$61,925,117	\$40,766,834
Change in Net Position				
Governmental activities	(\$4,815,361)	(\$8,508,410)	(\$1,628,188)	(\$19,815,094)
Business-type activities	470,486	293,856	5,308,935	(2,120,168)
Total primary government	(\$4,344,875)	(\$8,214,554)	\$3,680,747	(\$21,935,262)

2013	2014	2015	2016	2017	2018
\$24,682,775	\$26,609,070	\$29,327,703	\$29,591,108	\$31,417,252	\$33,069,899
11,619,157	12,594,335	12,379,135	13,688,644	13,805,186	15,232,989
6,528,566	6,422,821	6,399,410	6,099,207	6,299,448	5,977,178
3,544,075	3,663,247	3,675,411	3,828,424	3,878,461	4,022,440
4,756,255	5,247,886	5,322,471	5,761,695	6,017,318	6,408,495
45,981		44,416			
12,330	925,838	467,009	828,112	700,994	1,058,264
3,758,739	3,936,433	1,061,054	1,110,702	1,379,422	1,614,584
3,010,709	2,853,466	2,983,597	2,060,161	4,616,272	2,188,873
		(3,003,763)	41,913		217,111
(383,112)			26,522,377		
<u>57,575,475</u>	<u>62,253,096</u>	<u>58,656,443</u>	<u>89,532,343</u>	<u>68,114,353</u>	<u>69,789,833</u>
1,470,340	1,558,773	1,713,895	1,754,195	1,859,194	1,957,737
(23,403)	493,501	265,045	385,674	196,380	268,803
715,729	918,589	2,350,952	712,482	775,265	914,539
1,872	5,065				
(3,010,709)	(2,853,466)	(2,983,597)	(2,060,161)	(4,616,272)	(2,188,873)
(2,000,000)				4,579,613	
<u>(2,846,171)</u>	<u>122,462</u>	<u>1,346,295</u>	<u>792,190</u>	<u>2,794,180</u>	<u>952,206</u>
<u>\$54,729,304</u>	<u>\$62,375,558</u>	<u>\$60,002,738</u>	<u>\$90,324,533</u>	<u>\$70,908,533</u>	<u>\$70,742,039</u>
(\$3,276,516)	\$3,577,407	\$10,697,356	\$37,112,709	\$1,053,377	\$423,563
(2,735,995)	3,496,990	5,732,789	6,772,748	7,622,417	833,167
<u>(\$6,012,511)</u>	<u>\$7,074,397</u>	<u>\$16,430,145</u>	<u>\$43,885,457</u>	<u>\$8,675,794</u>	<u>\$1,256,730</u>

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



	For the Fiscal Year Ended June 30,				
	2009	2010	2011 (b)	2012	2013
General Fund					
Reserved	\$21,566,507	\$21,460,127			
Unreserved	21,782,963	20,817,474			
Nonspendable			\$21,438,707	\$238,031	\$178,570
Restricted					
Assigned			12,229,191	12,249,286	12,109,457
Unassigned			9,265,602	9,039,548	11,522,227
Total General Fund	<u>\$43,349,470</u>	<u>\$42,277,601</u>	<u>\$42,933,500</u>	<u>\$21,526,865</u>	<u>\$23,810,254</u>
All Other Governmental Funds					
Reserved	\$25,361,720	\$26,791,488			
Unreserved, reported in:					
Special revenue funds	(20,036,126)	(20,313,715)			
Capital project funds	15,423,021	13,238,998			
Nonspendable					
Restricted			\$34,018,497	\$15,053,292	\$18,829,210
Assigned			11,973,786	12,211,293	11,698,471
Unassigned			(22,559,924)		
Total all other governmental funds	<u>\$20,748,615</u>	<u>\$19,716,771</u>	<u>\$23,432,359</u>	<u>\$27,264,585</u>	<u>\$30,527,681</u>
All Governmental Funds					
Total Reserved	\$46,928,227	\$48,251,615			
Total Unreserved	17,169,858	13,742,757			
Total Nonspendable			\$21,438,707	\$238,031	\$178,570
Total Restricted			34,018,497	15,053,292	18,829,210
Total Assigned			24,202,977	24,460,579	23,807,928
Total Unassigned			(13,294,322)	9,039,548	11,522,227
Total All Governmental Funds	<u>\$64,098,085</u>	<u>\$61,994,372</u>	<u>\$66,365,859</u>	<u>\$48,791,450</u>	<u>\$54,337,935</u>

(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.

For the Fiscal Year Ended June 30,

2014	2015	2016	2017	2018	
\$186,129	\$194,403	\$13,453,512	\$17,721,519	\$17,684,920	
				3,016,958	
12,103,389	12,220,256	12,098,569	12,111,209	12,047,395	
11,838,923	15,059,052	18,329,649	22,681,817	22,589,341	
<u>\$24,128,441</u>	<u>\$27,473,711</u>	<u>\$43,881,730</u>	<u>\$52,514,545</u>	<u>\$55,338,614</u>	(a)
		2,211	6,998	\$29,668	
\$20,021,531	\$17,933,698	\$19,742,741	\$20,304,044	17,897,042	
11,873,724	15,906,433	17,525,314	15,076,221	15,972,732	
			2,072		
<u>\$31,895,255</u>	<u>\$33,840,131</u>	<u>\$37,270,266</u>	<u>\$35,389,335</u>	<u>\$33,899,442</u>	(a)
\$186,129	\$194,403	\$13,455,723	\$17,728,517	\$17,714,588	
20,021,531	17,933,698	19,742,741	20,304,044	17,897,042	
23,977,113	28,126,689	29,623,883	27,187,430	28,020,127	
11,838,923	15,059,052	18,329,649	22,683,889	22,589,341	
<u>\$56,023,696</u>	<u>\$61,313,842</u>	<u>\$81,151,996</u>	<u>\$87,903,880</u>	<u>\$89,238,056</u>	

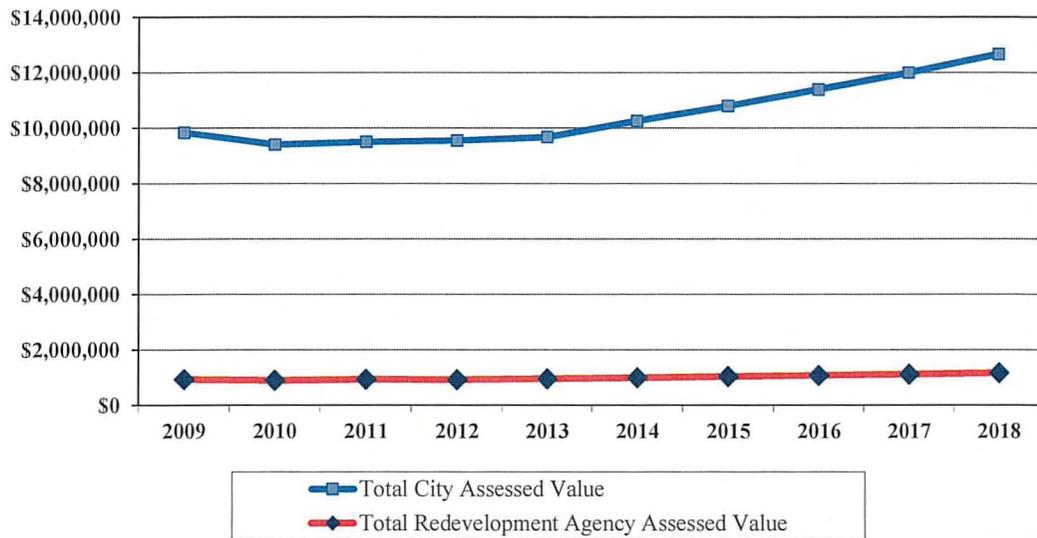
CITY OF DALY CITY
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,			
	2009	2010	2011	2012
Revenues				
Taxes	\$58,265,663	\$55,022,812	\$58,097,799	\$56,413,948
Licenses, permits and fees	1,728,788	1,399,042	1,468,663	1,409,698
Fines and forfeitures	2,638,628	2,842,822	2,772,583	2,440,465
Use of money and property	4,223,929	4,578,244	4,333,962	3,132,897
Intergovernmental revenues	4,887,424	6,336,813	7,527,353	7,267,441
Charges for services	8,133,070	7,517,777	8,505,783	7,637,246
Other	3,590,101	4,159,677	3,583,288	4,044,012
Total Revenues	-83,467,603	81,857,187	86,289,431	82,345,707
Expenditures				
Current:				
General government	8,464,269	8,449,067	8,612,120	8,682,126
Public safety	41,096,189	41,391,460	41,115,067	42,226,973
Public works	5,627,447	5,384,642	5,136,940	4,995,361
Culture and recreation	14,993,277	13,571,549	13,078,179	12,650,231
Community development	9,193,905	9,258,231	8,900,024	5,773,301
Capital projects	4,645,217	7,205,608	5,502,027	6,977,961
Debt service:				
Principal repayment	287,785	305,684	323,861	2,679,000
Interest and fiscal charges	1,479,099	848,328	490,281	312,381
Total Expenditures	85,787,188	86,414,569	83,158,499	84,297,334
Excess (deficiency) of revenues over (under) expenditures	(2,319,585)	(4,557,382)	3,130,932	(1,951,627)
Other Financing Sources (Uses)				
Sale of property				5,787
Amount paid to State				
Transfers in	7,164,378	6,811,899	6,490,408	5,753,543
Transfers out	(4,127,119)	(4,358,230)	(5,249,853)	(2,838,147)
Loan proceeds				
Contributions				
Total other financing sources (uses)	3,037,259	2,453,669	1,240,555	2,921,183
Extraordinary items				
Assets transferred to/liabilities assumed by Successor Agency				(18,543,965)
Net Change in fund balances	\$717,674	(\$2,103,713)	\$4,371,487	(\$17,574,409)
Debt service as a percentage of noncapital expenditures	2.1%	1.4%	1.0%	4.0%

For the Fiscal Year Ended June 30,

2013	2014	2015	2016	2017	2018
\$54,183,995	\$58,493,320	\$60,767,789	\$61,030,589	\$63,536,267	\$66,939,056
1,578,457	1,697,703	2,679,745	2,889,367	3,023,889	2,727,875
2,420,754	2,301,580	2,740,510	3,442,372	3,850,382	3,678,828
1,050,149	1,864,656	1,499,885	1,841,802	1,636,285	2,040,295
4,366,743	3,511,403	6,092,246	4,218,152	5,526,235	5,378,283
7,479,277	7,757,549	12,763,912	14,632,874	9,771,337	9,992,458
4,748,815	4,615,471	5,307,064	5,527,147	4,989,727	6,785,029
75,828,190	80,241,682	91,851,151	93,582,303	92,334,122	97,541,824
8,194,893	10,882,785	9,495,891	10,777,041	10,067,504	10,259,919
42,150,729	42,737,888	44,972,711	49,047,952	50,681,833	51,147,772
4,726,801	4,712,465	7,053,586	7,589,698	8,480,954	8,895,892
12,105,970	11,932,443	10,085,356	10,569,151	10,802,067	10,637,826
4,666,975	3,896,212	4,917,443	4,306,935	4,340,191	5,115,492
4,336,490	4,149,538	4,359,239	5,726,698	10,019,069	6,927,154
212,000	227,000	244,000	260,000	279,000	298,000
181,942	170,919	235,066	28,730	41,216	38,672
76,575,800	78,709,250	81,363,292	88,306,205	94,711,834	93,320,727
(747,610)	1,532,432	10,487,859	5,276,098	(2,377,712)	4,221,097
18,057		(3,003,763)	1,600	262,490	179,922
5,812,723	5,523,006	6,306,265	5,561,713	6,633,748	4,030,049
(2,903,573)	(5,369,677)	(4,750,215)	(4,776,760)	(2,346,255)	(7,096,892)
2,927,207	153,329	(5,197,713)	786,553	4,549,983	(2,886,921)
3,366,888				4,579,613	
\$5,546,485	\$1,685,761	\$5,290,146	\$6,062,651	\$6,751,884	\$1,334,176
0.5%	0.5%	0.6%	0.3%	0.4%	0.4%

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

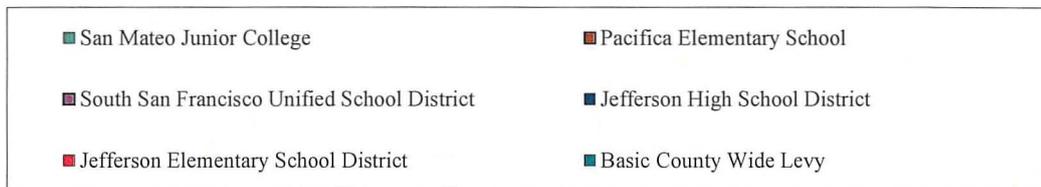
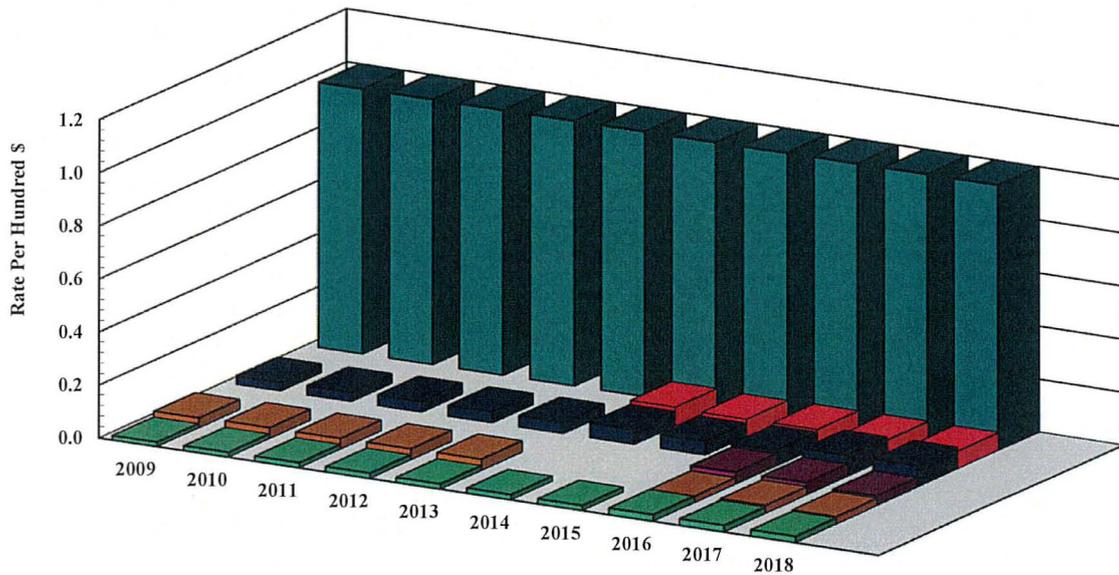


Fiscal Year Ended June 30	City				Redevelopment Agency				Total Direct Tax Rate (2)
	Secured	Unsecured	Exemptions	Total Assessed Value (1)	Secured	Unsecured	Exemptions	Total Assessed Value (1)	
2009	\$ 8,589,324	\$ 212,333	\$ 103,778	\$ 8,905,435	\$ 881,309	\$ 48,519	\$ 6,474	\$ 936,302	1.00%
2010	8,181,880	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%
2015	9,426,340	239,970	99,548	9,765,858	980,736	53,445	6,373	1,040,554	1.00%
2016	9,962,576	257,377	98,669	10,318,622	1,011,512	57,075	6,370	1,074,957	1.00%
2017	10,556,650	238,395	97,391	10,892,436	1,050,088	56,063	6,304	1,112,455	1.00%
2018	11,167,466	240,562	96,204	11,504,232	1,102,164	59,029	6,080	1,167,273	1.00%

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

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

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



Fiscal Year	Basic County Wide Levy	Jefferson Elementary School District	Jefferson High School District	San Mateo Junior College	South San Francisco Unified School District	Pacifica Elementary School	Total
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
2015	1.0000	0.0662	0.0530	0.0190			1.1382
2016	1.0000	0.0674	0.0583	0.0250	0.0457	0.0250	1.2214
2017	1.0000	0.0680	0.0800	0.0247	0.0467	0.0311	1.2505
2018	1.0000	0.0663	0.0816	0.0235	0.0366	0.0281	1.2361

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

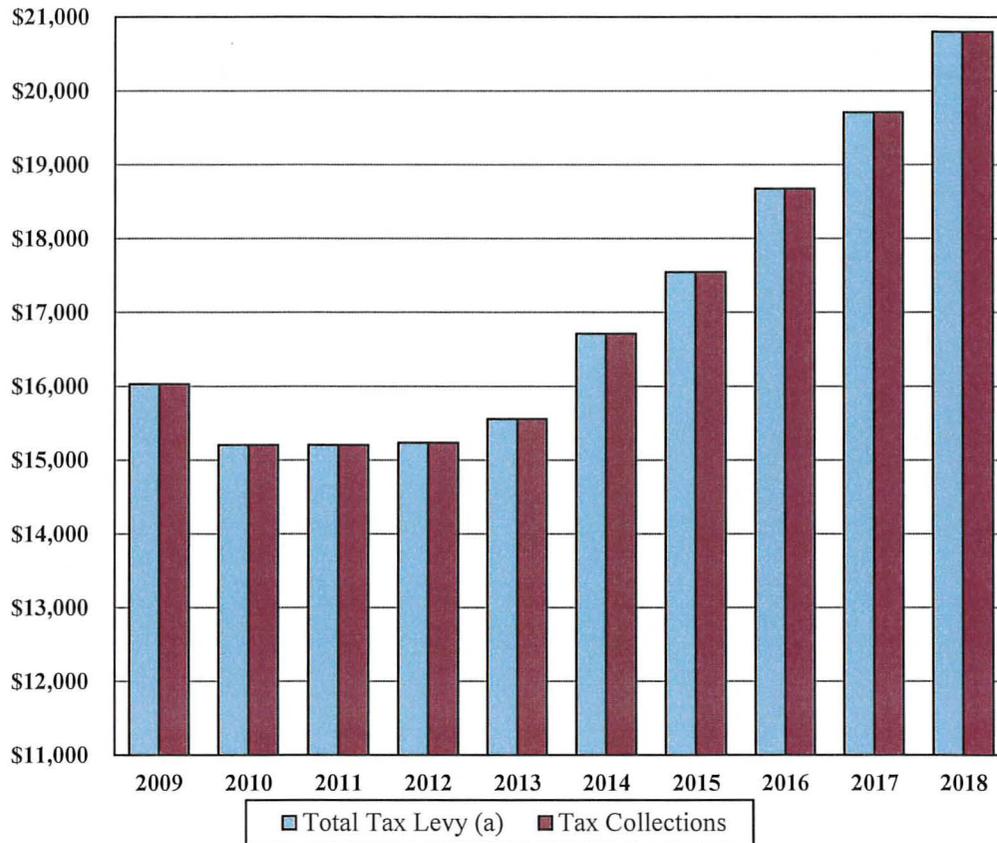
Taxpayer	2017-2018			2008-2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Daly City Serramonte Center, LLC	\$ 201,363,197	1	1.80%	\$ 107,022,393	4	1.25%
Kimco Westlake LP	165,673,413	2	1.48%	141,337,279	2	1.65%
Pacific Plaza (includes Century Theaters)	154,862,502	3	1.39%	133,854,956	3	1.56%
Westlake Assoc Lessee	131,304,432	4	1.18%	94,680,992	5	1.10%
BRE Piper MF (Skyline Heights)	68,734,361	5	0.62%	45,909,192	7	0.53%
WASL Daly City Investors	60,055,592	6	0.54%			
Verity Holdings LLC (Seton Medical Center)	56,289,559	7	0.50%	202,327,349	1	2.36%
Daly City Partners (Serramonte Plaza)	49,999,596	8	0.45%	30,972,611	10	0.36%
Equity Hillside (88 Hillside)	42,828,076	9	0.38%			
Serramonte Ridge Apartments	37,101,258	10	3.83%			
Franciscan Park LLC (LINC)				47,364,985	6	0.55%
Serramonte Corporate Center (Kaiser)				37,337,433	8	0.43%
Lavaca Portfolio Investors				32,737,309	9	0.38%
Subtotal	\$ 968,211,986		8.67%	\$ 873,544,499		10.17%

Total Assessed Valuation:

Fiscal Year 2017-2018 \$11,167,466,467
Fiscal Year 2008-2009 \$8,589,323,899

Source: San Mateo County Assessor Fiscal Year Combined Tax Rolls
California Municipal Statistics, Inc.

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



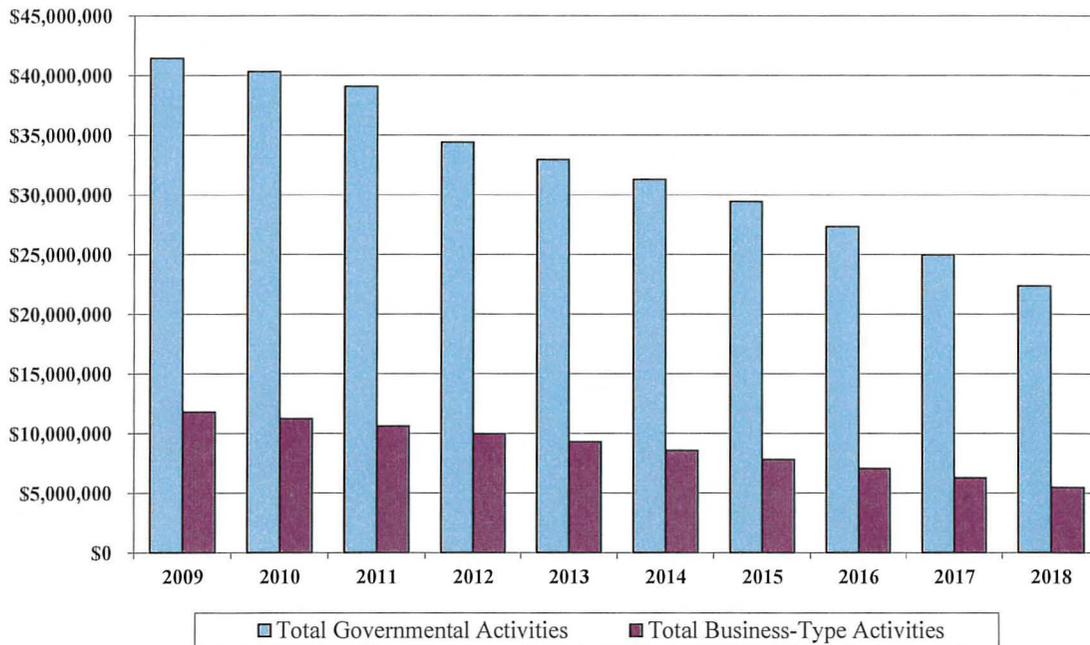
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2009	\$ 16,029	\$ 16,029	100.00%		\$ 16,029	100.00%
2010	15,204	15,204	100.00%		15,204	100.00%
2011	15,204	15,204	100.00%		15,204	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%
2015	17,543	17,543	100.00%		17,543	100.00%
2016	18,675	18,675	100.00%		18,675	100.00%
2017	19,707	19,707	100.00%		19,707	100.00%
2018	20,800	20,800	100.00%		20,800	100.00%

Source: City of Daly City

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

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

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



Governmental Activities							
Fiscal Year	Line of Credit	Capital Lease	HUD Section 108 Loan	PERS Pension Obligation Bonds	CHFA HELP Loan	Promissory Note	Total
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
2015			2,670,000	26,755,000			29,425,000
2016			2,410,000	24,915,000			27,325,000
2017			2,131,000	22,845,000			24,976,000
2018			1,833,000	20,520,000			22,353,000

Business-Type Activities								
Fiscal Year	Sewer Certificates of Participation	Water Certificates of Participation	Water Revenue Bond	State Water Resources Board Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
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	1.33%	379.32
2015			5,290,000	2,528,282	7,818,282	37,243,282	1.22%	351.98
2016			4,750,000	2,302,610	7,052,610	34,377,610	0.90%	324.90
2017			4,205,000	2,071,298	6,276,298	31,252,298	0.90%	287.94
2018			3,640,000	1,834,202	5,474,202	27,827,202	n/a	257.98

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.

CITY OF DALY CITY
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Pension Obligation Bonds	Percentage of Personal Income (a)	Per Capita (a)
2009	\$ 33,860,000	1.18%	\$ 316.16
2010	33,070,000	1.14%	305.12
2011	32,140,000	1.17%	315.35
2012	31,060,000	1.06%	302.75
2013	29,810,000	1.01%	288.45
2014	28,380,000	0.94%	270.09
2015	26,755,000	0.88%	252.86
2016	24,915,000	0.65%	229.55
2017	22,845,000	0.66%	212.05
2018	20,520,000	n/a	190.24

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

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

**CITY OF DALY CITY
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2018**

2017-18 Assessed Valuation \$ 11,504,232,005

	Total Debt 06/30/18	% Applicable (1)	City's Share of Debt 06/30/18
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
San Mateo Community College District	\$ 576,424,069	5.560%	\$ 32,049,178
South San Francisco Unified School District	173,124,743	8.754%	15,155,340
Jefferson Union High School District	242,118,667	50.515%	122,306,245
Bayshore School District	12,254,821	79.228%	9,709,250
Brisbane School District	5,345,437	18.856%	1,007,936
Jefferson School District	97,675,000	86.223%	<u>84,218,315</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>264,446,264</u>
 <u>OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	\$ 366,157,077	5.560%	20,358,333
San Mateo County Board of Education Certificates of Participation	8,745,000	5.560%	486,222
San Mateo County Flood Control District Certificates of Participation	17,465,000	27.715%	4,840,425
South San Francisco Unified School District Certificates of Participation	3,833,189	8.754%	335,557
Jefferson Union H.S.D. Certificates of Participation	971,407	50.515%	<u>490,706</u>
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>26,511,243</u>
TOTAL OVERLAPPING DEBT			<u>290,957,507</u>
 <u>DIRECT DEBT</u>			
City of Daly City Pension Obligation Bonds	\$20,520,000	100.000%	20,520,000
HUD Section 108 Loan	1,833,000	100.000%	<u>1,833,000</u>
TOTAL DIRECT DEBT			<u>22,353,000</u>
COMBINED TOTAL DEBT			<u>\$ 313,310,507 (2)</u>

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

<u>Ratios to 2017-18 Assessed Valuation</u>	
Total Overlapping Tax and Assessment Debt	2.30%
Total Direct Debt (\$20,520,000)	0.18%
Combined Total Debt	2.72%

Source: California Municipal Statistics, Inc.

**CITY OF DALY CITY
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2018**

ASSESSED VALUATION:

Total property assessed value, net of exempt real property	\$11,504,232,005
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$431,408,700
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt (b)	\$3,640,000
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Less: Tax Allocation Bonds and Certificate of Participation not subject to limit	3,640,000
--	-----------

Amount of debt subject to limit	0
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LEGAL BONDED DEBT MARGIN	\$431,408,700
--------------------------	---------------

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)				
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%
2015	366,220	0	366,220	0.00%
2016	386,948	0	386,948	0.00%
2017	408,466	0	408,466	0.00%
2018	431,408	0	431,408	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.

(b) 2012 Water Revenue Refunding Bond

**CITY OF DALY CITY
WATER UTILITY FUND**

NUMBER OF CONNECTIONS BY USERS AS OF JUNE 30, 2018

<u>Category</u>	<u>Number of Connections</u>
Residential	21,973
Commercial	782
Government	91
Irrigation	221
Hydrant	14
Other	-
Total Connections	<u><u>23,081</u></u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Gross Revenues (1)	\$ 13,115,342	\$ 12,699,761	\$ 13,497,857	\$ 15,185,857	\$ 16,801,668
Operating Expenses (including depreciation) (2)	11,111,591	10,637,744	10,424,358	12,718,342	13,910,737
Depreciation	(1,149,384)	(1,192,935)	(1,218,606)	(1,257,540)	(1,263,850)
Operating Transfers Out	2,204,264	2,376,455	2,158,670	2,372,007	2,587,195
Total Operating Expenses	<u>12,166,471</u>	<u>11,821,264</u>	<u>11,364,422</u>	<u>13,832,809</u>	<u>15,234,082</u>
Net Revenue Available for Debt	<u>\$ 948,871</u>	<u>\$ 878,497</u>	<u>\$ 2,133,435</u>	<u>\$ 1,353,048</u>	<u>\$ 1,567,586</u>
Total Debt Service Requirement	<u>\$ 755,284</u>	<u>\$ 751,809</u>	<u>\$ 751,996</u>	<u>\$ 751,621</u>	<u>\$ 649,531</u>
Coverage	1.26	1.17	2.84	1.80	2.41

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

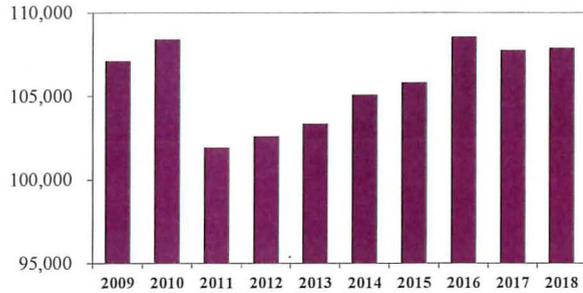
(2) Includes all Water Utility Operating Expenses

Source: City of Daly City Annual Financial Statements

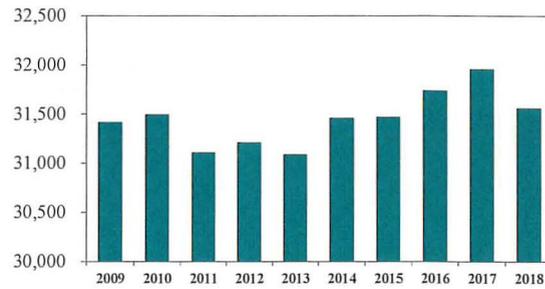
**WATER UTILITY FUND CERTIFICATES OF PARTICIPATION
HISTORICAL REVENUES, EXPENDITURES AND BOND COVERAGE
LAST TEN FISCAL YEARS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Gross Revenues (1)	\$ 18,931,871	\$ 20,425,104	\$ 17,186,361	\$ 17,616,918	\$ 19,230,073
Operating Expenses (including depreciation) (2)	13,276,951	14,354,432	15,950,589	15,337,854	17,077,870
Depreciation	(1,261,733)	(1,255,728)	(1,274,779)	(1,342,258)	(1,330,058)
Operating Transfers Out	2,318,226	2,378,434	1,689,464	2,156,009	2,449,304
Total Operating Expenses	14,333,444	15,477,138	16,365,274	16,151,605	18,197,116
Net Revenue Available for Debt	<u>\$ 4,598,427</u>	<u>\$ 4,947,966</u>	<u>\$ 821,087</u>	<u>\$ 1,465,313</u>	<u>\$ 1,032,957</u>
Total Debt Service Requirement	<u>\$ 647,050</u>	<u>\$ 647,750</u>	<u>\$ 651,250</u>	<u>\$ 645,450</u>	<u>\$ 649,100</u>
Coverage	7.11	7.64	1.26	2.27	1.59

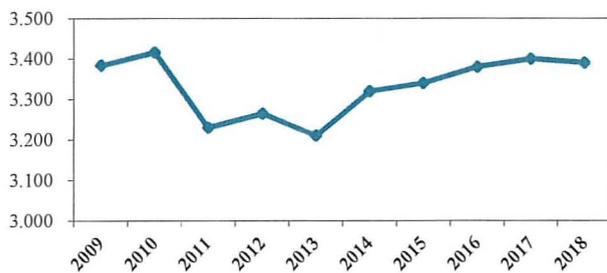
CITY OF DALY CITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



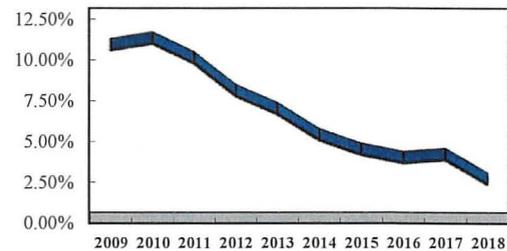
■ Daly City Population



■ Occupied Housing Units



—●— Persons per Occupied Housing Unit



■ Unemployment Rate Annual Average (%)

Year	Daly City Population as of January (1)	Occupied Housing Units as of January (1)	Persons per Occupied Housing Unit (1)	Unemployment Rate Annual Average (%) (2)	Per Capita Personal Income (3)	Total Personal Income (3) (in thousands)	San Mateo County Population (1)	City Population % of County
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	5.1%	28,627	3,008,011	745,193	14.10%
2015	105,810	31,468	3.340	4.2%	28,753	3,042,355	753,123	14.05%
2016	108,538	31,738	3.380	3.7%	35,320	3,833,562	765,895	14.17%
2017	107,733	31,957	3.400	3.9%	32,250	3,474,389	770,256	13.99%
2018	107,864	31,560	3.390	2.4%	n/a	n/a	774,155	13.93%

Sources:

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

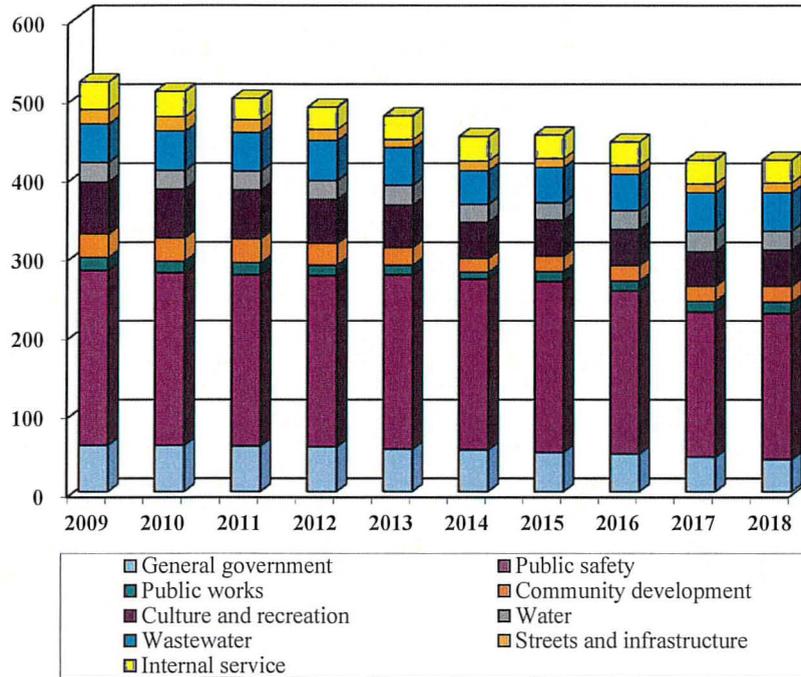
CITY OF DALY CITY
Principal Employers
Current Year and Nine Years Ago

Employer	2017-2018			2008-2009		
	Number of Employees (1)	Rank	Percentage of Total City Employment	Number of Employees (1)	Rank	Percentage of Total City Employment
Seton Medical Center	1,134	1	8.2%	1,659	1	8.7%
Jefferson Elementary School District	1,073	2	7.8%	584	5	3.1%
City of Daly City	700	3	5.1%	761	2	4.0%
Jefferson High School District	496	4	3.6%	693	3	3.6%
Genesys Telecommunications Laboratory	440	5	3.2%	373	7	2.0%
St. Francis Convalescent Pavilion	360	6	2.6%			
Cow Palace	350	7	2.5%	405	6	2.1%
Target Stores - Serramonte	333	8	2.4%	336	8	1.8%
Kaiser Permanente	255	9	1.8%			
Original Joe's Westlake	200	10	1.4%			
US Postal Service (including International Mail Facility)				602	4	3.2%
McDonald's (4 stores)				250	9	1.3%
Walgreens (3 stores)				227	10	1.2%
Subtotal	5,341		38.7%	5,890		31.0%
Total Daly City Employment	13,795	(3)		19,020	(2)	

Note: (1) Includes both full-time and part-time employees
(2) Based on ABAG projections & census data
(3) Based on 2012 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



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government	59	59	58	57	54	53	50	48	44	41
Public safety	222	219	217	217	221	217	217	207	184	185
Public works	17	15	16	14	13	9	13	13	14	15
Community development	29	29	30	27	22	17	19	19	19	20
Culture and recreation	66	62	62	56	54	46	46	46	44	46
Water	25	24	24	24	25	23	22	24	26	24
Wastewater	49	50	49	51	48	43	45	46	49	49
Streets and infrastructure	18	18	16	14	10	12	11	11	11	12
Internal service	35	32	27	28	30	31	30	30	30	29
Total	520	508	499	488	477	451	453	444	421	421

Source: City of Daly City



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

Function/Program	Fiscal Year June 30,				
	2009	2010	2011	2012	2013
Public safety (calendar year data)					
Fire					
Fire calls for service	6,308	6,309	6,516	7,129	7,179
Fire inspections conducted	3,951	3,510	3,554	3,309	3,558
Police					
Police calls for service	55,098	75,970	72,665	73,095	79,999
Law violations					
Part I crimes	2,006	2,071	2,079	2,040	2,082
Part II crimes	4,428	4,791	4,745	4,641	4,685
Physical arrests (adults)	1,896	2,315	2,450	2,494	2,562
Physical arrests (juvenile)	333	316	342	352	207
Traffic violations	13,345	14,843	8,910	9,637	8,134
Parking violations	91,549	72,128	65,505	62,867	60,301
Public works					
Street repairs - asphalt patching (sq. ft.)	4,350	40,067	17,118	9,500	20,000
Street slurry seal (ft.)	79,960	57,250	60,720	64,416	87,648
Street resurfacing (ft.)	0	9,963	7,920	14,256	12,144
Traffic signal responses	71	67	58	14	10
Street light responses	393	371	314	78	54
Street signs replaced	436	560	1,108	450	320
Streets swept (miles)	17,956	19,956	20,712	21,966	25,019
Line striping and curb painting (linear ft.)	5,732	3,785	500	10,778	12,000
Sidewalks inspected (miles)	20	16	3	0	0
Culture and recreation					
Recreation					
Recreation class participants	8,000	7,500	6,158	10,621	10,862
Youth recreation playground program participants	900	500	3,400	4,251	4,472
Volunteer support hours	45,000	50,000	78,921	60,667	63,753
Senior meals served	24,804	23,821	29,586	26,305	32,971
Number of health fair events	2	2	1	1	1
Health fair events attendance	1,000	1,100	150	300	400
Facility rentals (non City events)	750	800	2,255	1,252	1,300
Library					
Volumes in collection - all formats	217,529	225,109	222,946	215,373	214,466
Total volumes borrowed	664,348	729,420	596,428	533,135	501,757
# of uses of electronic resources	207,800	234,308	115,846	81,318	66,982
Youth services program attendance	19,296	17,021	14,941	17,624	16,025
Water					
Water service connections	22,790	22,843	22,830	22,868	22,921
Water main breaks	72	60	43	79	98
Average daily consumption (thousands of gallons)	7,317	7,521	6,519	6,868	7,142
Wastewater					
Storm drain inlets					
Sewer service connections	29,000	29,000	29,000	22,946	22,942
Sewer main blockages	7	1	2	1	1
Average daily treatment (thousands of gallons)	6,820	6,817	7,160	6,500	6,290

Source: City of Daly City

Note: n/a denotes information not available.

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

Function/Program	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Public safety (calendar year data)					
Fire					
Fire calls for service	7,497	7,543	8,046	8,204	7,678
Fire inspections conducted	3,247	3,143	3,099	3,394	2,373
Police					
Police calls for service	84,417	86,688	82,376	71,520	n/a
Law violations					
Part I crimes	1,888	2,020	1,890	1,818	n/a
Part II crimes	4,899	5,040	4,774	4,523	n/a
Physical arrests (adults)	2,931	3,212	3,054	2,531	n/a
Physical arrests (juvenile)	218	159	160	213	n/a
Traffic violations	7,323	7,515	6,858	4,212	n/a
Parking violations	74,178	96,244	109,025	117,604	n/a
Public works					
Street repairs - asphalt patching (sq. ft.)	59,050	32,000	38,000	87,780	110,546
Street slurry seal (linear ft.)	59,140	46,400	78,125	71,517	52,535
Street resurfacing (linear ft.)	8,444	3,800	11,476	0	3,451
Traffic signal responses	35	116	127	105	131
Street light responses	225	281	202	214	292
Street signs replaced	455	430	305	950	2,175
Streets swept (miles)	25,054	25,224	25,305	25,260	25,460
Line striping and curb painting (linear ft.)	5,600	5,800	4,800	47,250	21,117
Sidewalks inspected (miles)	0	0	0	0	1
Culture and recreation					
Recreation					
Recreation class participants	13,075	14,000	14,800	15,000	16,000
Youth recreation playground program participants	5,002	4,657	5,814	5,335	3,472
Volunteer support hours	82,475	63,597	68,085	64,359	55,693
Senior meals served	24,700	35,749	40,942	38,027	35,463
Number of health fair events	2	2	2	2	2
Health fair events attendance	800	800	800	800	800
Facility rentals (non City events)	1,000	956	981	976	1,042
Library					
Volumes in collection - all formats	220,123	220,123	224,431	226,238	228,264
Total volumes borrowed	480,349	480,349	457,642	400,368	368,428
# of uses of electronic resources	60,374	60,413	58,284	37,568	40,240
Youth services program attendance	13,194	16,025	18,967	18,967	17,429
Water					
Water service connections	22,910	22,936	22,964	22,983	23,269
Water main breaks	86	95	64	70	50
Average daily consumption (thousands of gallons)	6,571	5,933	6,220	6,220	5,533
Wastewater					
Storm drain inlets			2,181	2,181	2,181
Sewer service connections	22,942	22,995	22,965	22,965	22,965
Sewer main blockages	3	3	2	2	4
Average daily treatment (thousands of gallons)	6,940	6,382	5,510	5,500	5,500

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

	Fiscal Year June 30,				
	2009	2010	2011	2012	2013
Function/Program					
Public safety					
Fire stations	5	5	5	5	5
Police stations	1	1	1	1	1
Police patrol vehicles	30	30	29	30	32
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	70	70	70	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	2,400	2,400	2,400	2,400	2,300
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	2,700	2,700	2,700	2,700	2,675
Community centers and clubhouses	12	12	12	12	12
Senior centers	1	1	1	1	1
Gymnasiums	4	4	4	4	4
Tennis courts	9	9	9	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	6
Library					
City Libraries (# of branches)	4	4	4	4	4
Water					
Miles of water mains	187	187	187	187	187
Fire hydrants	1,497	1,497	1,497	1,497	1,497
Storage capacity (thousands of gallons)	22,981	24,490	24,490	24,490	24,490
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

Note:

(1) In FY 2014-15, the City completed a digitized inventory of all City owned street trees as well as in City parks

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

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Function/Program					
Public safety					
Fire stations	5	5	5	5	5
Police stations	1	1	1	1	1
Police patrol vehicles	31	31	31	32	31
Public works					
Miles of streets	112	112	112	112	112
Street lights	3,200	3,200	3,200	3,200	3,563
Traffic signals (# of intersections)	40	40	40	40	41
Miles of storm drains	70	70	70	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	2,300	4,144	4,135	3,655	3,655 (1)
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	2,675	3,067	3,048	3,598	3,598 (1)
Community centers and clubhouses	12	12	12	12	12
Senior centers	1	1	1	1	1
Gymnasiums	3	3	3	3	3
Tennis courts	9	9	9	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	6	6	6	6	6
Library					
City Libraries (# of branches)	4	4	4	4	4
Water					
Miles of water mains	187	187	187	199	199
Fire hydrants	1,497	1,497	1,497	1,505	1,505
Storage capacity (thousands of gallons)	24,490	23,512	23,512	23,512	23,512
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	19,000	19,000

