



City of South San Francisco California

Comprehensive Annual Financial Report

Fiscal Year 2014-2015

**CITY OF SOUTH SAN FRANCISCO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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CITY OF SOUTH SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

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CITY COUNCIL 2015

RICHARD A. GARBARINO, MAYOR
MARK ADDIEGO, VICE MAYOR
LIZA NORMANDY, COUNCILMEMBER
PRADEEP GUPTA, PH.D., COUNCILMEMBER
KARYL MATSUMOTO, COUNCILMEMBER

MIKE FUTRELL, CITY MANAGER

FINANCE DEPARTMENT
650-877-8507

December 16, 2015

Honorable Mayor and Members
Of the City Council
City of South San Francisco
South San Francisco, California

The Comprehensive Annual Financial Report (CAFR) of the City of South San Francisco (the City) for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report includes all financial activities of the City of South San Francisco, including financial information for the City, as the primary government, and for its component units, for which the City is considered financially accountable. The component units are included because of the significance of their governing, operational, and/or financial relationships with the City. The Successor Agency that was created due to the Redevelopment Agency dissolution is also included in this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is found immediately following the report of the independent auditor in the financial section.

BACKGROUND OF THE CITY

The City encompasses approximately 9.5 square miles and has a population of 66,000. It employs approximately 479 full-time and part-time regular employees.

South San Francisco is a full service city which includes public safety (police, fire and paramedics), libraries, parks, cultural and recreational activities, senior citizen services, public works, public improvements, engineering, planning, building regulation, economic development, drainage, street lighting, and general administrative services. Sewer service, downtown parking operations, and storm water management are accounted for in the City's enterprise funds. The Conference Center Authority is included in the financial statements by discrete presentation – that is, the Authority's financial data is reported in a column separate from the financial data of the City. Water and refuse services are provided by private entities.

South San Francisco was incorporated and became a general law city of the State of California on September 19, 1908. The form of government is the Council-Manager plan. The Council is composed of a Mayor and four Council Members who are elected at large. Each Council Member serves a term of four years, with a rotating Mayor chosen by majority vote of the Council, for a term of one year. The City Manager is the administrative head of the government of the City, under the direction of the City Council. The offices of City Clerk and City Treasurer are elected. The City Attorney is appointed by the City Council.

All department heads are appointed and serve under the administrative direction of the City Manager. All other officers and employees of the City are appointed by the City Manager and serve under the administrative direction of their department heads.

FINANCIAL INFORMATION

In developing and appraising the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) transactions being properly executed in accordance with management's authorization.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Basic characteristics of sound internal accounting control include segregation of accounting duties, approvals of accounting transactions, and regular reconciliation of detail and control records.

All internal control evaluations occur within this framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

The City adopts fiscal year budgets for its general, special revenue, debt service, enterprise, and capital project funds. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as a part of the following year's budget.

To accomplish a multi-year perspective on financial planning, the City has used a five year model in prior years.

Debt Administration

The Successor Agency has outstanding tax allocation bonds and lease revenue bonds. These are not considered to be general tax-supported obligations. There are also various capital leases and notes payable in City's governmental and proprietary funds.

Capital Assets

The City comprised land, buildings, infrastructure, machinery, equipment, furniture, fixtures, and vehicles owned and used by general government and proprietary functions. Assets are reported within the basic financial statements.

Risk Management

The City maintained a risk management program for workers' compensation, general liability, and property damage. As part of this comprehensive plan, monies have accumulated in the self-insurance internal service fund to meet potential losses. In addition, a safety committee of City employees reviews all accidents and recommends preventive measures to minimize future accident-related losses. The City self-insures the deductible or retention levels of its workers compensation, general liability and property damage insurance policies. A third party administrator handles worker compensation claims. The Association of Bay Area Governments' municipal pool self-insurance plan provides the City's general liability and property damage coverage along with claims and risk management services. An employers' casualty insurance company provides workers compensation coverage in excess of the deductible.

OTHER INFORMATION

Independent Audit

The City engaged an independent accounting firm to audit the books of accounts, financial records, transactions, and financial statements. Their report covering 2014-15 is in the Financial Section of this report.


Award

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The award signified the report's attainment of easily readable and efficiently organized content and satisfaction of generally accepted accounting principles and legal requirements. The award is valid for a period of one year only. However, the City believes that this current report continues to conform to program eligibility requirements.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated services of the entire staff of the Finance Department and our auditors. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Richard Lee
Director of Finance



Mike Futrell
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

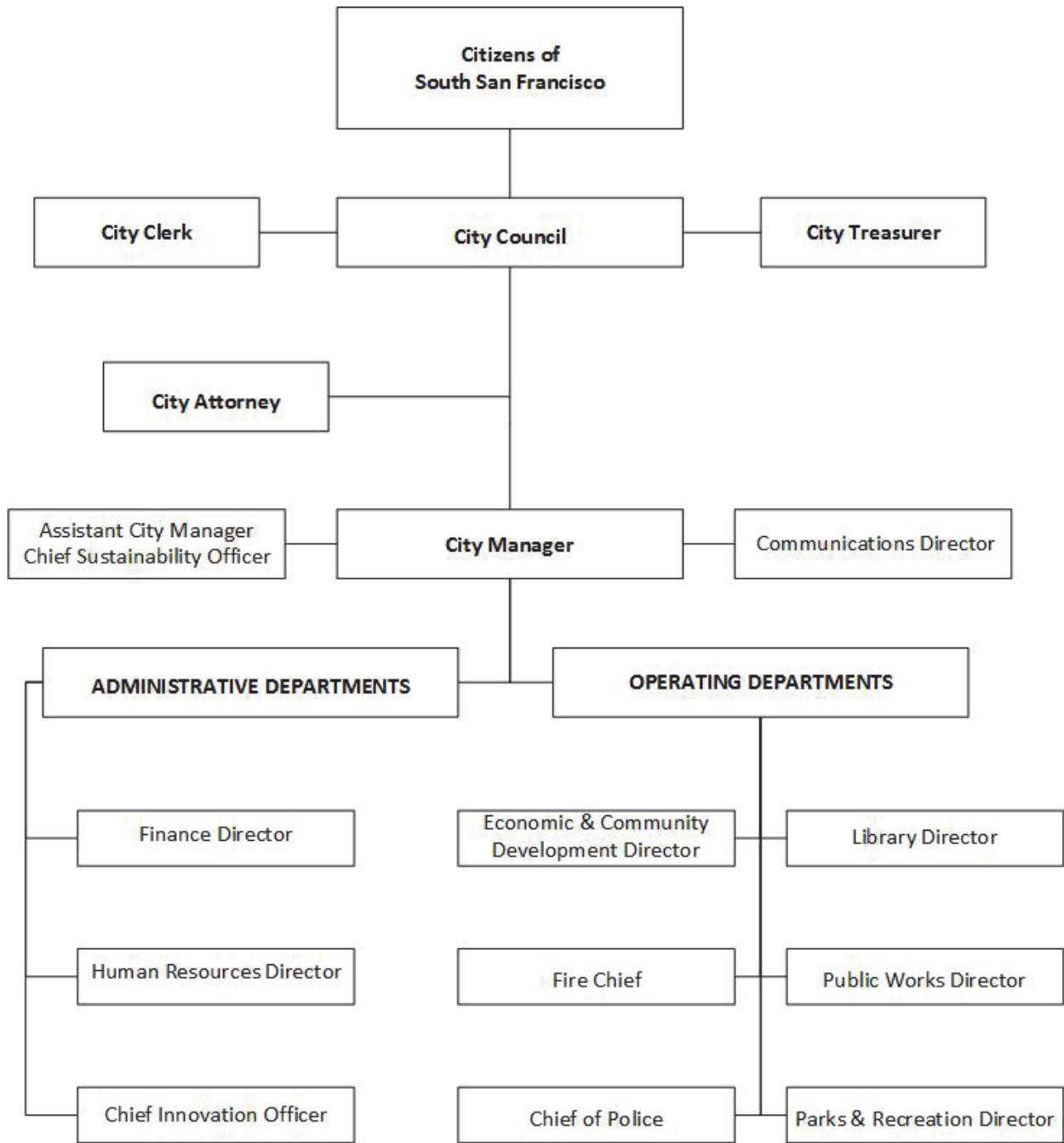
**City of South San Francisco
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Organizational Chart



City Council & Directory of Officials

City Council

Richard A. Garbarino
Mark N. Addiego
Pradeep Gupta
Karyl Matsumoto
Liza Normandy

Mayor
Vice Mayor
Councilmember
Councilmember
Councilmember

Elected Officials

Krista Martinelli
Frank Risso

City Clerk
City Treasurer

Appointed Officials

Mike Futrell
Jim Steele
Leslie Arroyo
Richard Lee
LaTanya Bellow
Doug Hollis
Alex Greenwood
Gerry Kohlmann
Jeff Azzopardi
Valerie Sommer
Brian McMinn
Sharon Ranals

City Manager
Assistant City Manager / Chief Sustainability Officer
Communications Director
Finance Director
Human Resources Director
Chief Innovation Officer
Economic & Community Development Director
Fire Chief
Chief of Police
Library Director
Public Works Director
Parks & Recreation Director

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of South San Francisco, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco (City), California, as of and for the year ended June 30, 2015, 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 did not audit the component unit financial statements of the South San Francisco Conference Center Authority (Authority), which represents 1%, 2%, and 3%, respective, of the assets, net position, and revenue of the entity-wide reporting entity. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of these auditors. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 that required a prior period adjustment to the financial statements, as discussed in Note 1R to the financial statements June 30, 2015:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*

The emphasis of these matters 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, other Required Supplementary Information 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 as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 23, 2015

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CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Government Accounting Standards Board Statement 34 (GASB 34) requires the City of South San Francisco to provide this overview of its financial activities for the fiscal year. Please read this in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2014-15 FINANCIAL HIGHLIGHTS

Summary:

The General Fund ended FY 2014-15 with a surplus of \$0.7 million, which reflects a transfer of \$6.1 million to the Capital Infrastructure Reserve Fund. General Fund reserves were fully funded in accordance with the City's Reserves Policy, which follows the Government Finance Officers' Association (GFOA) best practice of 15-20% of operating revenues.

General Fund revenues (excluding operating transfers in) increased \$7.0 million compared to the prior year. Revenues from Transient Occupancy Tax (TOT) played a large role in the year-over-year increase. Tourism in the San Francisco Bay Area remained robust, as demonstrated through increases in average room rates and occupancy rates.

City-wide financial highlights of the year include the following:

- Property tax revenues, excluding those from the former Redevelopment Agency (RDA), increased \$581,800, or 3.8 percent compared to the prior year. The increase primarily reflects reassessment of properties whose assessed values were reduced during the recession, which is indicative of the vibrant real estate market in the San Francisco Bay Area.
- Property taxes from the former RDA increased \$737,900, or 18.0 percent. As the Successor Agency pays down the obligations of the former RDA, the proportional share of property taxes to the taxing entities increases.
- Revenue from permits increased \$428,900, or 9.8 percent over the prior year. The City's East of 101 area experienced robust development, particularly in the biotech sector.
- Excluding Property Tax in-lieu of Vehicle License Fees, Intergovernmental revenues increased by \$905,200, primarily due to a provision in the state's FY 2014-15 budget that provided for payment of SB90 State Mandate Cost Reimbursements when actual revenues exceeded projections.
- Governmental program net expenses increased 7.1 percent, or \$4.1 million to \$61.0 million reflecting less revenue from Charges for Services and more expenses in General Government. Primary drivers for the additional expenses included litigation costs, increased staff resources to address bandwidth needs, labor negotiation services, recruitment costs and community outreach efforts. The decrease in revenues from Charges for Services is attributable to less capital project permit activity compared to the prior year for projects funded by deposit balances.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

- Business-type program expenses increased by \$4.4 million in FY 2014-15, most notably in the Sewer Fund. The year-over-year increase was due to a significant amount of capital expense that was offset into construction in progress in the prior year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

- 1) The Introductory Section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis (this part),
- 3) The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the notes accompanying these statements,
- 4) Required Supplementary Information and the accompanying notes,
- 5) Other Supplementary Information including combining statements for non-major governmental funds, internal service funds, other budgetary information, and a fiduciary statement of changes in assets and liabilities, and
- 6) The Statistical Section.

Basic Financial Statements

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and consist 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 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 the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Government 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 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.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

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. Major Funds are explained below.

The fiduciary statements provide financial information about the activities of Non-Obligated Assessment Districts, for which the City acts solely as agent.

Note 1 to the Basic Financial Statements provides a summary of the City's significant accounting policies, fund categories, and fund types.

City-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, fire, police, public works, parks and recreation, library, and economic and community development. These services are supported by general City revenues such as taxes, and by specific program revenues from grants, contributions, and fees.

The City's governmental activities also include the City of South San Francisco Capital Improvements Financing Authority, as the City Council also governs this entity.

- ***Business-type activities*** - All the City's enterprise activities are reported here, including sewage treatment, parking, and storm water management. Unlike governmental services, user fees fully support most of these services.
- ***Component Unit*** - The City of South San Francisco Conference Center Authority comprises the component unit. The Authority serves the City and other interests and it has a governing body separate from the City Council.

Citywide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, 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 City's activities. Fund Financial Statements include governmental, enterprise and internal service funds as discussed below.

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 and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, 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 may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the citywide financial statements and any related profits or losses are returned to the activities, which created them, along with any residual net assets of the Internal Service Funds.

Comparisons of Budget and Actual financial information are required in the Basic Financial Statements only for the General Fund and other Major Funds that are Special Revenue Funds.

Fiduciary Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and the Statement of Changes in 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.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on net position and changes in net position of the City's Governmental Activities (Table and Charts 1 through 3) and Business-type Activities (Tables 4 and 5) presented in the City-wide Statement of Net Position and Statement of Activities. A comparative analysis is presented for fiscal years 2014-15 and 2013-14.

Governmental Activities

Governmental Net Position

Table 1
Governmental Net Position at June 30
(In Millions)

	2015	2014
Cash and investments	\$ 90.2	\$ 91.3
Other assets	9.5	10.7
Capital assets	233.3	233.8
Total assets	333.0	335.8
Total outflows related to pension	10.3	-
Total outflow of resources	10.3	-
Long-term debt outstanding	14.9	14.5
Other liabilities	161.9	60.8
Total liabilities	176.8	75.3
Deferred inflows related to pension	21.0	-
Total deferred inflow of resources	21.0	-
Net position:		
Invested in capital assets, net of debt	230.5	230.4
Restricted	49.3	42.4
Unrestricted	(134.4)	(12.3)
Total net position	\$ 145.4	\$ 260.5

With the implementation of GASB Statements No. 68 and No. 71, the City reduced the beginning net positions of fiscal year 2014-15 to \$134.4 million. The City's net position from governmental activities decreased to \$145.4 million as of June 30, 2015.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Required Supplementary Information

Table 2
Expense and Program Revenue Comparison in Governmental Activities
(In Millions)

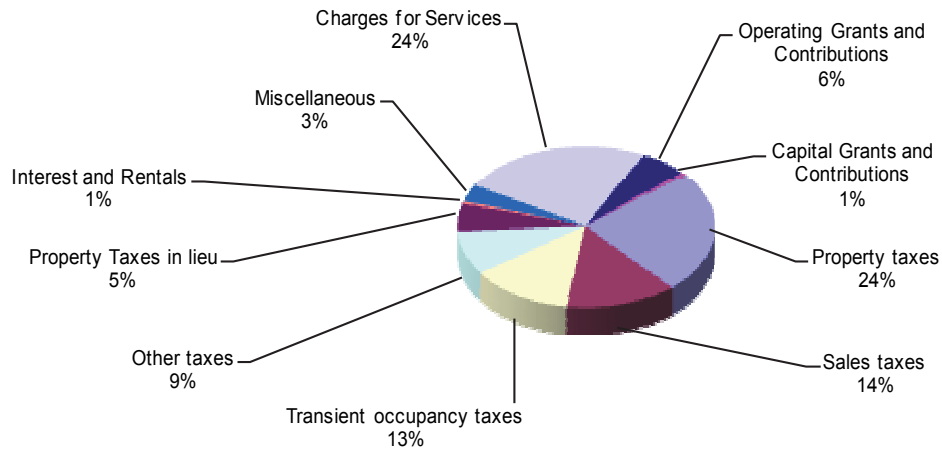
	2014-15	2013-14
Expenses		
General government	\$8.4	\$7.2
Fire department	22.0	21.2
Police department	23.9	24.4
Public works department	14.5	15.0
Recreation and community services	12.4	12.7
Library	4.3	4.3
Economic and community development	5.9	5.0
Interest on long-term debt		
Total expenses	\$91.4	\$89.7
Revenues		
Program revenues:		
Charges for services	\$24.1	\$26.1
Operating grants and contributions	5.8	5.6
Capital grants and contributions	0.6	1.5
Total program revenues	\$30.5	\$33.3
General revenues:		
Taxes:		
Property taxes	\$24.7	\$22.9
Sales taxes	13.9	12.7
Transient occupancy taxes	13.0	11.2
Other taxes	8.7	8.1
Motor vehicle in lieu	0.0	0.0
Property taxes in lieu	5.6	5.3
Investment earnings	0.6	1.1
Miscellaneous	4.6	1.5
Extraordinary Item	-	-
Total general revenues	\$71.0	\$62.9
Total revenues	\$101.4	\$96.1
Excess (deficiency) before transfers	\$10.0	\$6.5
Transfers	(1.4)	(1.0)
Change in net assets	8.6	5.4
Net assets - beginning*	136.9	255.0
Net assets - ending	\$145.5	\$260.5

*Note - Reflects GASB 68 Prior Period Adjustment

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

Governmental program revenues (Table 2) decreased by \$2.8 million compared to the prior year. Charges for services decreased \$2.0 million, reflecting a decrease in permit issuance activity for prepaid capital projects. Revenues from capital grants and contributions decreased by \$0.9 million in comparison to the prior year, when the City received a number of grants for street and bridge repair.

Chart 1
Revenues by Source - Governmental Activities 2014-15



Within Governmental Activity revenue sources, as shown in Chart 1, Charges for Services decreased from 27% to 24%, reflecting an influx of capital contributions and traffic impact fees in the prior year as well as a reduction in permit issuance activity for prepaid capital projects.

Tables 2 (above) and 3 (below) illustrate the difference between program revenues and expenses. Program revenues consist of capital and operating grants and contributions and fees for services. General City revenues, such as property taxes, sales and transient occupancy taxes, motor vehicle in-lieu taxes, and investment earnings, cover the shortfall between program revenues and program expenses.

General government net expenses increased from \$1.1 million to \$4.1 million, reflecting the impact of litigation costs, staff augmentation to maintain service levels, labor negotiation services, executive recruitment costs and community outreach efforts.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 3

Net (Expense) Revenue from Services
Governmental Activities
(In Millions)

	<u>2014-15</u>	<u>2013-14</u>
General government	(\$4.1)	(\$1.1)
Fire department	(18.5)	(17.9)
Police department	(20.2)	(20.9)
Public works department	(6.5)	(5.9)
Recreation and community services	(7.8)	(8.2)
Library	(3.6)	(3.8)
Economic and community development	(0.4)	1.4
Interest on long-term debt		
Total	<u><u>(\$61.1)</u></u>	<u><u>(\$56.4)</u></u>

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-type Activities

Table 4
Business-type Net Position at June 30 (in Millions)

	2015	2014
Cash and Investments	\$ 18.9	\$ 16.9
Other assets	0.6	0.6
Capital assets	126.3	130.0
Total assets	145.8	147.5
Deferred outflows related to pension	1.1	-
Total Deferred outflow of resources	1.1	-
Long-term liabilities outstanding	55.9	47.7
Other liabilities	5.9	6.4
Total liabilities	61.8	54.1
Deferred inflows related to pension	2.3	-
Total deferred inflow of resources	2.3	-
Net position:		
Investment in capital assets	78.6	78.0
Restricted	-	-
Unrestricted	4.2	15.4
Total net position	\$ 82.8	\$ 93.4

While total assets remained fairly flat in 2015, long term liabilities increased in recognition of the GASB 68 allocated pension liability, which drove the reduction of total net position from \$93.4 million to \$82.8 million.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 5
Change in Business-type Net Position
(In Millions)

	2014-15	2013-14
Expenses		
Sewer Enterprise	\$ 24.0	\$ 19.3
Parking District	0.5	0.9
Storm Water	1.2	1.1
Total expenses	25.7	21.3
Revenues		
Program Revenues		
Charges for Services	21.0	20.4
Operating grants and contributions	6.2	7.6
Total program revenues	27.3	28.0
General revenues		
Investment earnings	0.1	0.2
Total general revenues	0.1	0.2
Excess (deficiency) before transfers	1.7	6.8
Transfers	1.4	1.0
Change in net position	3.1	7.8
Net position - beginning (as adjusted)	79.7	85.6
Net position - ending	\$ 82.8	\$ 93.4

Business activity expenses increased \$4.4 million compared to the prior year, particularly in Sewer Enterprise activities, due to significant capital expense in the prior year that was offset into construction in progress. Business activity revenues slightly decreased by \$0.7 million, primarily due to the impact of a rate increase offset by a reduction in contributions from participating agencies.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

Governmental funds highlight the City's near-term inflows, outflows, and balances of *spendable* resources. Such information can be helpful in determining the City's financial status. *Unrestricted fund balance* is a major indicator of designated and uncommitted resources available for spending in future fiscal years.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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At June 30, 2015, the City's governmental funds reported combined fund balances of \$70.9 million, an increase of \$8.5 million, or 13.6 percent compared to the prior year. The General Fund ending fund balance was \$21.3 million, reflecting an increase of \$0.8 million, or 3.7 percent. The City's Reserves Policy follows the GFOA-recommended threshold (20% of operating revenues). As such, higher revenues from Transient Occupancy Tax and permit fees in the fiscal year increased the reserves threshold.

Total governmental fund revenues increased \$4.6 million, or 4.8 percent, this year to \$101.0 million, attributable to property tax, sales tax and transient occupancy tax, the City's principal revenue sources.

Total governmental fund expenditures increased \$2.6 million, or 2.9 percent, this year to \$90.8 million. Fire Department expenditures increased the most compared to the prior year, due to overtime to meet minimum staffing requirements, incurred as a result of injury leave and responding to calls for mutual aid.

Comparison of Final Budgets to Original Adopted Budget

The budget is initially adopted by the City Council in June, based on revenue projections that are up to date through May. Between May and the end of the fiscal year, there can be major fluctuations in revenues depending on the economy and/or actions by the State of California. There can also be significant changes to departmental expenditure budgets to the extent unforeseen expenses occur. In the Fund Financial Statements, the page titled "Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual" later in this document shows the initial adopted and final budgets for the General Fund. Significant changes between the adopted and final budgets are described below:

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 6
Comparison of Final Budgets to Original Adopted Budget (in Thousands)

Revenues	Original Budget	Final Budget	Change	Pct Change	Discussion: (Items of more than 5% and \$100,000 variance)
Property taxes	\$20,707	\$22,514	\$ 1,807	8.7%	The budget was increased to account for additional Educational Revenue Augmentation Fund revenues; the budget was estimated conservatively at the recommendation of county officials and in line with the budgeting practices of other local agencies given the uncertainty of available excess ERAF funds. In addition, the adopted budget assumed an increase in assessed value of 1.9%, which was the most current estimate available from the county assessor at the time. The final change in assessed value was 5.3%, resulting in an additional \$505,000 in property tax revenues.
Sales taxes	14,539	14,984	445	3.1%	The budget was increased to account for a one-time provision in the state budget to address the In-Lieu Sales Tax Triple Flip shortfall in San Mateo County, which occurred due to the number of Basic Aid school districts.
Transient occupancy taxes	10,685	11,435	750	7.0%	In 2014, San Francisco International Airport broke its seventh consecutive record for passenger traffic. Room rates and occupancy rates reached all-time highs. All of which indicative of vibrant tourism in the San Francisco Bay Area.
Other taxes	4,047	4,047	-		
Franchise Fee	3,248	3,248	-		
Intergovernmental	6,118	7,555	1,437	23.5%	The Library, Police, and Economic and Community Development Departments often receive Federal and State grants after the year starts.
Interest and rentals	2,931	2,932	1	0.0%	
Licenses and permits	3,297	3,747	450	13.6%	The City's East of 101 area experienced significant permit activity, particularly in the biotech sector.
Charges for services	8,025	8,547	522	6.5%	The additional budget reflects an agreement with Pacific Gas and Electric to reimburse the City for installation of new gas transmission lines.
Fines and forfeitures	1,088	1,088	-		
Other	249	249	-		
Total	\$74,934	\$80,346	\$ 5,412	7.2%	

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 6 (continued)
Comparison of Final Budgets to Original Adopted Budget (in Thousands)

Expenditures	Original Budget	Final Budget	Change	Pct Change	Discussion: (Items of more than 5% and \$100,000 variance)
City Council	\$ 192	\$ 221	\$ 29	15.1%	
City Clerk	508	426	(82)	-16.1%	
City Treasurer	122	103	(19)	-15.6%	
City Attorney	765	862	97	12.7%	The City incurred additional legal costs due to various litigation matters.
City Manager	1,048	1,241	193	18.4%	Extensive outreach efforts took place to gauge community prioritization of city services, programs, facilities and infrastructure.
Finance	1,900	2,009	109	5.7%	Temporary staffing services were needed to augment operational needs during staff transition.
Non-Departmental	1,086	1,139	53	4.9%	
Human Resources	1,039	1,318	279	26.9%	Additional costs from executive recruitment services and office reconfiguration.
Fire	19,801	21,248	1,447	7.3%	The budget increase is due to overtime incurred from minimum staffing needs, reflecting the impact of injury leave and responses to calls for mutual aid.
Police	22,572	23,672	1,100	4.9%	The budget increase is also due to overtime incurred from minimum staffing needs, due to vacancies and injury leaves.
Public Works	4,199	5,070	871	20.7%	The additional budget reflects installation of a root barrier on Junipero Serra Boulevard, operation of the South City Shuttle, and installation of new gas transmission lines.
Parks and Recreation	12,146	11,852	(294)	-2.4%	
Library	4,406	4,303	(103)	-2.3%	
Economic and Community Development	4,525	4,799	274	6.1%	Additional consulting services were needed to augment staff bandwidth due to the rapid pace and quantity of developments.
Total	\$74,309	\$78,263	\$ 3,954	5.3%	

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Analysis of Major Governmental Funds

General Fund

Total General Fund revenues in FY 2014-15 were \$85.3 million, \$5.0 million, or 6.2 percent over the final amended budget. General Fund departments stayed within budget, resulting in a year-end net operating budget impact (revenue over expenditures) of a positive \$5.0 million, before capital improvement expenses and transfers out to other funds.

Transient Occupancy Tax (TOT) revenue reached \$12.9 million, \$1.8 million more than the all-time high from the previous year, and demonstrating the impact of vibrant tourism in the San Francisco Bay Area. License and permit revenues increased \$0.4 million, reaching their highest post-recession point, reflecting a robust development climate.

The largest gains over the prior year occurred in the following categories:

- ⇒ *Transient Occupancy Taxes* increased \$1.8 million, a barometer for local tourism;
- ⇒ *Licenses and permits* increased \$0.4 million, reflecting significant permit activity in the East of 101 area and indicative of the current development climate;
- ⇒ *Property taxes* were \$1.5 million higher than the prior year due to increases in the allocation for the former Redevelopment Agency (RDA), which increase for taxing entities as the obligations of the former RDA are paid down.

Some year-over-year decreases occurred in the General Fund, including a decrease of \$307 thousand in Fines and Forfeitures due to the elimination of the City's red light camera program. Charges for Services decreased slightly, reflecting accumulated revenues from several years which were recognized in the prior year through the Ground Emergency Medical Transportation program.

General Fund expenditures increased \$4.5 million, or 6.2% over the prior fiscal year. The increase is attributable to additional costs from legal services, staff augmentation to ensure maintenance of service levels, labor negotiation services, executive recruitment services and community outreach efforts.

As of June 30, 2015, the General Fund balance includes \$3.2 million in unrestricted reserves, \$11.6 million reserved for emergencies and economic contingencies, and \$2.3 million for budget contingencies. Total discretionary reserves were \$17.3 million and are now shown in the Comprehensive Annual Financial Report as Unassigned Fund Balance, consistent with the new Government Accounting Standards Board (GASB) Statement 54.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Other Post Employment Benefit (OPEB) Liability Impact on Fund Balance

The City has a particularly rich retiree health benefit for employees hired prior to April 25, 2010 (legacy employees). Those legacy employees who retire from PERS and from the City concurrently with at least 5 years of service are entitled to 100% coverage of retiree medical insurance premiums paid by the City. This benefit resulted in an OPEB liability estimated as of the last outside actuarial analysis of \$66 million as of June 30, 2013, which reflects investment of \$13.5 million with the California Employers' Retiree Benefit Trust (CERBT). The City Council approved an appropriation of over \$800 thousand (\$250 thousand from the General Fund, and the remainder from enterprise funds) to be contributed to CERBT on an annual basis.

City Housing Fund

Up until Redevelopment Agencies were abolished in FY 2011-12 by the State of California under AB 26, the City set aside 20% of Redevelopment property taxes to fund the provision of new affordable housing units, as well as the operation and maintenance of housing stock that the Redevelopment Agency had already funded. That fund was formerly called the Low/Moderate Income Housing Fund. With its source of funding (20% of Redevelopment property tax dollars) abolished, the City Council voted to take on the operations of the former housing units by becoming the Successor Housing Agency, with activities funded primarily from the rental revenues received by the City for those City-owned occupied housing units. Any shortfall between the rents received and the operations and maintenance costs of those housing units are funded by either one time grants or by the General Fund. Any fund balances will be held for future housing property maintenance needs.

In FY 2014-15, the City Housing Fund received for \$266 thousand in rental income from the City's affordable housing properties, and \$66 thousand in interest income. The fund also received \$922 thousand in revenues to fund the Brookwood development, and \$1.2 million in loan repayment from Mid-Peninsula Housing. The fund also had \$171 thousand in operating expenses for maintenance and service contracts, \$327 thousand in expenses for retail property, and \$563 thousand in expenses for the Brookwood development.

Capital Improvement Fund

The City consolidates and reports its governmental fund-type capital project expenditures in this fund. Resources consist of transfers from the General Fund, major and non-major funds, developer impact fees, and gasoline taxes and transportation sales taxes from non-major governmental funds. Resources also come from federal, state, and local grants, contributions from other cities, utilities and private developers. Entire capital projects are appropriated in one-year, but expended over multiple years, with unspent appropriations carried forward year-to-year until completion.

CITY OF SOUTH SAN FRANCISCO
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East of 101 Sewer Impact Fee Fund

The fund has a negative fund balance of \$40 thousand as of June 30, 2015 due to a prepayment of impact fees by a large biotech firm to front-fund a now completed project.

In 2007, the City entered into an agreement with this firm to pre-fund the sewer impact fees for the East Grand Avenue Sewer Trunk project in order for the project to be completed prior to the issuance of building permits. As a result, the pre-funding is shown on the City's books as a liability until sufficient development generates impact fees to cover the prepayment of those fees, or until the City has a new agreement with the firm.

In FY 2014-15, the City received \$472 thousand in East of 101 Sewer Impact fees while expenditures were very limited, thus its considerable improvement in net position compared to the prior year.

East of 101 Traffic Impact Fee Fund

In FY 2014-15, the City received \$1.4 million in traffic impact fees, with nominal expenditures. As of June 30, 2015, the fund has a balance of \$5.9 million.

Child Care Impact Fee Fund

The City received \$478 thousand in child care impact fees in FY 2014-15. Factoring in limited expenditures, this fund has a balance of \$2.5 million as of June 30, 2015. Larger scale projects can be funded once a sufficient balance has been accumulated.

Developer Deposit

Since 2007, the City has entered into agreements with a large biotech firm to front-fund sewer and streetscape projects. The remaining balances of the pre-funding are shown on the City's books as a liability which will be reduced as related project expenditures are incurred.

CITY OF SOUTH SAN FRANCISCO
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Other Governmental Funds

Presented as a group in the Basic Financial Statements, these funds are individually presented as Supplementary Information.

Enterprise Funds

Sewer Enterprise Fund

The Sewer Enterprise fund reported operating income (before non-operating revenues and expenses transfers) of \$3.5 million in FY 2014-15. Operating revenues decreased by \$0.8 million, or 3.1 percent. The Water Quality Control Plant is a shared facility, with the cities of San Bruno, Millbrae and Burlingame sharing in the cost of operations and capital improvements. In FY 2014-15, there was \$4.5 million less in cash flows out for the acquisition of capital assets, thus the reimbursement from the participating agencies was less than the prior year. Operating expenses increased by \$3.7 million or 19.6 percent, due to increases in personnel, recognition of OPEB expense, and non-capital maintenance costs. Net position increased \$2.4 million to end the year at \$67.9 million.

Parking District Fund

Net position increased by \$89 thousand to \$13.9 million due to an increase in parking permit and parking meter revenues.

Storm Water Fund

The Storm Water Fund is used to account for resources needed to fund storm drain and storm infrastructure operations and maintenance and capital replacement, as well as comply with various federal and state regulations regarding storm water runoff. Revenues totaled \$415 thousand, primarily from a levy on property owners. Transfers totaled \$1.4 million, of which \$670,000 was from the Gas Tax Fund and \$750,000 was from the General Fund. Expenditures totaled \$1.2 million, \$672,000 less than the amended budget. This is primarily due salary savings from ongoing drought conditions that resulted in the redeployment of Public Works staff to other maintenance areas. Reserves as of the fiscal year ended June 30, 2015, totaled \$1.2 million. Service fee revenues remain capped in this fund without a ballot measure to increase assessed fees.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSETS

GASB Statement 34 requires the City to add infrastructure to its reportable capital assets. Infrastructure includes streets, drainage systems, and traffic control and safety devices. Previously, governments excluded the value of such property from their reports of capital assets. The City has now successfully reported on the depreciated value of all such assets acquired or built since 1980. The City reports the depreciated book value of other types of capital assets such as buildings, land, equipment and furniture, on a City-wide Statement of Net Assets. Such information is summarized below and is more completely detailed in Note 3 to the Basic Financial Statements. The City depreciates all its capital assets, except land and construction in progress.

At June 30, 2015, the City had \$359.6 million in capital assets, net of depreciation, representing a decrease of \$4.2 million from the prior year. The decrease reflects the dearth of capital asset additions within Business-type activities compared to the prior year, thus the net reduction is driven by accumulated depreciation.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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These are invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 7 below:

Table 7
Capital Assets (in Millions) at June 30

	<u>2015</u>	<u>2014</u>
Governmental Activities:		
Land	\$ 47.6	\$ 47.6
Buildings and improvements	85.0	84.8
Equipment and vehicles	19.6	19.5
Furniture and fixtures	1.8	1.8
Infrastructure - streets*	183.1	183.1
Infrastructure - traffic control devices*	5.1	5.1
Infrastructure - storm drains*	8.9	8.9
Construction in progress	18.4	10.8
Less accumulated depreciation	<u>(136.2)</u>	<u>(127.8)</u>
Totals	<u>\$ 233.3</u>	<u>\$ 233.8</u>
* Additions during the fiscal year only		
Business-type Activities		
Land	\$ 1.4	\$ 1.4
Buildings and improvements	66.7	66.7
Clean water facilities and transmission line	75.5	75.5
Infrastructure - storm drains	4.8	4.8
Infrastructure - streets	7.4	7.4
Equipment and vehicles	11.2	10.7
Construction in progress	7.1	7.3
Less accumulated depreciation	<u>(47.8)</u>	<u>(43.8)</u>
Totals	<u>\$ 126.3</u>	<u>\$ 130.0</u>
Total City	<u>\$ 359.6</u>	<u>\$ 363.8</u>

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 5 to the Basic Financial Statements. A summary of the City's outstanding debt for the past two fiscal years is as follows:

Table 8
Outstanding Debt
(In Millions) at June 30

<i>Governmental Activities</i>	<u>2015</u>	<u>2014</u>
Loan payable to Successor Agency	\$ 11.4	\$ 11.7
Capital leases	<u>2.8</u>	<u>3.3</u>
Total Governmental Activities Outstanding Debt	<u>\$ 14.2</u>	<u>\$ 15.0</u>
<i>Business-type Activities</i>		
State Water Resources Board loans	\$ 43.5	\$ 47.6
2005 Sewer Bonds	<u>4.1</u>	<u>4.4</u>
Total Business-type Activities Outstanding Debt	<u>\$ 47.6</u>	<u>\$ 52.0</u>

The decline in Business-type Activities outstanding debt of \$4.4 million is the result of scheduled repayments.

The largest remaining debt obligations are the following:

- Three loans to the City's Sewer Enterprise Fund from the State Water Resources Control Board to finance the expansion of the City's water quality control plant and pay for Wet Weather improvements which will improve environmental impacts on the Bay. Principal and interest repayments commence on the loans upon completion of the project related to each loan package. The three current loans outstanding have fixed interest of 2.6%, 2.5% and 2.4% are due in 2022, 2026 and 2028. Because of the regional benefits and equity interest in these projects, the City of San Bruno shares in the loan repayments for the first two of the three current loans.

ECONOMIC OUTLOOK AND MAJOR ACCOMPLISHMENTS

The economic outlook and major accomplishments of the City are discussed in the accompanying Transmittal Letter.

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide readers with a general overview of the City's finances. Questions about this report or requests for additional financial information should be directed to the City of South San Francisco Finance Department, P.O. Box 711, South San Francisco, CA 94083, and phone (650) 877-8512. The City's website is at www.ssf.net.

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CITY OF SOUTH SAN FRANCISCO

**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.

The Statement of Net Position reports the excess of the City's total assets and deferred outflows of resources over 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 the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities.

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, and follow these with the expenses of its business-type activities. 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 and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the City of South San Francisco Capital Improvements Financing Authority that is legally separate but a component unit of the City because it is controlled by the City, which is financially accountable for its activities. Data for the South San Francisco Conference Center Authority is reflected as a discretely presented component unit of the City. This data is presented separately from other funds of the City to reflect operations under control of a governing body with a voting majority which is different from the City Council.

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CITY OF SOUTH SAN FRANCISCO
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	South San Francisco Conference Center
ASSETS				
Cash and investments (Note 2)	\$89,606,132	\$18,870,622	\$108,476,754	\$2,576,504
Receivables:				
Accounts	4,751,653	841,938	5,593,591	269,200
Accrued interest	200,715	41,166	241,881	
Loans	2,263,266		2,263,266	
Deposit	203,510		203,510	
Inventory	1,134		1,134	
Other				4,844
Restricted cash and investments (Note 2)	612,282		612,282	488,075
Internal balances (Note 4A)	201,159	(201,159)		
Land held for development (Note 1M)	1,900,000		1,900,000	
Capital assets: (Note 3)				
Nondepreciable	65,954,294	8,535,026	74,489,320	
Depreciable, net accumulated depreciation	167,349,315	117,726,864	285,076,179	3,795,724
Total Assets	<u>333,043,460</u>	<u>145,814,457</u>	<u>478,857,917</u>	<u>7,134,347</u>
DEFERRED OUTFLOW OF RESOURCES				
Related to pension (Note 7)	10,262,420	1,140,269	11,402,689	
Deferred amounts from refunding of debt (Note 5)				77,334
Total Deferred Outflow of Resources	<u>10,262,420</u>	<u>1,140,269</u>	<u>11,402,689</u>	<u>77,334</u>
LIABILITIES				
Accounts payable	1,924,023	261,386	2,185,409	168,253
Accrued salaries and benefits	2,454,423		2,454,423	38,807
Accrued interest payable		819,891	819,891	22,148
Other payable	754,523	146,121	900,644	46,245
Deposits	1,939,124	7,500	1,946,624	302,768
Unearned revenue	3,140,041		3,140,041	
Accrued insurance losses: (Note 11)				
Due within one year	712,000		712,000	
Due in more than one year	10,632,000		10,632,000	
Compensated absences obligation: (Note 1K)				
Due within one year	3,459,871	242,559	3,702,430	
Due in more than one year	2,176,910	273,592	2,450,502	
Debt and capital lease obligations: (Note 5)				
Due within one year	547,574	4,420,781	4,968,355	410,000
Due in more than one year	13,609,150	43,242,832	56,851,982	1,330,000
OPEB obligations - due in more than one year (Note 9)	23,810,700		23,810,700	
Net Pension Liability - due in more than one year (Note 7)	111,676,255	12,408,473	124,084,728	
Total Liabilities	<u>176,836,594</u>	<u>61,823,135</u>	<u>238,659,729</u>	<u>2,318,221</u>
DEFERRED INFLOW OF RESOURCES				
Related to pension (Note 7)	21,029,943	2,336,660	23,366,603	
Total Deferred Inflow of Resources	<u>21,029,943</u>	<u>2,336,660</u>	<u>23,366,603</u>	
NET POSITION (Note 6)				
Net investment in capital assets	230,517,037	78,598,277	309,115,314	2,055,724
Restricted for:				
Debt service				488,075
Special revenue projects	21,627,478		21,627,478	
Capital projects	27,684,350		27,684,350	
Total Restricted Net Position	<u>49,311,828</u>		<u>49,311,828</u>	<u>488,075</u>
Unrestricted	(134,389,522)	4,196,654	(130,192,868)	2,349,661
Total Net Position	<u>\$145,439,343</u>	<u>\$82,794,931</u>	<u>\$228,234,274</u>	<u>\$4,893,460</u>

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$8,421,857	\$3,946,302	\$378,733	
Fire	22,005,883	3,520,275		
Police	23,910,436	2,370,736	1,344,675	
Public Works	14,493,039	5,071,729	2,345,742	\$632,735
Parks and Recreation	12,383,880	3,708,272	877,417	
Library	4,300,885	120,850	588,109	
Economic and Community Development	5,928,316	5,337,177	219,169	
Total Governmental Activities	91,444,296	24,075,341	5,753,845	632,735
Business-type Activities				
Sewer	23,969,579	19,798,033	6,242,687	
Parking District	503,014	819,051		
Storm Water	1,234,616	407,640		
Total Business-type Activities	25,707,209	21,024,724	6,242,687	
Total Primary Government	\$117,151,505	\$45,100,065	\$11,996,532	\$632,735
Component Unit				
Conference Center	\$3,177,494	\$1,425,916		

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Other taxes

Motor vehicle in lieu, unrestricted

Property taxes in lieu of vehicle license fees

Investment earnings

Miscellaneous

Transfers (Note 4)

Total general revenues and transfers

Change in Net Position

Net Position - Beginning, As adjusted (Note 1R)

Net Position - Ending

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	South San Francisco Conference Center
(\$4,096,822)		(\$4,096,822)	
(18,485,608)		(18,485,608)	
(20,195,025)		(20,195,025)	
(6,442,833)		(6,442,833)	
(7,798,191)		(7,798,191)	
(3,591,926)		(3,591,926)	
(371,970)		(371,970)	
<u>(60,982,375)</u>		<u>(60,982,375)</u>	
	\$2,071,141	2,071,141	
	316,037	316,037	
	<u>(826,976)</u>	<u>(826,976)</u>	
	1,560,202	1,560,202	
<u>(60,982,375)</u>	<u>1,560,202</u>	<u>(59,422,173)</u>	
			<u>(\$1,751,578)</u>
24,650,648		24,650,648	
13,932,125		13,932,125	
12,947,473		12,947,473	2,215,145
8,650,056		8,650,056	
26,995		26,995	
5,551,651		5,551,651	
629,036	126,874	755,910	9,416
4,577,239		4,577,239	29,461
<u>(1,429,308)</u>	<u>1,429,308</u>		
<u>69,535,915</u>	<u>1,556,182</u>	<u>71,092,097</u>	<u>2,254,022</u>
8,553,540	3,116,384	11,669,924	502,444
<u>136,885,803</u>	<u>79,678,547</u>	<u>216,564,350</u>	<u>4,391,016</u>
<u>\$145,439,343</u>	<u>\$82,794,931</u>	<u>\$228,234,274</u>	<u>\$4,893,460</u>

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FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City in fiscal 2015. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

This fund accounts for resources traditionally associated with government, such as administration, public safety, library, parks maintenance, and recreation, outside of those accounted for in other funds.

LOW AND MODERATE INCOME HOUSING ASSETS SPECIAL REVENUE FUND

To account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of South San Francisco.

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

To account for expenditures associated with the acquisition, construction, or improvement of City owned facilities and infrastructure. Funding comes from the general fund, special revenue funds, grants and fees.

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

These fees are to provide new development's share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area.

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

These citywide fees provide new development's share of new and expanded childcare facilities to serve the childcare needs of working parents.

DEVELOPER DEPOSIT FUND

To account for a deposit by a large corporation for various capital projects the developer agreed to fund.

CAPITAL INFRASTRUCTURE RESERVE FUND

Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds	
			Capital Improvement	East of 101 Sewer Impact Fees
ASSETS				
Cash and investments (Note 2)	\$20,795,013	\$1,803,973	\$1,357,707	\$1,924,201
Receivables:				
Accounts	4,087,846	7,637	499,057	
Accrued interest	65,237	4,590		4,219
Loans		1,367,951		
Inventory	1,134			
Restricted cash and investments (Note 2)		433,723		
Land held for redevelopment (Note 1M)				
	<u>\$24,949,230</u>	<u>\$3,617,874</u>	<u>\$1,856,764</u>	<u>\$1,928,420</u>
Total Assets				
LIABILITIES				
Liabilities:				
Accounts payable	\$787,724	\$5,511	\$600,174	
Accrued salaries and benefits	2,454,423			
Other payable	267,772		458,732	
Deposits		75,000		
Unearned revenue	157,936		289,759	\$1,968,879
Due to other funds (Note 4B)				
Total Liabilities	<u>3,667,855</u>	<u>80,511</u>	<u>1,348,665</u>	<u>1,968,879</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - accounts receivable			219,545	
Total deferred inflows of resources			<u>219,545</u>	
Fund Balances (Note 6):				
Nonspendable	1,134			
Restricted		3,537,363		
Committed	2,536,790			
Assigned	1,458,029		288,554	
Unassigned	17,285,422			(40,459)
Total Fund Balances (Deficits)	<u>21,281,375</u>	<u>3,537,363</u>	<u>288,554</u>	<u>(40,459)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$24,949,230</u>	<u>\$3,617,874</u>	<u>\$1,637,219</u>	<u>\$1,928,420</u>

Capital Projects Funds

East of 101 Traffic Impact Fees	Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$5,927,618	\$2,483,494	\$1,059,151	\$17,658,721	\$18,342,254	\$71,352,132
				76,661	4,671,201
17,233	6,201	5,377		42,254	145,111
				895,315	2,263,266
					1,134
				178,559	612,282
				1,900,000	1,900,000
<u>\$5,944,851</u>	<u>\$2,489,695</u>	<u>\$1,064,528</u>	<u>\$17,658,721</u>	<u>\$21,435,043</u>	<u>\$80,945,126</u>
				\$195,899	\$1,589,308
					2,454,423
				9,250	735,754
		\$991,644		872,480	1,939,124
				723,467	3,140,041
				100	100
		991,644		1,801,196	9,858,750
					219,545
					219,545
					1,134
\$5,944,851	\$2,489,695	72,884	\$11,758,721	19,633,847	43,437,361
					2,536,790
			5,900,000		7,646,583
					17,244,963
<u>5,944,851</u>	<u>2,489,695</u>	<u>72,884</u>	<u>17,658,721</u>	<u>19,633,847</u>	<u>70,866,831</u>
<u>\$5,944,851</u>	<u>\$2,489,695</u>	<u>\$1,064,528</u>	<u>\$17,658,721</u>	<u>\$21,435,043</u>	<u>\$80,725,581</u>

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**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total fund balances reported on the governmental funds balance sheet	\$70,866,831
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	228,171,088
Revenues which are deferred on the Fund Balance Sheets, because they are not available currently, are taken into revenue in the Statement of Activities.	219,545
Internal service funds are used by management to charge the cost of management of communication, telephone, building, fleet maintenance, equipment replacement, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Position.	(15,727,098)
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the funds:	
Long-term debt	(11,370,152)
Deferred outflows related pension	10,262,420
Net Pension Liability	(111,676,255)
Deferred inflows related to pension	(21,029,943)
Non-current portion of compensated absences	(4,277,093)
Net position of governmental activities	\$145,439,343

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds	
			Capital Improvement	East of 101 Sewer Impact Fees
REVENUES				
Property taxes	\$23,079,858			
Sales taxes	15,284,011			
Transient occupancy taxes	12,947,473			
Franchise Fees	3,743,656			
Other taxes	4,906,400			
Intergovernmental	7,537,766		\$565,896	
Interest and rentals	2,866,296	\$332,178		\$12,837
Licenses and permits	4,795,158			
Charges for services	8,695,265			459,624
Fines and forfeitures	1,221,413			
Other	222,611	2,037,940	11,652	
Total Revenues	85,299,907	2,370,118	577,548	472,461
EXPENDITURES				
Current:				
City Council	221,155			
City Clerk	426,410			
City Treasurer	102,576			
City Attorney	861,747			
City Manager	1,223,159			
Finance	1,982,911			
Non-departmental	1,075,055			2,500
Human Resources	1,266,571			
Fire	21,247,989			
Police	23,512,560			
Public Works	4,564,498		10,014,584	
Parks and Recreation	11,826,407			
Library	4,247,650			
Economic and Community Development	4,246,016	769,724	128,438	
Other				
Debt service:				
Principal repayments				
Total Expenditures	76,804,704	769,724	10,143,022	2,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,495,203	1,600,394	(9,565,474)	469,961
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4C)	1,955,824		9,881,403	
Transfers out (Note 4C)	(9,698,911)	(290,798)		(16,191)
Total Other Financing Sources (Uses)	(7,743,087)	(290,798)	9,881,403	(16,191)
Net Change in Fund Balances	752,116	1,309,596	315,929	453,770
Fund balances (deficits) - July 1	20,529,259	2,227,767	(27,375)	(494,229)
Fund balances (deficits) - June 30	\$21,281,375	\$3,537,363	\$288,554	(\$40,459)

See accompanying notes to financial statements

Capital Projects Funds

East of 101 Traffic Impact Fees	Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve Fund	Other Governmental Funds	Total Governmental Funds
				\$1,570,790	\$24,650,648
					15,284,011
					12,947,473
					3,743,656
				1,393,938	6,300,338
				2,349,409	10,453,071
\$50,753	\$18,701		\$94,084	157,117	3,531,966
					4,795,158
1,411,851	477,806	\$1,049,546		1,293,620	13,387,712
					1,221,413
			257,637	2,130,828	4,660,668
<u>1,462,604</u>	<u>496,507</u>	<u>1,049,546</u>	<u>351,721</u>	<u>8,895,702</u>	<u>100,976,114</u>
					221,155
					426,410
					102,576
					861,747
					1,223,159
					1,982,911
	2,500			3,385	1,083,440
					1,266,571
					21,247,989
				99,183	23,611,743
2,500				1,341,489	15,923,071
					11,826,407
					4,247,650
				773,330	5,917,508
				480,290	480,290
				352,674	352,674
<u>2,500</u>	<u>2,500</u>			<u>3,050,351</u>	<u>90,775,301</u>
<u>1,460,104</u>	<u>494,007</u>	<u>1,049,546</u>	<u>351,721</u>	<u>5,845,351</u>	<u>10,200,813</u>
			6,146,000		17,983,227
<u>(2,311,180)</u>		<u>(1,049,547)</u>		<u>(6,350,475)</u>	<u>(19,717,102)</u>
<u>(2,311,180)</u>		<u>(1,049,547)</u>	6,146,000	<u>(6,350,475)</u>	<u>(1,733,875)</u>
(851,076)	494,007	(1)	6,497,721	(505,124)	8,466,938
<u>6,795,927</u>	<u>1,995,688</u>	<u>72,885</u>	<u>11,161,000</u>	<u>20,138,971</u>	<u>62,399,893</u>
<u>\$5,944,851</u>	<u>\$2,489,695</u>	<u>\$72,884</u>	<u>\$17,658,721</u>	<u>\$19,633,847</u>	<u>\$70,866,831</u>

CITY OF SOUTH SAN FRANCISCO
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$8,466,938

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.

Capital assets additions	8,215,527
Retirement and adjustment of capital assets	72,512
Current year depreciation	(8,272,523)

Long-Term Debt Payments

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

Repayment of principal is added back to fund balance	352,674
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Accrual of Non-Current Items

The amount below included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	(215,721)
Unavailable revenue	219,545
Net pension liability, and deferred outflows and inflows of resources	1,160,921

Allocation of Internal Service Fund Activity

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.

(1,446,333)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$8,553,540

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Resources (inflows):				
Property taxes	\$20,706,506	\$22,513,706	\$23,079,858	\$566,152
Sales taxes	14,538,910	14,984,010	15,284,011	300,001
Transient occupancy taxes	10,684,772	11,434,772	12,947,473	1,512,701
Franchise fees	3,248,000	3,248,000	3,743,656	495,656
Other taxes	4,047,000	4,047,000	4,906,400	859,400
Intergovernmental	6,117,712	7,555,581	7,537,766	(17,815)
Interest and rentals	2,931,500	2,931,500	2,866,296	(65,204)
Licenses and permits	3,296,854	3,746,854	4,795,158	1,048,304
Charges for services	8,024,940	8,546,602	8,695,265	148,663
Fines and forfeitures	1,088,500	1,088,500	1,221,413	132,913
Other	249,248	249,248	222,611	(26,637)
	<u>74,933,942</u>	<u>80,345,773</u>	<u>85,299,907</u>	<u>4,954,134</u>
Amounts available for appropriation				
Charges to appropriations (outflows)				
City Council	192,249	221,157	221,155	2
City Clerk	507,564	426,412	426,410	2
City Treasurer	122,094	102,578	102,576	2
City Attorney	764,998	861,748	861,747	1
City Manager	1,048,202	1,241,375	1,241,376	(1)
Finance	1,900,235	2,009,383	2,009,381	2
Non-departmental	1,086,315	1,138,949	1,138,950	(1)
Human Resources	1,038,521	1,318,103	1,318,106	(3)
Fire	19,800,676	21,247,990	21,247,989	1
Police	22,572,274	23,671,829	23,671,829	
Public Works	4,199,327	5,069,989	5,069,994	(5)
Parks and Recreation	12,145,993	11,851,925	11,851,923	2
Library	4,406,354	4,302,688	4,302,691	(3)
Economic and Community Development	4,524,355	4,798,608	4,798,606	2
	<u>74,309,157</u>	<u>78,262,734</u>	<u>78,262,733</u>	<u>1</u>
Total charges to appropriations				
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4C)	1,121,909	2,453,757	1,955,824	(497,933)
Transfers out (Note 4C)	(1,650,250)	(6,022,944)	(9,698,911)	(3,675,967)
	<u>(528,341)</u>	<u>(3,569,187)</u>	<u>(7,743,087)</u>	<u>(4,173,900)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	<u>\$96,444</u>	<u>(\$1,486,148)</u>	<u>(705,913)</u>	<u>\$780,235</u>
Fund Balance - July 1			20,529,259	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>1,458,029</u>	
Fund Balance - June 30			<u>\$21,281,375</u>	

See accompanying notes to financial statements

CITY OF SOUTH SAN FRANCISCO
LOW AND MODERATE INCOME HOUSING ASSETS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	\$194,518	\$332,178	\$137,660
Other	506,000	2,037,940	1,531,940
Total Revenues	700,518	2,370,118	1,669,600
EXPENDITURES:			
Current:			
Economic and Community Development	587,806	769,724	(181,918)
Total Expenditures	587,806	769,724	(181,918)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	112,712	1,600,394	1,487,682
OTHER FINANCING SOURCES (USES)			
Transfers out	(291,029)	(290,798)	231
Total other financing sources (uses)	(291,029)	(290,798)	231
NET CHANGE IN FUND BALANCE	(\$178,317)	1,309,596	\$1,487,913
Fund balance - July 1		2,227,767	
Fund balance - June 30		\$3,537,363	

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of *major funds* established by GASB Statement 34 extends to Proprietary Funds. The City reported all enterprise funds as major proprietary funds.

GASB 34 does not provide for the disclosure of budget versus actual comparisons regarding proprietary funds that are major funds.

SEWER ENTERPRISE FUND

This fund accounts for user charges and debt proceeds supporting the operation, maintenance, and capital expansion of the wastewater collection and treatment system.

PARKING DISTRICT FUND

This fund accounts for meter and parking permit fees used to acquire and maintain parking facilities.

STORM WATER FUND

This fund accounts for user charges sustaining the Storm Water Management Program mandated by state and federal authorities.

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments (Note 2)	\$16,091,716	\$1,646,474	\$1,132,432	\$18,870,622	\$18,254,000
Receivables:					
Accounts	841,938			841,938	80,452
Accrued interest	34,560	4,222	2,384	41,166	55,604
Due from other funds (Note 4A)					100
Deposit					203,510
Total current assets	<u>16,968,214</u>	<u>1,650,696</u>	<u>1,134,816</u>	<u>19,753,726</u>	<u>18,593,666</u>
Noncurrent assets:					
Capital assets: (Note 3)					
Nondepreciable	7,503,124	1,023,320	8,582	8,535,026	34,854
Depreciable, net accumulated depreciation	<u>106,352,859</u>	<u>11,291,402</u>	<u>82,603</u>	<u>117,726,864</u>	<u>5,097,667</u>
Total non-current assets	<u>113,855,983</u>	<u>12,314,722</u>	<u>91,185</u>	<u>126,261,890</u>	<u>5,132,521</u>
Total Assets	<u>130,824,197</u>	<u>13,965,418</u>	<u>1,226,001</u>	<u>146,015,616</u>	<u>23,726,187</u>
Deferred Outflow					
Related to pension (Note 7)	<u>1,140,269</u>			<u>1,140,269</u>	
LIABILITIES					
Current liabilities:					
Accounts payable	226,553	6,215	28,618	261,386	334,715
Other payable	146,121			146,121	18,769
Accrued interest payable	819,891			819,891	
Deposits payable	7,500			7,500	
Accrued insurance loss (Note 11)					712,000
Compensated absences obligation (Note 1K)	234,944	7,294	321	242,559	824,803
Current portion of long-term debt (Note 5)	<u>4,420,781</u>			<u>4,420,781</u>	<u>547,574</u>
Total current liabilities	<u>5,855,790</u>	<u>13,509</u>	<u>28,939</u>	<u>5,898,238</u>	<u>2,437,861</u>
Noncurrent liabilities:					
Accrued insurance losses (Note 11)					10,632,000
Compensated absences obligation (Note 1K)	231,052	4,132	38,408	273,592	534,885
Net OPEB obligation (Note 9)					23,810,700
Noncurrent portion of long-term debt (Note 5)	43,242,832			43,242,832	2,238,998
Net pension liability (Note 7)	<u>12,408,473</u>			<u>12,408,473</u>	
Total noncurrent liabilities	<u>55,882,357</u>	<u>4,132</u>	<u>38,408</u>	<u>55,924,897</u>	<u>37,216,583</u>
Total Liabilities	<u>61,738,147</u>	<u>17,641</u>	<u>67,347</u>	<u>61,823,135</u>	<u>39,654,444</u>
Deferred Inflow					
Related to pension (Note 7)	<u>2,336,660</u>			<u>2,336,660</u>	
NET POSITION:					
Net investment in capital assets	66,192,370	12,314,722	91,185	78,598,277	2,345,949
Unrestricted (deficit)	<u>1,697,289</u>	<u>1,633,055</u>	<u>1,067,469</u>	<u>4,397,813</u>	<u>(18,274,206)</u>
Total Net Position	<u>\$67,889,659</u>	<u>\$13,947,777</u>	<u>\$1,158,654</u>	<u>82,996,090</u>	<u>(\$15,928,257)</u>

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

(201,159)

\$82,794,931

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$19,758,143		\$405,540	\$20,163,683	\$21,654,166
Other cities' participation	6,159,937			6,159,937	
Permit fees	39,890			39,890	
Parking fees		\$819,051		819,051	
Total Operating Revenues	25,957,970	819,051	405,540	27,182,561	21,654,166
OPERATING EXPENSES					
Personnel expenses	7,166,011	247,737	856,201	8,269,949	13,849,236
Professional services	3,960,910	7,749	33,671	4,002,330	418,847
OPEB expenses	1,070,084	33,441		1,103,525	2,842,525
Program supplies	1,123,158	44,428	248,426	1,416,012	1,345,892
Insurance	122,846	1,052	2,154	126,052	1,008,927
Self-insurance and claims					2,582,118
Repair and maintenance	1,030,969	93	25,790	1,056,852	514,814
Rents and leases	1,592,100			1,592,100	
Utilities	1,257,661	46,399	9,092	1,313,152	35,394
Administration	1,296,524	102,674	46,649	1,445,847	
Depreciation	3,785,150	259,087	16,940	4,061,177	718,608
Other	10,409		1,634	12,043	244,327
Total Operating Expenses	22,415,822	742,660	1,240,557	24,399,039	23,560,688
Operating Income (Loss)	3,542,148	76,391	(835,017)	2,783,522	(1,906,522)
NONOPERATING REVENUES (EXPENSES)					
Interest income	106,830	12,652	7,392	126,874	159,269
Gain on dispositions of capital assets					72,216
Interest expense	(1,320,905)			(1,320,905)	(101,156)
Other	82,750		2,100	84,850	38,028
Total Nonoperating Revenues (Expenses)	(1,131,325)	12,652	9,492	(1,109,181)	168,357
Income (loss) before transfers	2,410,823	89,043	(825,525)	1,674,341	(1,738,165)
TRANSFERS					
Transfers in (Note 4C)	16,191		1,420,000	1,436,191	1,326,275
Transfers out (Note 4C)	(6,883)			(6,883)	(1,021,708)
Change in Net Position	2,420,131	89,043	594,475	3,103,649	(1,433,598)
Net Position (Deficits) - July 1, as adjusted (Note 1R)	65,469,528	13,858,734	564,179	79,892,441	(14,494,659)
Net Position (Deficits) - June 30	\$67,889,659	\$13,947,777	\$1,158,654	\$82,996,090	(\$15,928,257)
			Change in Net Position	\$3,103,649	
			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	12,735	
			Change in Net Position of Business-Type Activities	<u>\$3,116,384</u>	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Enterprise	Parking District	Storm Water	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$25,949,948	\$819,051	\$407,640	\$27,176,639	
Cash payment to suppliers for goods and services	(11,520,813)	(241,124)	(350,626)	(12,112,563)	(\$14,421,726)
Cash payment to employees for services	(7,236,280)	(249,296)	(848,496)	(8,334,072)	(14,687,245)
Cash received from interfund service provided					22,636,767
Cash payment for judgments and claims					(1,310,118)
Other payments					(29,555)
Net Cash Provided by (Used in) Operating Activities	<u>7,192,855</u>	<u>328,631</u>	<u>(791,482)</u>	<u>6,730,004</u>	<u>(7,811,877)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments from other funds					8,900
Transfers in	16,191		1,420,000	1,436,191	1,326,275
Transfers out	(6,883)			(6,883)	(1,021,708)
Net Cash Provided by Noncapital Financing Activities	<u>9,308</u>		<u>1,420,000</u>	<u>1,429,308</u>	<u>313,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(4,312,405)			(4,312,405)	(530,264)
Interest paid on long-term debt	(1,399,037)			(1,399,037)	(101,156)
Acquisition of capital assets, net	(607,194)			(607,194)	(249,475)
Proceeds from the sale of capital assets					72,216
Net Cash Used in Capital and Related Financing Activities	<u>(6,318,636)</u>			<u>(6,318,636)</u>	<u>(808,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	108,653	12,027	6,774	127,454	188,576
Net Cash Provided by Investing Activities	<u>108,653</u>	<u>12,027</u>	<u>6,774</u>	<u>127,454</u>	<u>188,576</u>
Net Increase (Decrease) in cash and cash equivalents	992,180	340,658	635,292	1,968,130	(8,118,513)
Cash and cash equivalents, beginning	15,099,536	1,305,816	497,140	16,902,492	26,372,513
Cash and cash equivalents, ending	<u>\$16,091,716</u>	<u>\$1,646,474</u>	<u>\$1,132,432</u>	<u>\$18,870,622</u>	<u>\$18,254,000</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$3,542,148	\$76,391	(\$835,017)	\$2,783,522	(\$1,906,522)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	3,785,150	259,087	16,940	4,061,177	718,608
Other non-operating revenue (expenses)	82,750		2,100	84,850	38,028
Net change in assets and liabilities:					
Accounts and lease receivables	(90,772)			(90,772)	(55,427)
Prepaid items					1,000,000
Accounts payable	77,591	(5,288)	16,790	89,093	(947,149)
Other payable	(133,743)			(133,743)	18,769
Accrued insurance losses					1,272,000
OPEB obligations					(8,011,000)
Compensated absence obligations	58,723	(1,559)	7,705	64,869	60,816
(Decrease) increase due to retirement system	(128,992)			(128,992)	
Net Cash Provided by (Used in) Operating Activities	<u>\$7,192,855</u>	<u>\$328,631</u>	<u>(\$791,482)</u>	<u>\$6,730,004</u>	<u>(\$7,811,877)</u>

See accompanying notes to basic financial statements

FIDUCIARY FUND

An agency fund is used to account for assets held by the City acting as an agent for another government entity. The financial activity of this fund, excluded from the Entity-wide financial statements, is presented in a separate Fiduciary Fund financial statement.

SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

The Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of South San Francisco.

SSF EMPLOYEE DEFERRED COMP TRUST OVERSIGHT FUND

This fund is used to pay for the administrative costs of monitoring the Deferred Compensation Funds on behalf of City employees.

**CITY OF SOUTH SAN FRANCISCO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	Successor Agency Private Purpose Trust Fund	Agency Fund SSF Employee Def Comp Trust Oversight
ASSETS		
Cash and investments (Note 2)	\$6,761,071	\$49,140
Accounts receivable	2,877	
Accrued interest receivable	16,547	134
Advances to the City (Note 5)	11,370,152	
Loans receivable (Note 13B)	273,581	
Restricted cash and investments (Note 2)	84,160,610	
Capital assets (Note 13C):		
Nondepreciable	52,769,724	
Depreciable, net accumulated depreciation	3,072,416	
Total Assets	\$158,426,978	\$49,274
LIABILITIES		
Accounts payable	\$13,395	\$231
Accrued interest payable	968,501	
Deposits	37,519	
Other accrued liability		49,043
Noncurrent portion of pollution remediation (Note 13E)	537,000	
Long-term debt (Note 13D):		
Due within one year	1,925,000	
Due in more than one year	57,590,000	
Total Liabilities	61,071,415	\$49,274
NET POSITION		
Held in trust for other purposes	\$97,355,563	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015**

	Successor Agency Private Purpose Trust Fund
ADDITIONS	
Intergovernmental	\$8,645,608
Interest and rentals	1,420,614
Other	5,000
Total Additions	10,071,222
 DEDUCTIONS	
Economic and Community Development	1,162,371
Interest expense	3,859,405
Depreciation	87,061
Total Deductions	5,108,837
Change in net position	4,962,385
 NET POSITION HELD IN TRUST FOR OTHER PURPOSES	
Beginning of the year	92,393,178
End of the year	\$97,355,563

See accompanying notes to financial statements

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CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description of the Financial Reporting Entity*

As required by generally accepted accounting principles, the financial statements present the City of South San Francisco (the City) as the Primary Government, with its component units for which the City is considered financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

B. *Description of Blended Component Units*

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component units, entities for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City. The City's following blended component units are described below.

The **City of South San Francisco Capital Improvements Financing Authority** is a joint exercise of powers authority created in 1991 between the City and the City of South San Francisco former Redevelopment Agency. The Financing Authority is authorized to borrow money through the purchase or issuance of bonds, notes, or other obligations for the purpose of making loans to the City and other public entities to finance capital improvements. The City Council members serve as the Board of Directors.

C. *Description of Discrete Component Unit*

The **City of South San Francisco Conference Center Authority** was established in 1992 to manage and operate the South San Francisco Conference Center. The Authority is governed by a Board of nine commissioners consisting of two Council members and seven representatives from various businesses appointed by City Council.

The Authority does not meet the criteria of a blended component unit, since the City Council is not the component unit's governing body and the Authority does not provide services entirely to the City. However the City is financially accountable and is able to impose its will on the Authority. The Authority is therefore considered a discrete component unit with its financial data reported separately from the financial data of the City.

The City of South San Francisco Conference Center Authority financial statements may be obtained from the Authority at 255 South Airport Boulevard, South San Francisco, CA 94080.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation

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. Interfund transfers and amounts owed between funds within the primary government have been eliminated from the statements. Amounts representing interfund services and uses remain in the statements. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are 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 segment of the business-type activities of the City and for each function of the City's governmental activities. 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 (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) 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.

E. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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

General Fund – Accounts for resources traditionally associated with government, such as administration, public safety, library, parks, maintenance, and recreation, outside of those accounted for in other funds.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Low and Moderate Income Housing Asset Special Revenue Fund – This fund was established to account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City.

Capital Improvement Capital Projects Fund - Accounts for expenditures associated with the acquisition, construction, or improvement of City-owned facilities and infrastructure. Funding comes from the General Fund, Special Revenue funds, grants and fees.

East of 101 Sewer Impact Fees Capital Projects Fund – These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

East of 101 Traffic Impact Fees Capital Projects Fund – These fees are to provide new developments share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area.

Child Care Impact Fees Capital Projects Fund – These citywide fees provide new development's share of new and expanded childcare facilities to serve the City.

Developer Deposits Capital Projects Fund – Accounts for a deposit by a large corporation for various capital projects the developer agreed to fund.

Capital Infrastructure Reserve Fund – Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

The City reported all enterprise funds as major funds in the accompanying financial statements. The enterprise funds are:

Sewer Enterprise Fund - Accounts for user charges and debt proceeds supporting the operation, maintenance, and capital expansion of the wastewater collection and treatment system.

Parking District Fund - Accounts for meter and parking permit fees used to acquire and maintain parking facilities.

Storm Water Fund - Accounts for user charges sustaining the Storm Water Management Program mandated by state and federal authorities.

The City also reports the following fund types:

Internal Service Funds - These funds account for City services, self insurance, health and retirement benefits, and equipment replacement; all of which are provided to other departments on a cost-reimbursement basis.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds - An agency fund is used to account for assets held by the City as an agent for SSF Employee Deferred Comp Trust Oversight Fund. The Successor 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 the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

F. Basis of Accounting

The government-wide, proprietary, private-purpose trust fund, and discretely presented component unit 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.

The agency funds which only report assets and liabilities and do not have a measurement focus.

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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, interest revenue, licenses and permits, charges for services, fines and forfeitures. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes are recognized as revenue when the cash is received.

Non-exchange 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 the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenue. Thus, both restricted and unrestricted net position may be made 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.

The City considers restricted shared state revenues such as gasoline taxes and public safety sales taxes, restricted locally imposed transportation sales taxes, fines, forfeitures, licenses, permits, charges for services, and program grants as program revenues.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Budgets, Budgetary Accounting, and Encumbrances*

The City is not legally required to budget any of its funds, but does so to enhance City management's effectiveness in their financial planning efforts and to enhance control over the City's operations. Budgets are adopted on a modified accrual basis, except for encumbrances and for the Capital Improvement Fund. Encumbrances are considered expenditures in the year of the purchase order issuance. The Capital Improvement Fund is adopted on a multi-year project basis with unexpended and unencumbered budgets reappropriated in the following year. The City operates under the general laws of the State of California (the State) and annually adopts a budget effective July 1 for the ensuing fiscal year for the General fund; Special Revenue funds; Capital Projects funds except for the Developer Deposits Capital Projects Fund; and Enterprise funds.

The budget is adopted by the City Council and controlled at the department level for the General fund and at the fund level or lower for all other funds with adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The department heads may authorize transfers within one object category within the same department within a fund. The City Manager may authorize transfers between object categories and departments within a fund.

All appropriations lapse at year-end, except for capital projects and encumbrances. Original adopted budgets and final amended budgets are presented in the basic financial statements. Supplementary budget appropriations were necessary during the year ended June 30, 2015.

Encumbrance accounting, under which, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances are reappropriated in the following year.

The budgetary comparison statements present comparisons of the legally adopted budget with actual charges to appropriations on a budgetary basis. In order to provide a meaningful comparison, the actual charges on a budgetary basis include encumbrances, which is a basis that differs significantly from those used to present financial statements in conformity with generally accepted accounting principles.

Certain indirect costs are included in program expenses reported for individual functions and activities.

H. *Cash Equivalents* - For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with maturity of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool that is available for use by all funds. As the proprietary funds' share of this pool is readily available when needed, such share is also considered to be cash equivalent. Deposit assets in the proprietary funds are related to insurance and benefits and are not considered cash equivalents for purposes of the statement of cash flows.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. *Inventory and Prepaid Items*** - consist of consumable supplies. Inventory is stated at cost (first-in, first-out method). The costs are recorded as expenditures at the time the individual inventory or prepaid item is consumed. Reported inventory and prepaid items are equally offset by a fund balance reservation, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.
- J. *Capital Assets*** - All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Buildings	50 years
Clean water facilities and transmission lines	40 years
Improvements	30 years
Machinery and equipment	5-20 years
Furniture and fixtures	12 years
Infrastructure	20-40 years

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. The capitalization level is \$20,000 for vehicles, and \$100,000 for all else, including all other equipment that is not a vehicle.

- K. *Vacation and Sick Pay*** - are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. After five to twenty years of employment, one half of accumulated sick leave becomes vested, up to a maximum amount as specified under labor contract provisions. The vested portion is available for current use or, if unused, is payable at termination or retirement.

The long-term portion of the liability for compensated absences for governmental fund type operations is recorded as compensated absences in the government-wide financial statements. The portion expected to be permanently liquidated is recorded in the Health and Retirement Benefits Internal Service Fund. Proprietary fund liabilities are recorded within their respective funds.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$5,360,244	\$451,282	\$5,811,526
Additions	3,642,693	355,008	3,997,701
Payments	(3,366,156)	(290,139)	(3,656,295)
Ending Balance	<u>\$5,636,781</u>	<u>\$516,151</u>	<u>\$6,152,932</u>
Current Portion	<u>\$3,459,871</u>	<u>\$242,559</u>	<u>\$3,702,430</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the Health and Retirement Benefits Internal Service Fund.

- L. *Property Tax Levy, Collection and Maximum Rates*** - State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts. The County of San Mateo assesses properties, bills for and collects property taxes on the schedule that follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. *Land 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).
- N. *Unbilled Services*** - for the Sewer Rental Enterprise Fund are accrued at year-end.
- O. *Use of Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.
- P. *Deferred Outflows/Inflows of Resources*** - In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance 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 financial position or balance sheet reports 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.
- Q. *New Accounting Pronouncements***
- GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. 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 pension expense.
- GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The intention of this Statement is to improve the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.
- GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intention of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. *Prior Period Adjustment*

The implementation of GASB Statements No. 68 and No. 71 required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities and Business-Type Activities were reduced by \$123,604,699 and \$13,733,856, respectively. See Note 7 for additional information.

NOTE 2 - CASH AND INVESTMENTS

The City's goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time.

A. *Policies*

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

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.

B. *Classification*

Cash and investments as of June 30, 2015 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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

Financial Statement Presentation:	
Statement of Net Position:	
City of South San Francisco:	
Cash and investments available for operations	\$108,476,754
Restricted cash and investments	612,282
Total Primary Government cash and investments	109,089,036
Statement of Fiduciary Assets:	
Cash and investments available for operations	6,810,211
Restricted cash and investments	84,160,610
Total Fiduciary cash and investments	90,970,821
Conference Center:	
Cash and investments available for operations	2,576,504
Restricted cash and investments	488,075
Total South San Francisco	
Conference Center cash and investments	3,064,579
Total cash and investments	\$203,124,436

The City does not allocate investments by fund. Each proprietary fund's portion of Cash and Investments Available for Operations is in substance a demand deposit available to finance operations, and is considered a cash equivalent in preparing the statement of cash flows.

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

The City's investment policy and the California Government Code allow the City to invest in the following provided the credit ratings of the issuers are acceptable to the City and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	No Limit	25%
Commercial Paper	270 days	A1,P1	10%	5%
Repurchase Agreements	90 days	AA	No Limit	No Limit
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$50 million	No Limit
Money Market Mutual Funds	N/A	Highest Rating Category	20%	10%
FDIC Insured Corporate Notes	5 years	N/A	No Limit	25%

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City of South San Francisco Conference Center Authority (Authority) maintains its cash and investments separately from the City. The investment policy of the Authority contains no limitations on the amount that can be invested in any one issue beyond that stipulated by the California Government Code.

D. Investments Authorized by Debt Agreements

The Successor Agency to the former Redevelopment Agency must maintain required amounts o/f cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	N/A	N/A	No Limit
Commercial Paper	270 days	Highest Rating Category	No Limit
State and Local Investment Pool	N/A	Highest Rating Category	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	AAA	No Limit
Municipal Obligations	N/A	Highest Rating Category	No Limit
State Obligations	N/A	Two Highest Rating Categories	No Limit

(A) Guaranteed Investment Contracts must be fully collateralized with U.S. Treasury Obligations or U.S. Agency Obligations.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City of South San Francisco Conference Center Authority 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 Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with the Authority's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	N/A	N/A	10%
Negotiable Certificates of Deposit	N/A	A	No Limit
Commercial Paper	N/A	Aaa	No Limit
Corporate Notes	N/A	A	No Limit
Money Market	N/A	N/A	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	AAA	No Limit

(A) Guaranteed Investment Contracts must be fully collateralized with U.S. Treasury Obligations or U.S. Agency Obligations.

E. 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. The City also manages its interest rate risk is by holding most investments to maturity, thus reversing unrealized market gains and losses.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Remaining maturity		Total
	Less than 1 year	One to Five Years	
<i>City and Fiduciary:</i>			
U.S. Agency Securities			
Non-callable	\$4,942,418	\$51,673,878	\$56,616,296
U.S. Treasury Notes	11,094,789	72,214,723	83,309,512
Local Agency Investment Fund	33,826,147		33,826,147
Money Market Funds	15,571,780		15,571,780
Guaranteed Investment Agreements		3,099,750	3,099,750
Cash in Banks	7,628,960		7,628,960
Cash on Hand	7,412		7,412
<i>South San Francisco Conference Center:</i>			
Local Agency Investment Fund	2,124,565		2,124,565
U.S. Agency Securities	488,075		488,075
Cash in Banks	451,840		451,840
Cash on Hand	99		99
	<hr/>	<hr/>	<hr/>
Total Cash and Investments	<u>\$76,136,085</u>	<u>\$126,988,351</u>	<u>\$203,124,436</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2015, these investments have an average maturity of 239 days.

Money market funds are available for withdrawal on demand and as of June 30, 2015 have an average maturity of 48 days.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. 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. Presented below is the actual rating as of June 30, 2015, for each of the Primary Government's investment types as provided by Moody's investment rating system, except as noted:

Investment Type	AAA	AAA-mf	Not Rated	Total
City and Fiduciary:				
U.S. Agency Securities				
Non-callable	\$56,616,296			\$56,616,296
U.S. Treasury Notes	83,309,512			83,309,512
Money Market Funds		\$15,571,780		15,571,780
Totals	139,925,808	15,571,780		155,497,588
Not rated:				
Guaranteed Investment Agreements			\$3,099,750	3,099,750
Local Agency Investment Fund			33,826,147	33,826,147
Cash in Banks			7,628,960	7,628,960
Cash on Hand			7,412	7,412
South San Francisco Conference Center:				
U.S. Agency Securities	488,075			488,075
Not rated:				
Local Agency Investment Fund	2,124,565			2,124,565
Cash in Banks	451,840			451,840
Cash on Hand	99			99
Total Cash and Investments	\$142,990,387		\$44,562,269	\$203,124,436

G. Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments are as follows at June 30, 2015:

Issuer	Investment Type	Amount
Federal National Mortgage Association	Federal agency securities	\$16,119,250
Federal Home Loan Bank	Federal agency securities	13,926,508
Federal Home Loan Mortgage Corporation	Federal agency securities	18,605,083

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 3 - CAPITAL ASSETS

A. Capital Asset Changes – Changes in capital assets during the fiscal year consist of:

	Balance June 30, 2014	Additions	Retirements	Adjustments	Transfers	Balance June 30, 2015
Governmental activities						
Capital assets not being depreciated:						
Land	\$47,563,435					\$47,563,435
Construction in Progress	10,281,770	\$8,215,527		(\$14,549)	(\$126,743)	18,356,005
Total capital assets not being depreciated	57,845,205	8,215,527		(14,549)	(126,743)	65,919,440
Capital assets being depreciated:						
Buildings and Improvements	84,829,214				126,743	84,955,957
Infrastructure - Streets	183,079,365					183,079,365
Infrastructure - Storm Drains	8,927,492					8,927,492
Infrastructure - Traffic Control Devices	5,138,138					5,138,138
Equipment and Vehicle	6,454,247					6,454,247
Furniture and Fixtures	1,837,554					1,837,554
Total capital assets being depreciated	290,266,010				126,743	290,392,753
Less accumulated depreciation for:						
Buildings and Improvements	(28,274,458)	(2,289,556)		83,745		(30,480,269)
Infrastructure - Streets	(79,815,129)	(5,336,974)				(85,152,103)
Infrastructure - Storm Drains	(2,548,561)	(204,500)				(2,753,061)
Infrastructure - Traffic Control Devices	(2,219,923)	(183,199)				(2,403,122)
Equipment and Vehicle	(5,739,649)	(200,846)		2,707		(5,937,788)
Furniture and Fixtures	(1,357,923)	(57,448)		609		(1,414,762)
Total accumulated depreciation	(119,955,643)	(8,272,523)		87,061		(128,141,105)
Net Governmental Fund Capital Assets Being Depreciated	170,310,367	(8,272,523)		87,061	126,743	162,251,648
Internal Service Fund Capital Assets						
Capital assets not being depreciated:						
Construction in Progress	424,412	34,854			(424,412)	34,854
Total capital assets not being depreciated	424,412	34,854			(424,412)	34,854
Capital assets being depreciated:						
Equipment and Vehicle	13,060,147	214,621	(\$552,680)		424,412	13,146,500
Accumulated depreciation	(7,882,905)	(718,608)	552,680			(8,048,833)
Net Internal Service Fund Capital Assets Being Depreciated	5,177,242	(503,987)			424,412	5,097,667
Governmental activity capital assets, net	\$233,757,226	(\$526,129)		\$72,512		\$233,303,609

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 3 - CAPITAL ASSETS (Continued)

Component Unit:	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
South San Francisco Conference Center				
Buildings and Improvements	\$10,386,536	\$187,298	(\$42,444)	\$10,531,390
Furniture and Fixtures	660,833	47,949	(7,380)	701,402
Machinery and equipment	207,815	38,435	(8,448)	237,802
Total:	11,255,184	273,682	(58,272)	11,470,594
Less accumulated depreciation	(7,302,723)	(430,419)	58,272	(7,674,870)
Component unit, net	\$3,952,461	(\$156,737)		\$3,795,724

	Balance June 30, 2014	Additions	Adjustments	Transfers	Balance June 30, 2015
Business-type activities					
Capital assets, not being depreciated:					
Land	\$1,396,758				\$1,396,758
Construction in Progress	7,356,583	\$607,194	(\$305,463)	(\$520,046)	7,138,268
Total capital assets not being depreciated	8,753,341	607,194	(305,463)	(520,046)	8,535,026
Capital assets being depreciated:					
Buildings and Improvements	66,715,639				66,715,639
Clean Water Facilities and Lines	75,522,774				75,522,774
Infrastructure - Storm Drains	4,773,977				4,773,977
Infrastructure - Streets	7,377,546				7,377,546
Equipment and Vehicle	10,659,072			520,046	11,179,118
Furniture and Fixtures	31,154				31,154
Total capital assets being depreciated	165,080,162			520,046	165,600,208
Less accumulated depreciation for:					
Buildings and Improvements	(11,302,989)	(1,621,200)			(12,924,189)
Clean Water Facilities and Lines	(21,613,675)	(1,888,069)			(23,501,744)
Infrastructure - Storm Drains	(397,830)	(159,132)			(556,962)
Infrastructure - Streets	(1,002,411)	(209,570)			(1,211,981)
Equipment and Vehicle	(9,464,108)	(183,206)			(9,647,314)
Furniture and Fixtures	(31,154)				(31,154)
Total accumulated depreciation	(43,812,167)	(4,061,177)			(47,873,344)
Net capital assets being depreciated	121,267,995	(4,061,177)		520,046	117,726,864
Business-type activity capital assets, net	\$130,021,336	(\$3,453,983)	(\$305,463)		\$126,261,890

B. Capital Asset Contributions - Some capital assets may have been acquired using federal and State grant funds, or were contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 3 - CAPITAL ASSETS (Continued)

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

Governmental Activities

Governmental functions	
General government	\$696,429
Fire	380,538
Police	56,855
Public works	6,587,021
Parks and recreation	388,300
Library	60,903
Economic and community development	<u>102,477</u>
Total Governmental Functions	8,272,523
Internal Service Funds	<u>718,608</u>
Total Governmental Activities	<u><u>\$8,991,131</u></u>

Business-Type Activities

Sewer Enterprise	\$3,785,150
Parking District	259,087
Storm Water	<u>16,940</u>
Total Business-Type Activities	<u><u>\$4,061,177</u></u>

NOTE 4 - INTER-FUND TRANSACTIONS

A. **Internal Balances**

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

B. **Inter-fund Receivables and Payables**

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year.

Due From Other Fund	Due to Other Fund	Amount
Equipment Replacement Internal Service Fund	Supplemental Law Enforcement Services Special Revenue Fund	<u>\$100</u>
		<u><u>\$100</u></u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 4 - INTER-FUND TRANSACTIONS (Continued)

C. Transfers

Resources may be transferred from one City fund to another. Transfers routinely fund capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects. The purpose of majority of these transfers is to reimburse a fund that has made an expenditure on behalf of another fund. Some expenditures reimbursed were for capital projects, debt service, maintenance and operating expenses, and contributions for post employment benefits.

Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

FROM FUND (OUT)	TO FUND (IN)	AMOUNT
General Fund	Capital Improvement Capital Projects Fund	\$2,552,911
	Capital Infrastructure Reserve Capital Projects Fund	6,146,000
	Storm Water Enterprise Fund	750,000
	Health and Retirement Benefits Internal Service Fund	250,000
Low and Moderate Income Housing Assets Fund Special Revenue Fund	Capital Improvement Capital Projects Fund	290,798
East of 101 Sewer Impact Fees Capital Project Fund	Sewer Enterprise Fund	16,191
East of 101 Traffic Impact Fees Capital Project Fund	Capital Improvement Capital Projects Fund	2,311,180
Developer Deposit Capital Projects Funds	Capital Improvement Capital Projects Fund	1,049,547
Non-major Governmental Funds	General Fund	1,941,795
	Capital Improvement Capital Projects Fund	3,662,405
	Storm Water Enterprise Fund	670,000
	City Service Internal Service Fund	76,275
Sewer Enterprise Fund	General Fund	1,029
	Capital Improvement Capital Projects Fund	5,854
Internal Service Fund Equipment Replacement Fund	General Fund	13,000
	Capital Improvement Capital Projects Fund	8,708
	Self-Insurance Internal Service Fund	1,000,000
	Total	

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT

A. Current Year Transactions and Balances

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2015 follows:

	Authorized and Issued	Balance at June 30, 2014	Retirement	Balance at June 30, 2015	Current Portion
Governmental Activities:					
2007 Loans Payable to the Successor Agency (1)		\$11,722,826	\$352,674	\$11,370,152	
Total Governmental Activities Debt		<u>11,722,826</u>	<u>352,674</u>	<u>11,370,152</u>	
Capital Leases (2):					
2008 Two Fire Trucks		450,506	93,293	357,213	\$97,059
2010 Two Ambulances		297,341	81,226	216,115	84,156
2010 Two Fire Trucks		776,718	107,027	669,691	111,296
2013 Fire Truck		1,174,774	117,261	1,057,513	120,378
2014 Sweeper		617,497	131,457	486,040	134,685
Total Capital Leases		<u>3,316,836</u>	<u>530,264</u>	<u>2,786,572</u>	<u>547,574</u>
Net Governmental Long-Term Debt		<u>\$15,039,662</u>	<u>\$882,938</u>	<u>\$14,156,724</u>	<u>\$547,574</u>
Business-Type Activities:					
1999 State Water Resources Loan, 2.6%, due 8/1/22 (3)	\$47,721,252	\$25,969,336	\$2,598,218	\$23,371,118	\$2,665,772
2004 State Water Resources Loan, 2.5%, due 1/1/27 (3)	21,258,529	14,381,916	1,042,504	\$13,339,412	1,068,566
2008 State Water Resources Loan, 2.4%, (4)	9,164,505	7,239,766	406,683	\$6,833,083	416,443
2005 Sewer Revenue Bonds, 2.75 to 5.0%, due 04/30/26 (5)	6,000,000	4,385,000	265,000	\$4,120,000	270,000
Total Enterprise Fund Long-Term Debt	<u>\$84,144,286</u>	<u>\$51,976,018</u>	<u>\$4,312,405</u>	<u>\$47,663,613</u>	<u>\$4,420,781</u>
Component Unit - Conference Center:					
2003 Revenue Bonds, 2.25% to 4.0%, due 9/1/18 (6)	\$5,865,000	\$2,135,000	\$395,000	\$1,740,000	\$410,000
Unamortized refunding loss on 2003 bonds		(103,849)	(26,515)	(77,334)	
Total Conference Center	<u>\$5,865,000</u>	<u>\$2,031,151</u>	<u>\$368,485</u>	<u>\$1,662,666</u>	<u>\$410,000</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

(1) As of June 30, 2015, the Oyster Point Improvements Impact Fund owed Successor Agency (formerly the Merged Redevelopment Project Area Capital Project Fund) for developer fees in the amount of \$11,370,152 for the Flyover and Hookramps Projects that were completed in prior years. The outstanding balance will be paid off from the future developer fees. With the dissolution of the Agency effective January 31, 2012, the Successor Agency assumed the asset which the City is to repay. This payable is recorded as a long-term obligation (see also Note 13). Prior to the dissolution of all Redevelopment Agencies in California by the State, the former Redevelopment Agency (Agency) advanced \$12,176,207 to the Oyster Point Improvement Impact Fee Capital Projects Fund (the Oyster Point Fund). The impact fees are collected according to a fee methodology adopted under the terms of AB 1600. The fees are assessed against commercial development in a specific geographic area that is primarily east of Highway 101 to repay the former Agency for the funds it advanced to the Oyster Point Fund to pay for freeway interchange improvements at Highway 101 and Oyster Point Blvd, and are assessed per an adopted Engineering report's formula that measures each new development's impact on the area's trip traffic. While the former Agency advanced the funds, the impact fee was put in place specifically to charge future developers for their share of traffic trips generated prior to the construction of the improvements. When the Agency was dissolved, the Successor Agency, and therefore, all local taxing entities, are entitled to receive future Oyster Point Impact fees collected by the City from developers. Future developers, not the City of South San Francisco, are legally obligated to pay the future fees until the liability owed to the Successor Agency is paid off as long as the fee continues to be levied and is in place. The repayment has significantly slowed since 2007, as development has subsided and fees assessed have therefore dropped. Management believes it may take 10-30 years or more before the Successor Agency is fully paid back.

(2) The City has entered into long-term **capital leases** with various financing agencies. Under these capital leases, all leased assets shall be distributed to the City at the end of the lease terms and shall thereafter remain the sole property of the City. Therefore, these capital leases have been recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets have been included in the Statement of Net Position as appropriate. Capital lease payments are made from revenues of the Equipment Replacement Internal Service Fund and the General Fund.

(3) The two loans were authorized by the **State Water Resources Control Board** to improve and expand the City's wastewater treatment plant. Loan proceeds were issued as the projects progressed and debt service payments commenced one year after project completion. Sewage treatment user fees support the debt service payments.

(4) **State Water Resources Control Board Loan** – In November 2007, the City approved the \$11.8 million loan agreement with State Water Resources Control Board (SWRCB) to finance the City's Wet Weather Program project. Under the terms of the contract, the City has agreed to repay \$11.8 million to the State in exchange for receiving \$9.2 million in proceeds to be used to fund the Project. The difference between the repayment obligation and proceeds amounted to \$2.6 million and represents in-substance interest on the outstanding balance. Debt service payments commenced on August 15, 2009.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

(5) On October 25, 2005, the California Statewide Communities Development Authority issued **2005D Water and Wastewater Revenue Bonds**. The City participated in the pooled bond sale and the City's portion of debt is \$6,000,000. Proceeds were used to finance sewer system capital improvement. The principal payment on the debt commenced in October 2006 and is due each October 1. Final principal payment is due on October 1, 2026. Interest payment at the rate of 4.457% is payable semi-annually each April 1 and October 1.

The 2005 Water and Wastewater Revenue Bonds are secured by a pledge of net revenues of the City's Enterprise system. Net Revenues available for debt service amounted to \$7.5 million which represented coverage of 16.5 over the \$455,532 in debt service.

(6) On June 1, 2003, the City of South San Francisco Capital Improvement Financing Authority (CIFA) issued \$5,865,000 of **2003 Revenue Bonds**. The CIFA was created through a joint exercise of powers agreement between the City and the City of South San Francisco Financing Authority for the purpose of obtaining financing for capital improvements. The 2003 Revenue Bonds are obligations of the CIFA although the Authority is required to make the bond principal and interest payments in return for the use and ownership of the improvements to the leased buildings that comprise the Conference Center's facilities. The Authority has pledged the \$2.50 tax imposed on the City's hotel occupants on a per day per room basis as the sole source of repayment of these obligations. The 2003 revenue bonds are, in substance, obligations of the Authority and have therefore been recorded as such in these discretely presented component unit financial statements.

The 2003 revenue bonds were issued for the purpose of refunding the 1993 revenue bonds. The refunding reduced required interest payments and did not extend the maturities on the bonds. The advance refunding reduced the Authority's total debt service payments by \$846,859 and resulted in an accounting loss of \$401,345, which has been deferred in accordance with GASB Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities. This loss is being amortized over the remaining life of the old debt and the remaining balance is reported as a deferred outflow of resources. The 2003 revenue bonds bear interest rates ranging from 2.25% to 4.00% and mature on September 1, 2018.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Future debt service requirements, including interest and capital leases, but excludes the 2007 and 2008 Loans payable to the Redevelopment Successor Agency at June 30, 2015, were as follows:

For the Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Conference Center Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$547,574	\$83,845	\$4,420,780	\$609,714	\$410,000	\$80,269
2017	565,475	65,943	4,536,800	1,174,229	425,000	66,444
2018	538,421	47,431	4,660,530	1,060,207	445,000	51,581
2019	381,483	30,743	4,782,037	942,915	460,000	35,644
2020	263,839	20,330	4,906,394	822,328		18,400
2021-2025	489,780	21,066	19,950,357	2,163,285		
2026-2029			4,406,715	154,720		
Totals	<u>\$2,786,572</u>	<u>\$269,358</u>	<u>\$47,663,613</u>	<u>\$6,927,398</u>	<u>\$1,740,000</u>	<u>\$252,338</u>

Certificates of Participation and Capital Leases are issued for the purpose of financing the construction or acquisition of projects defined in each leasing arrangement. Projects are leased to the City for lease payments which, together with unspent proceeds of the leasing arrangement, will be sufficient to meet the debt service obligations of the leasing arrangement. At the termination of the leasing arrangement, title to the project will pass to the City.

Leasing arrangements are similar to debt; they allow investors to participate in a share of guaranteed payments which are made by the City. Because they are similar to debt, the present value of the total of the payments to be made by the City is recorded as long-term debt. The City's leasing arrangements are included in long term obligations discussed above.

A summary of capital assets leased through the issuance of leasing arrangements follows:

Leasing Arrangement	Fund/Activity	Original Cost
Capital Leases	Governmental Activity	<u>\$5,842,799</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 6 - NET POSITION AND FUND BALANCES

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position are divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, 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.

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

B. Fund Balance

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

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

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

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

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 6 – NET POSITION AND FUND BALANCE (Continued)

Assigned fund balances are amounts constrained by the City’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. The City Council had delegated authority to the Finance Director to assign fund balances which are not otherwise restricted or committed. 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.

Minimum Fund Balance Policies - The City’s Reserve Policy is to have the General Fund Reserves equal to at least two months of operating revenues of 15% and up to 20%, which is in alignment with GFOA best practices. Included is an emergency reserve that reflects 2% of the general fund operating expenditures budget as well as an economic contingency which is 7% of general fund revenues. Funds in excess of these requirements will continue to be earmarked for paying down long-term liabilities, such as the Retiree Health/Other Post-Employment Benefits (OPEB) or for Infrastructure and Facilities Replacement needs.

Detailed classifications of the City’s Fund Balances, as of June 30, 2015, are below:

Fund Balance Classifications	General Fund	Low and Moderate Income Housing Assets	Capital Project Funds	
			Capital Improvement	East of 101 Sewer Impact Fees
Nonspendables:				
Items not in spendable form:				
Inventory and prepaid items	\$1,134			
Total Nonspendable Fund Balances	1,134			
Restricted for:				
Low and moderate housing projects		\$3,537,363		
Total Restricted Fund Balances		3,537,363		
Committed for:				
Capital projects	2,536,790			
Total Committed Fund Balances	2,536,790			
Assigned to:				
Encumbrances	1,458,029			
Capital projects			\$288,554	
Total Assigned Fund Balances	1,458,029		288,554	
Unassigned:				
General fund	17,285,422			
Other governmental fund deficit residuals				(\$40,459)
Total Unassigned Fund Balances	17,285,422			(40,459)
Total Fund Balances	\$21,281,375	\$3,537,363	\$288,554	(\$40,459)

(Continued)

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 6 – NET POSITION AND FUND BALANCE (Continued)

Fund Balance Classifications (continued)	Capital Project Funds				Other Governmental Funds
	East of 101 Traffic Impact Fees	Child Care Impact Fees	Developer Deposit	Capital Infrastructure Reserve Fund	
Restricted for:					
Traffic impact fees projects	\$5,944,851				
Child Care impact fees projects		\$2,489,695			
Developer deposit fees projects			\$72,884		
Capital infrastructure projects				\$11,758,721	
Gas Tax projects					\$1,494,307
Developer contributions projects					2,156,211
Community Development Block Grant projects					1,004,770
Maintenance districts projects					1,801,547
Transportation sales tax projects					2,401,758
City programs projects					3,824,282
Other Special Revenues projects					5,407,240
Capital projects activities					1,543,732
Total Restricted Fund Balances	5,944,851	2,489,695	72,884	11,758,721	19,633,847
Committed for:					
Capital projects				5,900,000	
Total Committed Fund Balances				5,900,000	
Total Fund Balances	\$5,944,851	\$2,489,695	\$72,884	\$17,658,721	\$19,633,847

C. Net Deficit

The East of 101 Sewer Impact Fees Capital Projects Fund had net deficit in the amount of \$40,459, at June 30, 2015. Future revenues are expected to offset the deficit.

The Health and Retirement Benefits Internal Service Fund had net deficit in the amount of \$22,974,983 at June 30, 2015. This deficit is attributable to the Net OPEB Obligation described in Footnote 9.

NOTE 7 – PENSION PLANS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 7 – PENSION PLANS (Continued)

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, 2015, are summarized as follows:

	Miscellaneous		
	Classic Plan	Classic Plan	PEPRA Plan
	Prior to April 25, 2010	After April 25, 2010	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.5%
Required employer contribution rates	23.309%	23.309%	23.309%
	Safety		
	Classic Plan	Classic Plan	PEPRA Plan
	Prior to April 25, 2010	After April 25, 2010	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of eligible compensation	3%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	39.027%	39.027%	39.027%

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 7 – PENSION PLAN (Continued)

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	377	257
Inactive employees entitled to but not yet receiving benefits	292	111
Active employees	242	152
Total	911	520

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.

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, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 7 – PENSION PLAN (Continued)

	Miscellaneous & Safety
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter
Mortality	Derived using CalPers Membership Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS deemed the difference immaterial to the agent multiple-employer plans.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 7 – PENSION PLAN (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 geometric 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	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 7 – PENSION PLAN (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan are as follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$188,659,588	\$125,614,993	\$63,044,595
Changes in the year:			
Service cost	3,449,973		3,449,973
Interest on the total pension liability	13,930,544		13,930,544
Differences between actual and expected experience			0
Changes in assumptions			0
Changes in benefit terms			0
Contribution - employer		4,235,454	(4,235,454)
Contribution - employee (paid by employer)			0
Contribution - employee		1,466,176	(1,466,176)
Net investment income		21,712,340	(21,712,340)
Administrative expenses			0
Benefit payments, including refunds of employee contributions	(9,287,975)	(9,287,975)	0
Net changes	<u>8,092,542</u>	<u>18,125,995</u>	<u>(10,033,453)</u>
Balance at June 30, 2014	<u>\$196,752,130</u>	<u>\$143,740,988</u>	<u>\$53,011,142</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$256,002,648	\$170,937,835	\$85,064,813
Changes in the year:			
Service cost	5,143,842		5,143,842
Interest on the total pension liability	18,899,544		18,899,544
Differences between actual and expected experience			0
Changes in assumptions			0
Changes in benefit terms			0
Contribution - employer		6,535,399	(6,535,399)
Contribution - employee (paid by employer)			0
Contribution - employee		2,151,163	(2,151,163)
Net investment income		29,348,051	(29,348,051)
Administrative expenses			0
Benefit payments, including refunds of employee contributions	(13,161,296)	(13,161,296)	0
Net changes	<u>10,882,090</u>	<u>24,873,317</u>	<u>(13,991,227)</u>
Balance at June 30, 2014	<u>\$266,884,738</u>	<u>\$195,811,152</u>	<u>\$71,073,586</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 7 – PENSION PLAN (Continued)

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
1% Decrease	6.50%	-1.00%
Net Pension Liability	\$77,787,495	\$106,517,799
Current Discount Rate	7.50%	0.00%
Net Pension Liability	\$53,011,142	\$71,073,586
1% Increase	8.50%	1.00%
Net Pension Liability	\$32,355,721	\$41,894,599

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

For the year ended June 30, 2015, the City recognized pension expense of \$4,186,544 and \$5,926,232 for the Miscellaneous and Safety Plans, respectively. At June 30, 2015, 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	\$4,210,974	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		(\$9,984,543)
Total	\$4,210,974	(\$9,984,543)

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 7 – PENSION PLAN (Continued)

Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$7,191,715	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		(\$13,382,060)
Total	\$7,191,715	(\$13,382,060)

\$11,402,689 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan:

	Increase (Decrease) in Pension Expense
Year Ended June 30	Pension Expense
2016	(\$2,496,136)
2017	(2,496,136)
2018	(2,496,136)
2019	(2,496,135)

Safety Plan:

	Increase (Decrease) in Pension Expense
Year Ended June 30	Pension Expense
2016	(\$3,345,515)
2017	(3,345,515)
2018	(3,345,515)
2019	(3,345,515)

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 8 - DEFERRED COMPENSATION PLAN

A. *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 it is distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

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 9 – POST-EMPLOYMENT BENEFITS

The City provides certain health care benefits for all employees who retire after attaining age 50 with at least five years of service or disability at any age. The City provides certain health care benefits for those employees hired prior to April 25, 2010. In order to reduce the City's OPEB obligations over time, the City changed to a defined contribution post retirement health plan for employees hired as of April 25, 2010 or after. For those new hires, the City is now providing a medical after retirement health plan (MARA), and contributes 1.5% of salary for those plans.

Benefits are provided as authorized by various memorandums of understanding entered into by the City and its employees. As of June 30, 2015, approximately 341 retirees were eligible to receive benefits. The City provides fully paid medical coverage under various health care plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

**CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)

Eligibility	* Hired < 4/25/2010 * Age 50 and 5 years City service or disability at any age after 5 years service
Medical Benefit	* City pays single premium up to largest HMO single premium. Cap for 2013/2014: - \$978.15/month pre-65 (Blue Shield) - \$512.91/month post-65 Medical eligible (Blue Shield) - \$1,669.85/ month post-65 not Medicare eligible (Kaiser) * Medicare ineligible retirees allowed to stay in their pre-Medicare premium plans after age 65 * City pays premium and reimburses Medicare Part B hired before 4/25/2010 only
Surviving Spouse Benefit	* Participation with premium payment * AFSCME, Local 1569, Mid-Management, IAFF - surviving spouses covered 2 months following death of retiree
Dental, Vision, & Life	None

During fiscal year 2009, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do affect prior years financial statements. Required disclosures are presented below. The City offers retirees a single-employer postemployment benefits plan that is administered by the City. The City's Health and Retirement Benefits Fund hold assets designated for the payment of City's OPEB obligations.

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.

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2013 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 (a) 4.0% investment rate of return if not pre-funded and assets remain in City's own investment portfolio; 7.25% if pre-funded with CERBT, (b) 3.25% projected annual salary increase, (c) 3.0% inflation rate.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)

The actuarial assumptions also included the following health care cost trend:

Year	Non-Medicare	Medicare
2015	Actual Premiums	
2016	7.5%	7.8%
2017	7.0%	7.2%
2018	6.5%	6.7%
2019	6.0%	6.1%
2020	5.5%	5.6%
2021+	5.0%	5.0%

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 on a closed basis using a 24-year amortization period.

B. Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. In fiscal year 2015, the City made contribution less than the ARC as presented below:

Annual required contribution (ARC)	\$7,325,000
Interest on net OPEB Obligation	1,725,000
Adjustment to annual required contribution	(3,166,000)
 Annual OPEB cost	 5,884,000
Contributions made:	
Benefits paid	2,646,000
Prefunding Contribution to Trust	11,249,000
 Total contributions	 13,895,000
 Change in net OPEB Asset / (Obligation)	 8,011,000
 Net OPEB Asset / (Obligation) at June 30, 2014	 (31,821,700)
 Net OPEB Asset / (Obligation) at June 30, 2015	 (\$23,810,700)

**CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)

The Plan’s annual required contributions and actual contributions for the year ended June 30, 2015 is set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2013	\$9,229,000	\$2,226,000	24%	\$31,261,700
6/30/2014	7,086,000	6,526,000	92%	31,821,700
6/30/2015	5,884,000	13,895,000	236%	23,810,700

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date, the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$66,444,000 and the Actuarial Value of Plan Assets was \$0 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$66,444,000. The covered payroll (annual payroll of active employees covered by the plan) was \$29,914,000 and the ratio of UAAL to the covered payroll was 0 percent.

The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

A separate audited GAAP basis for this post-employment benefit plan report is not available.

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS

The City participates in the jointly governed organizations discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint organization, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this joint organization are not the City’s responsibility and the City does not have an equity interest in the assets of each joint organization except upon dissolution of the joint organization.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

A. *Oyster Point Marina*

(OPM) was established in 1977 by the City and the San Mateo County Harbor District (Harbor District) for the purpose of expanding, improving and operating the Oyster Point Marina and Park. The governing board consists of two of the City's council members and two Harbor District commissioners. The Harbor District operates OPM. Operation of the Marina provides revenues for the marina's operations. The City retains title to the land; however, the City is not liable for any obligations of the San Mateo County Harbor District. Condensed unaudited financial information may be obtained from San Mateo County Harbor District, #1 Johnson Pier, Half Moon Bay, CA 94019.

B. *Peninsula Traffic Congestion Relief Alliance*

(PTCRA) was formed from the merger of The Inter City Transportation Systems Management Agency and Multi-City Transportation Systems Management Agency (MCTSMA) in 2000. The members are Cities of South San Francisco, Brisbane, Colma, Daly City, Half Moon Bay, Millbrae, Pacifica and San Bruno and seven other members for the purpose of mitigating traffic congestion. The governing board consists of one council member from each member city. The finance director of Daly City acts as the treasurer and controller of PTCRA. The individual cities are not liable for the debts, liabilities or obligations of PTCRA. Each member city has an equal interest in PTCRA. Condensed accrual basis unaudited financial information may be obtained from the City of Daly City Finance Department, 333 90th Street, Daly City, CA 94015.

C. *City/County Association of Governments*

(C/CAG) was established in 1990 by the County of San Mateo and the Cities of San Mateo County for preparation, adoption, monitoring and enforcing of Countywide state mandated plans. A Board of Directors consisting of one council member from each member city and one member from the County Board of Supervisors governs C/CAG. The city treasurer of San Carlos acts as the treasurer of C/CAG. The individual cities and the County are not liable for the debts, liabilities, or obligations of C/CAG. Condensed unaudited cash basis financial information may be obtained from the City of San Carlos Finance Department, 666 Elm Street, San Carlos, CA 94070.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 11 - RISK MANAGEMENT

A. Insurance Coverage

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$5,000,000 of general liability and automobile coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 self-insured retention. The City's liability coverage through ABAG is a total of \$30 million, with the first \$5 million covered out of ABAG's financial reserves, and with the next \$25 million covered from two excess insurance policies acquired by ABAG. The Plan includes a per occurrence or wrongful act or employee benefit wrongful act up to \$10,000,000 with two retained limits of \$5,000,000. A boiler and machinery policy insures up to a combined limit of \$100,000,000 with various deductibles. For pollution, the City purchased separate insurance which insures up to \$10,000,000 for each condition and up to \$50,000,000 in the aggregate with a \$100,000 self-insured retention per pollution condition. For the year ended June 30, 2015, the City paid ABAG Plan \$777,144 in premiums and did not receive a refund of premiums paid in prior years. ABAG Plan has not determined the value of the City's interest in its net position. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

The City has also purchased excess coverage insurance for worker's compensation claims from CSAC Excess Insurance Authority \$500,000 self-insured retention. For the past five fiscal years, general liability and worker compensation settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Self Insurance Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior year's claims experience as follows:

	June 30, 2015			Fiscal Year
	Workers' Compensation	General Liability	Total	2013-2014 Total
Balance, beginning of year	\$9,548,000	\$524,000	\$10,072,000	\$9,807,000
Current year claims and changes in estimates of prior years claims	2,837,313	252,127	3,089,440	2,474,962
Claims Paid	(1,304,313)	(513,127)	(1,817,440)	(2,209,962)
Balance, end of year	<u>\$11,081,000</u>	<u>\$263,000</u>	<u>\$11,344,000</u>	<u>\$10,072,000</u>
Current portion	<u>\$562,000</u>	<u>\$150,000</u>	<u>\$712,000</u>	<u>\$712,000</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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.

The City participates in Federal and State grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

A. *Rental Revenues From Use of City Property*

The Conference Center Authority, a discrete component unit, leases land from the City under an operating lease commencing on January 1, 1999, with a 30-year term from February 1, 1999, to January 31, 2029. The rent amount is subject to re-negotiation at the option of either party between January 1 and February 28, 2009 and 2019. These leases are considered for accounting purposes to be operating leases. Property lease revenue from the Conference Center Authority during the year fiscal year ended June 30, 2015, was \$420,000. The cost and carrying amount of leased land under this lease receivable is \$5,325,000. Future minimum lease payments from the Conference Center Authority land leases are as follows:

Year ending June 30	Component Unit Conference Center
2016	\$420,000
2017	420,000
2018	420,000
2019	420,000
2020	420,000
2021-2025	2,100,000
2026-2029	1,680,000
Total	\$5,880,000

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Price Club Associates leases the land for the Costco store on South Airport Boulevard from the City. Lease payments are based on a percentage of Costco's gross annual sales, with minimum annual rent set at \$400,000, payable in monthly installments of \$33,333. In fiscal 2014, Costco exercised the option to extend the lease through fiscal year 2029. In fiscal 2015 lease payments were \$400,000. Future minimum lease revenues for the Costco lease is as follows:

Year ending June 30:	Costco
2016	\$400,000
2017	400,000
2018	400,000
2019	400,000
2020	400,000
2021-2025	2,000,000
2026-2029	1,600,000
	\$5,600,000

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

The activities of the Successor Agency are reported in the Successor Agency to the former 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 and Investments*

Cash and investments of the Successor Agency as of June 30, 2015 are discussed in Note 2 to the financial statements. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2015.

B. *Loans Receivable*

The Successor Agency assumed the non-housing loans receivable of the former Redevelopment Agency as of February 1, 2012. The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)
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C. Capital Assets

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency’s policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated 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 of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Successor Agency has assigned the useful lives listed below to capital assets:

Buildings	50 years
Improvements	30 years
Machinery and equipment	5-20 years
Furniture and fixtures	12 years

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. The capitalization level is \$20,000 for vehicles, and \$100,000 for all else, including all other equipment that is not a vehicle.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)
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Capital assets recorded at June 30 comprise:

	Balance June 30, 2014	Additions	Balance June 30, 2015
Fiduciary activities			
Capital assets not being depreciated:			
Land	\$52,769,724		\$52,769,724
Total capital assets not being depreciated	52,769,724		52,769,724
Capital assets being depreciated:			
Buildings and Improvements	3,788,506		3,788,506
Equipment and Vehicle	242,190		242,190
Furniture and Fixtures	21,506		21,506
Total capital assets being depreciated	4,052,202		4,052,202
Less accumulated depreciation for:			
Buildings and Improvements	(638,160)	(\$83,745)	(721,905)
Equipment and Vehicle	(233,669)	(2,707)	(236,376)
Furniture and Fixtures	(20,896)	(609)	(21,505)
Total accumulated depreciation	(892,725)	(87,061)	(979,786)
Net capital assets being depreciated	3,159,477	(87,061)	3,072,416
Fiduciary activity capital assets, net	\$55,929,201	(\$87,061)	\$55,842,140

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

D. LONG-TERM DEBT

All of the long-term debt of the Successor Agency were issued by the former Redevelopment Agency. Current year transactions were as follows:

Type of Obligation	Balance June 30, 2014	Retirements	Balance June 30, 2015	Current Portion
2006 Revenue Bonds, 3.75 to 5.13%, due 9/1/35 (1)	\$60,060,000	(\$1,605,000)	\$58,455,000	\$1,680,000
1999 Revenue Bonds, 3.3 to 5.0%, due 9/1/18 (2)	1,290,000	(230,000)	1,060,000	245,000
Total Successor Agency	<u>\$61,350,000</u>	<u>(\$1,835,000)</u>	<u>\$59,515,000</u>	<u>\$1,925,000</u>

Debt Service Requirements

Debt service requirements are shown below for all long-term debt.

For the Year Ended June 30	Successor Agency Activities	
	Principal	Interest
2016	\$1,925,000	\$2,796,131
2017	2,000,000	2,702,556
2018	2,100,000	2,606,906
2019	2,195,000	2,509,444
2020	1,990,000	2,407,444
2021-2025	11,540,000	10,918,320
2026-2030	14,680,000	7,692,878
2031-2035	18,755,000	3,518,125
2036	4,330,000	108,250
Totals	<u>\$59,515,000</u>	<u>\$35,260,054</u>

(1) On April 19, 2006, the former Agency issued \$70,675,000 of Tax Allocation Revenue Bonds, Series 2006A to advance refund and defease \$9,920,000 of the 1997 Downtown Tax Allocation Bonds and \$23,860,000 of the 1999 Revenue Bonds, and to finance various redevelopment projects. Net proceeds of \$9,364,974 and \$3,753,130 plus an additional \$801,925 and \$20,039,830 from the 1997 and 1999 bonds were used to purchase U.S. government securities for the 1997 Downtown Tax Allocation Bonds and 1999 Revenue Bonds, respectively. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service payments. The 1997 and 1999 bonds are considered to be defeased and the liabilities for those bonds have been removed. As of June 30, 2015, \$7,150,000 and \$13,550,000 of principal remained outstanding on the defeased 1997 and 1999 bonds, respectively.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The 2006 Bonds are special obligation of the former Redevelopment Agency payable solely from and secured by a pledge of tax revenues generated within the project area. Interest on the 2006A Bonds is payable on each March 1 and September 1. Principal payments are due each September 1. The pledge of future tax revenue ends upon repayment of the \$94,079,604 in remaining debt service on the bonds which is scheduled to occur in 2036.

In September 2012, a bank escrow account in the amount of \$50.2 million was established by action of the Successor Agency Oversight Board and approved by the State Department of Finance. The purpose of the escrow account is to set aside funds to call and fully repay the 2006 Tax Allocation Revenue Bonds in 2016.

(2) On February 1, 1999, the City of South San Francisco Capital Improvements Financing Authority (CIFA) issued \$31,720,000 of **1999 Revenue Bonds** to provide funds to pay loans (Homart Development), to finance redevelopment and housing activities and to refund the 1993 Gateway tax allocation bonds, which were due in 2018. The 1999 revenue bonds are obligations of the CIFA although the Redevelopment Agency is required to make bond principal and interest payments from the Gateway increment tax and housing set-aside revenues. The 1999 Revenue Bonds are, in substance, obligations of the Redevelopment Agency, and have therefore been recorded as such in these financial statements. On April 16, 2006, the Gateway principal portion of the \$23,860,000 was refunded as discussed in (1) above. The housing bonds are now obligations of the Redevelopment Successor Agency.

The 1999 Revenue Bonds were issued and net proceeds of \$9,614,978 plus an additional \$956,470 of 1993 bond reserve funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 bonds. As a result, the 1993 bonds are considered to be defeased and the liability for those bonds has been removed.

Pledged Revenues

With the dissolution of the former Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIALS STATEMENTS
For the Fiscal Year Ended June 30, 2015

NOTE 13 – FORMER REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

E. *POLLUTION REMEDIATION*

In fiscal 2010, the former Redevelopment Agency purchased an unimproved parcel adjacent to the Caltrain Commuter Rail station from the State of California. The current rail station is among the oldest on the peninsula, is under the freeway, is small, has limited parking, and is not adjacent to the Downtown due to the freeway. The Successor Agency will contribute that site to the County Transportation Agency for the future reconfiguration of that rail station after the County secures necessary funding from other sources. The Successor Agency's contribution will include use of the purchased parcel in order to make the station safer, more visually pleasing, more usable to commuters and business shuttles, and to make the Downtown accessible to pedestrians to and from the train station. As part of that land purchase, the price paid by the former Agency to the State was discounted to give the former Agency credit in the amount of \$537,000 against known pollution remediation costs on the site. If the funding from the County for the station reconfiguration does not materialize, and if construction does not occur on that site, the pollution mitigation costs will be much less.

F. *COMMITMENTS AND CONTINGENCIES*

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015**

**Agent Multiple-Employer Defined Pension Plans
As of June 30, 2015
Last 10 Years***

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>Miscellaneous</u>	<u>Safety</u>
Total Pension Liability		
Service Cost	\$3,449,973	\$5,143,842
Interest	13,930,544	18,899,544
Differences between expected and actual experience	0	0
Changes in assumptions	0	0
Changes in benefits	0	0
Benefit payments, including refunds of employee contributions	(9,287,975)	(13,161,296)
Net change in total pension liability	8,092,542	10,882,090
Total pension liability - beginning	188,659,588	256,002,648
Total pension liability - ending (a)	<u>\$196,752,130</u>	<u>\$266,884,738</u>
Plan fiduciary net position		
Contributions - employer	\$4,235,454	\$6,535,399
Contributions - employee	1,466,176	2,151,163
Net investment income	21,712,340	29,348,051
Benefit payments, including refunds of employee contributions	(9,287,975)	(13,161,296)
Net change in plan fiduciary net position	18,125,995	24,873,317
Plan fiduciary net position - beginning	125,614,993	170,937,835
Plan fiduciary net position - ending (b)	<u>\$143,740,988</u>	<u>\$195,811,152</u>
Net pension liability - ending (a)-(b)	<u>\$53,011,142</u>	<u>\$71,073,586</u>
Plan fiduciary net position as a percentage of the total pension liability	73.06%	73.37%
Covered - employee payroll	\$19,098,611	\$17,932,167
Net pension liability as percentage of covered-employee payroll	277.57%	396.35%

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015**

**Agent Multiple-Employer Defined Pension Plans
For the fiscal year ended June 30, 2015
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS**

	Miscellaneous	Safety
Actuarially determined contribution	\$4,210,973	\$7,191,715
Contributions in relation to the actuarially determined contributions	4,210,973	7,191,715
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$19,098,611	\$17,932,167
Contributions as a percentage of covered-employee payroll	22.05%	40.11%

Notes to Schedule

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	24 years as of the Valuation Date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50% net of administrative expenses
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF SOUTH SAN FRANCISCO
REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

Other Post-Employment Benefits Schedule of Funding Progress

(In Thousands)						
		Entry Age	Overfunded (Underfunded)			Overfunded (Underfunded)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Liability as Percentage of Covered Payroll
6/30/2010	\$0	\$82,184	(\$82,184)	0%	\$32,797	(250.6%)
6/30/2012	0	71,306	(71,306)	0%	31,431	(226.9%)
6/30/2013	0	66,444	(66,444)	0%	29,914	(222.1%)

SUPPLEMENTARY INFORMATION

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MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS

CAPITAL IMPROVEMENT FUND

To account for expenditures associated with the acquisition, construction, or improvement of City owned facilities and infrastructure. Funding comes from the general fund, special revenue funds, grants and fees.

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

These fees provide new development's share of new and rehabilitated sewer collection and treatment facilities to serve the East of Highway 101 area.

EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

These fees are to provide new development's share of new and expanded roadway and intersection improvements to serve the East of Highway 101 area.

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

These citywide fees provide new development's share of new and expanded childcare facilities to serve the City.

DEVELOPER DEPOSIT CAPITAL PROJECTS FUND

These fees provide new development's share of funding for the Oyster Point at Highway 101 interchange improvements.

CAPITAL INFRASTRUCTURE RESERVE FUND

Replacement, upgrade, and maintenance of the City's infrastructure are backlogged, constituting a significant liability. Funds are set aside in this fund as part of the budget process and as part of the City's reserve policy to address the replacement and/or upgrade of the city infrastructure (such as parks, buildings, facilities, streets, sidewalks, and storm water facilities).

**CITY OF SOUTH SAN FRANCISCO
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$5,712,897	\$565,896	(\$5,147,001)
Other	<u>306,000</u>	<u>11,652</u>	<u>(294,348)</u>
Total Revenues	<u>6,018,897</u>	<u>577,548</u>	<u>(5,441,349)</u>
EXPENDITURES:			
Current:			
Public works	<u>27,622,500</u>	<u>14,619,008</u>	<u>13,003,492</u>
Total Expenditures	<u>27,622,500</u>	<u>14,619,008</u>	<u>13,003,492</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(21,603,603)</u>	<u>(14,041,460)</u>	<u>7,562,143</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>21,563,429</u>	<u>9,881,403</u>	<u>(11,682,026)</u>
Total other financing sources (uses)	<u>21,563,429</u>	<u>9,881,403</u>	<u>(11,682,026)</u>
NET CHANGE IN FUND BALANCE	<u>(\$40,174)</u>	<u>(4,160,057)</u>	<u>(\$4,119,883)</u>
Fund balance - July 1		(27,375)	
Adjustment to budgetary basis:			
Encumbrance adjustments		<u>4,475,986</u>	
Fund balance - June 30		<u>\$288,554</u>	

**CITY OF SOUTH SAN FRANCISCO
EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$12,837	\$12,837
Charges for services	\$472,000	459,624	(12,376)
	<u>472,000</u>	<u>472,461</u>	<u>461</u>
Total Revenues			
EXPENDITURES:			
Current:			
Non-departmental	2,500	2,500	
	<u>2,500</u>	<u>2,500</u>	
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>469,500</u>	<u>469,961</u>	<u>461</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(63,008)	(16,191)	46,817
	<u>(63,008)</u>	<u>(16,191)</u>	<u>46,817</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u>\$406,492</u>	453,770	<u>\$47,278</u>
Fund balance (deficit) - July 1		<u>(494,229)</u>	
Fund balance (deficit) - June 30		<u>(\$40,459)</u>	

CITY OF SOUTH SAN FRANCISCO
EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$50,753	\$50,753
Charges for services	<u>\$1,500,000</u>	<u>1,411,851</u>	<u>(88,149)</u>
Total Revenues	<u>1,500,000</u>	<u>1,462,604</u>	<u>(37,396)</u>
EXPENDITURES:			
Current:			
Public works	<u>2,500</u>	<u>2,500</u>	
Total Expenditures	<u>2,500</u>	<u>2,500</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,497,500</u>	<u>1,460,104</u>	<u>(37,396)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(4,819,889)</u>	<u>(2,311,180)</u>	<u>2,508,709</u>
Total other financing sources (uses)	<u>(4,819,889)</u>	<u>(2,311,180)</u>	<u>2,508,709</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$3,322,389)</u></u>	<u>(851,076)</u>	<u><u>\$2,471,313</u></u>
Fund balance - July 1		<u>6,795,927</u>	
Fund balance - June 30		<u><u>\$5,944,851</u></u>	

**CITY OF SOUTH SAN FRANCISCO
CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$18,701	\$18,701
Charges for services	\$497,000	477,806	(19,194)
	<u>497,000</u>	<u>496,507</u>	<u>(493)</u>
Total Revenues			
EXPENDITURES:			
Current:			
Non-departmental	2,500	2,500	
	<u>2,500</u>	<u>2,500</u>	
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	494,500	494,007	(493)
NET CHANGE IN FUND BALANCE	<u>\$494,500</u>	494,007	<u>(\$493)</u>
Fund balance - July 1		<u>1,995,688</u>	
Fund balance - June 30		<u>\$2,489,695</u>	

**CITY OF SOUTH SAN FRANCISCO
DEVELOPER DEPOSIT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for services	<u>\$1,050,000</u>	<u>\$1,049,546</u>	<u>(\$454)</u>
Total Revenues	<u>1,050,000</u>	<u>1,049,546</u>	<u>(454)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(2,848,933)</u>	<u>(1,049,547)</u>	<u>1,799,386</u>
Total other financing sources (uses)	<u>(2,848,933)</u>	<u>(1,049,547)</u>	<u>1,799,386</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,798,933)</u>	(1)	<u>\$1,798,932</u>
Fund balance - July 1		<u>72,885</u>	
Fund balance - June 30		<u>\$72,884</u>	

**CITY OF SOUTH SAN FRANCISCO
CAPITAL INFRASTRUCTURE RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest and rental		\$94,084	\$94,084
Other	\$352,000	257,637	(94,363)
Total Revenues	352,000	351,721	(279)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,146,000	6,146,000	
Total other financing sources (uses)	6,146,000	6,146,000	
NET CHANGE IN FUND BALANCE	<u>\$6,498,000</u>	6,497,721	<u>(\$279)</u>
Fund balance - July 1		<u>11,161,000</u>	
Fund balance - June 30		<u>\$17,658,721</u>	

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NON-MAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for revenue sources that are restricted by law or administrative action to expenditures for specified purposes. Special revenue funds used by the City of South San Francisco include:

Gas Tax - Accounts for State monies received and expended for street improvements, repairs, engineering, and administration under Streets and Highway Code Sections 2105, 2106, 2107, and 2107.5. Includes sales taxes on gasoline received from the State's Traffic Congestion Relief Fund.

Developer Contributions – Accounts for fees deposited for planning and engineering reviews or for future project development.

Federal Aviation Grant – This fund accounts for federal monies received for insulating structures against airport noise.

Community Development Block Grant - Accounts for Federal monies received to be expended for development of jobs and suitable housing for low-income residents.

Miscellaneous Grants - Accounts for federal monies received for miscellaneous projects.

Maintenance District - Accounts for a portion of property tax dedicated to provide for the maintenance of landscaped areas within housing developments.

Transportation Sales Tax - Accounts for the sales tax that provides resources for street improvements and repairs.

Solid Waste Reduction - Accounts for revenues and expenditures associated with the waste reduction, recycling, composting and household hazardous waste programs for residents and businesses.

Supplemental Law Enforcement Services – Accounts for State monies provided for designated Police department services.

City Programs – Organizations and individuals provide revenues that fund certain programs and services.

Affordable Housing Trust – The inclusionary housing requirement in the City provides that 20% of new residential housing units (for projects of 4 or more units) be affordable. These in-lieu fees (in-lieu of production of affordable housing units by the developer) provide new residential development's share of affordable housing units.

PEG Equipment and Access – Accounts for the one percent of money set-aside from cable franchise fees that are used to support public, educational and governmental (PEG) channels.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Capital projects funds are used to account for resources used for the acquisition and construction of capital facilities or major capital equipment, except for capital improvements financed by proprietary funds. Capital projects funds used at the City of South San Francisco include:

Non-obligated Capital Projects - Accounts for the construction of assets financed by non-obligated debt.

Public Safety Impact Fee – These fees are to provide new development’s share of funding for the replacement of public safety capital equipment, vehicles and facilities.

Oyster Point Improvements Impact Fees Capital Projects Fund - These fees provide new development’s share of funding for the Oyster Point at Highway 101 interchange improvements.

Sewer Capacity Charges – accounts for cost recovery charged to new development based on proportional benefit, associated with providing sewer collection and treatment capacity to new development, both through existing infrastructure provided, and through future capital projects not funded by other sources.

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	SPECIAL REVENUE FUNDS				
	Gas Tax	Developer Contributions	Federal Aviation Grant	Community Development Block Grant	Miscellaneous Grants
ASSETS					
Cash and investments	\$1,489,176	\$3,153,805	\$721,411		\$136,869
Receivables:					
Accounts				\$5,586	
Accrued interest	5,131	10,061	2,056		
Loans				851,042	
Restricted cash and investments				178,559	
Land held for resale					
Total Assets	\$1,494,307	\$3,163,866	\$723,467	\$1,035,187	\$136,869
 LIABILITIES					
Liabilities:					
Accounts payable		\$135,175		\$21,167	
Other payable				9,250	
Deposits		872,480			
Due to other funds					
Unearned revenue			\$723,467		
Total Liabilities		1,007,655	723,467	30,417	
Fund Balances:					
Restricted	\$1,494,307	2,156,211		1,004,770	\$136,869
Total Fund Balances	1,494,307	2,156,211		1,004,770	136,869
Total Liabilities and Fund Balances	\$1,494,307	\$3,163,866	\$723,467	\$1,035,187	\$136,869

SPECIAL REVENUE FUNDS

Maintenance Districts	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforcement Services	City Programs	Affordable Housing Trust	PEG Equipment and Access
\$1,802,678	\$2,394,919	\$932,818	\$78	\$3,852,757	\$1,645,158	\$679,842
		15,000			334	46,741
	6,839		125	9,819	4,555	1,679
					44,273	
					1,900,000	
<u>\$1,802,678</u>	<u>\$2,401,758</u>	<u>\$947,818</u>	<u>\$203</u>	<u>\$3,862,576</u>	<u>\$3,594,320</u>	<u>\$728,262</u>
\$1,131		\$132		\$38,294		
			\$100			
<u>1,131</u>		<u>132</u>	<u>100</u>	<u>38,294</u>		
<u>1,801,547</u>	<u>\$2,401,758</u>	<u>947,686</u>	<u>103</u>	<u>3,824,282</u>	<u>\$3,594,320</u>	<u>\$728,262</u>
<u>1,801,547</u>	<u>2,401,758</u>	<u>947,686</u>	<u>103</u>	<u>3,824,282</u>	<u>3,594,320</u>	<u>728,262</u>
<u>\$1,802,678</u>	<u>\$2,401,758</u>	<u>\$947,818</u>	<u>\$203</u>	<u>\$3,862,576</u>	<u>\$3,594,320</u>	<u>\$728,262</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	CAPITAL PROJECTS FUNDS				
	Non-obligated Capital Projects	Public Safety Impact Fee	Oyster Point Improvement Impact Fees	Sewer Capacity Charges	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$678,701	\$300,718	\$25,206	\$528,118	\$18,342,254
Receivables:					
Accounts				9,000	76,661
Accrued interest		412	327	1,250	42,254
Loans					895,315
Restricted cash and investments					178,559
Land held for resale					1,900,000
	<u>\$678,701</u>	<u>\$301,130</u>	<u>\$25,533</u>	<u>\$538,368</u>	<u>\$21,435,043</u>
LIABILITIES					
Liabilities:					
Accounts payable					\$195,899
Other payable					9,250
Deposits					872,480
Due to other funds					100
Unearned revenue					723,467
					<u>1,801,196</u>
Fund Balances:					
Restricted	<u>\$678,701</u>	<u>\$301,130</u>	<u>\$25,533</u>	<u>\$538,368</u>	<u>19,633,847</u>
	<u>678,701</u>	<u>301,130</u>	<u>25,533</u>	<u>538,368</u>	<u>19,633,847</u>
Total Fund Balances	<u>678,701</u>	<u>301,130</u>	<u>25,533</u>	<u>538,368</u>	<u>19,633,847</u>
Total Liabilities and Fund Balances	<u>\$678,701</u>	<u>\$301,130</u>	<u>\$25,533</u>	<u>\$538,368</u>	<u>\$21,435,043</u>

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	SPECIAL REVENUE FUNDS				
	Gas Tax	Developer Contributions	Federal Aviation Grants	Community Development Block Grant	Miscellaneous Grants
REVENUES					
Property taxes					
Other taxes					
Intergovernmental	\$2,126,497			\$219,168	
Interest and rentals	14,638	\$28,832	\$6,067	30,499	
Charges for services		535,521			
Other					
Total Revenues	2,141,135	564,353	6,067	249,667	
EXPENDITURES					
Current:					
Economic and community development		368,154	6,067	282,012	
Public works					
Non-departmental					
Police					
Other					
Debt service:					
Principal repayments					
Total Expenditures		368,154	6,067	282,012	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,141,135	196,199		(32,345)	
OTHER FINANCING SOURCES (USES)					
Transfers out	(2,920,689)	(900,915)		(25,400)	
Total Other Financing Sources (Uses)	(2,920,689)	(900,915)		(25,400)	
Net Change in Fund Balances	(779,554)	(704,716)		(57,745)	
Fund balance - July 1	2,273,861	2,860,927		1,062,515	\$136,869
Fund balance - June 30	<u>\$1,494,307</u>	<u>\$2,156,211</u>		<u>\$1,004,770</u>	<u>\$136,869</u>

SPECIAL REVENUE FUNDS

Maintenance Districts	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforcement Services	City Programs	Affordable Housing Trust	PEG Equipment and Access
\$1,570,790	\$1,295,185		\$98,753			
	20,091	\$180,000	430	\$33,120	\$15,781	\$5,046
				1,725,427	15,500	178,644
					11	
<u>1,570,790</u>	<u>1,315,276</u>	<u>180,000</u>	<u>99,183</u>	<u>1,758,547</u>	<u>31,292</u>	<u>183,690</u>
		117,097				
1,338,989						3,385
			99,183			
				480,290		
<u>1,338,989</u>		<u>117,097</u>	<u>99,183</u>	<u>480,290</u>		<u>3,385</u>
231,801	1,315,276	62,903		1,278,257	31,292	180,305
(13,574)	(1,238,365)	(203,822)		(1,024,554)		
(13,574)	(1,238,365)	(203,822)		(1,024,554)		
218,227	76,911	(140,919)		253,703	31,292	180,305
1,583,320	2,324,847	1,088,605	103	3,570,579	3,563,028	547,957
<u>\$1,801,547</u>	<u>\$2,401,758</u>	<u>\$947,686</u>	<u>\$103</u>	<u>\$3,824,282</u>	<u>\$3,594,320</u>	<u>\$728,262</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	CAPITAL PROJECTS FUNDS				Total Nonmajor Governmental Funds
	Non-obligated Capital Projects	Public Safety Impact Fee	Oyster Point Improvement Impact Fees	Sewer Capacity Charges	
REVENUES					
Property taxes					\$1,570,790
Other taxes					1,393,938
Intergovernmental				\$3,744	2,349,409
Interest and rentals		\$1,392	\$1,182	39	157,117
Charges for services			352,410	210,189	1,293,620
Other		226,746			2,130,828
Total Revenues		228,138	353,592	213,972	8,895,702
EXPENDITURES					
Current:					
Economic and community development					773,330
Public works				2,500	1,341,489
Non-departmental					3,385
Police					99,183
Other					480,290
Debt service:					
Principal repayments			352,674		352,674
Total Expenditures			352,674	2,500	3,050,351
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		228,138	918	211,472	5,845,351
OTHER FINANCING SOURCES (USES)					
Transfers out	(\$23,156)				(6,350,475)
Total Other Financing Sources (Uses)	(23,156)				(6,350,475)
Net Change in Fund Balances	(23,156)	228,138	918	211,472	(505,124)
Fund balance - July 1	\$701,857	72,992	24,615	326,896	20,138,971
Fund balance - June 30	\$678,701	\$301,130	\$25,533	\$538,368	\$19,633,847

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	GAS TAX			DEVELOPER CONTRIBUTIONS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental	\$2,103,483	\$2,126,497	\$23,014			
Interest and rentals	15,000	14,638	(362)		\$28,832	\$28,832
Charges for services				\$553,000	535,521	(17,479)
Other						
Total Revenues	2,118,483	2,141,135	22,652	553,000	564,353	11,353
EXPENDITURES						
Current:						
Economic and community development				324,160	499,872	(175,712)
Public works						
Non-departmental						
Other						
Police						
Debt service:						
Principal Repayments						
Total Expenditures				324,160	499,872	(175,712)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,118,483	2,141,135	22,652	228,840	64,481	(164,359)
OTHER FINANCING SOURCES (USES)						
Transfers out	(4,158,619)	(2,920,689)	1,237,930	(\$1,150,452)	(900,915)	249,537
Total Other Financing Sources (Uses)	(4,158,619)	(2,920,689)	1,237,930	(1,150,452)	(900,915)	249,537
NET CHANGE IN FUND BALANCES	(\$2,040,136)	(779,554)	\$1,260,582	(\$921,612)	(836,434)	\$85,178
Adjustment to budgetary basis:						
Encumbrance adjustments					131,718	
Fund balance - July 1		2,273,861			2,860,927	
Fund balance - June 30		\$1,494,307			\$2,156,211	

FEDERAL AVIATION GRANT			COMMUNITY DEVELOPMENT BLOCK GRANT			MISCELLANEOUS GRANTS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$4,000	\$6,067	\$2,067	\$617,249	\$219,168 30,499	(\$398,081) 30,499			
			8,569		(8,569)			
4,000	6,067	2,067	625,818	249,667	(376,151)			
733,239	6,067	727,172	585,302	301,854	283,448			
733,239	6,067	727,172	585,302	301,854	283,448			
(729,239)		729,239	40,516	(52,187)	(92,703)			
			(120,870)	(25,400)	95,470			
			(120,870)	(25,400)	95,470			
<u>(\$729,239)</u>		<u>\$729,239</u>	<u>(\$80,354)</u>	<u>(77,587)</u>	<u>\$2,767</u>			
				19,842				
				1,062,515			\$136,869	
				<u>\$1,004,770</u>			<u>\$136,869</u>	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	MAINTENANCE DISTRICTS			TRANSPORTATION SALES TAX		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$1,340,734	\$1,570,790	\$230,056			
Other taxes				\$1,290,000	\$1,295,185	\$5,185
Intergovernmental						
Interest and rentals				25,000	20,091	(4,909)
Charges for services						
Other						
Total Revenues	1,340,734	1,570,790	230,056	1,315,000	1,315,276	276
EXPENDITURES						
Current:						
Economic and community development						
Public works	1,584,409	1,338,989	245,420			
Non-departmental						
Other						
Police						
Debt service:						
Principal Repayments						
Total Expenditures	1,584,409	1,338,989	245,420			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(243,675)	231,801	475,476	1,315,000	1,315,276	276
OTHER FINANCING SOURCES (USES)						
Transfers out	(90,000)	(13,574)	76,426	(2,908,652)	(1,238,365)	1,670,287
Total Other Financing Sources (Uses)	(90,000)	(13,574)	76,426	(2,908,652)	(1,238,365)	1,670,287
NET CHANGE IN FUND BALANCES	(\$333,675)	218,227	\$551,902	(\$1,593,652)	76,911	\$1,670,563
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance - July 1		1,583,320			2,324,847	
Fund balance - June 30		\$1,801,547			\$2,401,758	

SOLID WASTE REDUCTION			SUPPLEMENTAL LAW ENFORCEMENT SERVICES			CITY PROGRAMS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
			\$100,000	\$98,753	(\$1,247)			
				430	430		\$33,120	\$33,120
\$180,000	\$180,000					\$1,760,000	1,725,427	(34,573)
180,000	180,000		100,000	99,183	(817)	1,760,000	1,758,547	(1,453)
195,481	191,636	\$3,845						
			100,000	99,183	817	481,000	480,290	710
195,481	191,636	3,845	100,000	99,183	817	481,000	480,290	710
(15,481)	(11,636)	3,845				1,279,000	1,278,257	(743)
(460,000)	(203,822)	256,178				(\$2,153,187)	(1,024,554)	1,128,633
(460,000)	(203,822)	256,178				(2,153,187)	(1,024,554)	1,128,633
<u>(\$475,481)</u>	<u>(215,458)</u>	<u>\$260,023</u>				<u>(\$874,187)</u>	<u>253,703</u>	<u>\$1,127,890</u>
	74,539							
	<u>1,088,605</u>			<u>103</u>			<u>3,570,579</u>	
	<u>\$947,686</u>			<u>\$103</u>			<u>\$3,824,282</u>	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

	AFFORDABLE HOUSING TRUST			PEG EQUIPMENT AND ACCESS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental						
Interest and rentals		\$15,781	\$15,781	\$5,000	\$5,046	\$46
Charges for services	\$31,000	15,500	(15,500)			
Other		11	11	125,000	178,644	53,644
Total Revenues	<u>31,000</u>	<u>31,292</u>	<u>292</u>	<u>130,000</u>	<u>183,690</u>	<u>53,690</u>
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Non-departmental				200,000	198,885	1,115
Other						
Police						
Debt service:						
Principal Repayments						
Total Expenditures				<u>200,000</u>	<u>198,885</u>	<u>1,115</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>31,000</u>	<u>31,292</u>	<u>292</u>	<u>(70,000)</u>	<u>(15,195)</u>	<u>54,805</u>
OTHER FINANCING SOURCES (USES)						
Transfers out						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$31,000</u>	<u>31,292</u>	<u>\$292</u>	<u>(\$70,000)</u>	<u>(15,195)</u>	<u>\$54,805</u>
Adjustment to budgetary basis:						
Encumbrance adjustments					195,500	
Fund balance - July 1		<u>3,563,028</u>			<u>547,957</u>	
Fund balance - June 30		<u>\$3,594,320</u>			<u>\$728,262</u>	

NONOBLIGATED CAPITAL PROJECTS			PUBLIC SAFETY IMPACT FEE			OYSTER POINT IMPROVEMENT IMPACT FEES		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
				\$1,392	\$1,392		\$1,182	\$1,182
			\$228,000	226,746	(1,254)	\$354,000	352,410	(1,590)
			228,000	228,138	\$138	354,000	353,592	(408)
						\$52,561		52,561
						352,674	352,674	
						405,235	352,674	52,561
			228,000	228,138	138	(51,235)	918	52,153
(\$660,000)	(\$23,156)	\$636,844						
(660,000)	(23,156)	636,844						
(\$660,000)	(23,156)	\$636,844	\$228,000	228,138	\$138	(\$51,235)	918	\$52,153
	\$701,857			72,992			24,615	
	\$678,701			\$301,130			\$25,533	

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2015**

SEWER CAPACITY CHARGES			
	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes			
Other taxes			
Intergovernmental		\$3,744	\$3,744
Interest and rentals		39	39
Charges for services	210,000	210,189	189
Other			
Total Revenues	210,000	213,972	3,972
EXPENDITURES			
Current:			
Economic and community development			
Public works	\$2,500	2,500	
Non-departmental			
Other			
Police			
Debt service:			
Principal Repayments			
Total Expenditures	2,500	2,500	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	207,500	211,472	3,972
OTHER FINANCING SOURCES (USES)			
Transfers out			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES			
	\$207,500	211,472	\$3,972
Adjustment to budgetary basis:			
Encumbrance adjustments			
Fund balance - July 1		326,896	
Fund balance - June 30		\$538,368	

INTERNAL SERVICE FUNDS

Internal service funds account for department services and financing performed for other departments within the same governmental jurisdiction. Funding comes from charges assessed to the departments benefiting from the service. Internal service funds used at the City include:

City Service – Accounts for vehicle maintenance and information technology services provided to City departments.

Self Insurance – Accounts for workers' compensation, general liability and property damage claim activity and financing is represented in this fund.

Health and Retirement Benefits - Accounts for health and retirement benefits paid on the behalf of eligible City employees.

Equipment Replacement – Accounts for resources set-aside for the future replacement of City vehicles and equipment.

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$838,019	\$12,123,493	\$1,977,418	\$3,315,070	\$18,254,000
Receivables:					
Accounts	8,236			72,216	80,452
Accrued interest	1,906	29,587	13,693	10,418	55,604
Due from other funds				100	100
Deposit		157,500	46,010		203,510
Prepaid Items					
	<u>848,161</u>	<u>12,310,580</u>	<u>2,037,121</u>	<u>3,397,804</u>	<u>18,593,666</u>
Total current assets					
Noncurrent assets:					
Capital assets:					
Nondepreciable				34,854	34,854
Depreciable, net of accumulated depreciation	2,031			5,095,636	5,097,667
	<u>850,192</u>	<u>12,310,580</u>	<u>2,037,121</u>	<u>8,528,294</u>	<u>23,726,187</u>
Total Assets					
LIABILITIES					
Current liabilities:					
Accounts payable	88,253	180,498	61,187	4,777	334,715
Other payable			8,496	10,273	18,769
Current portion of accrued insurance loss		712,000			712,000
Current portion of compensated absences	60,612		764,191		824,803
Current portion of long-term debt				547,574	547,574
	<u>148,865</u>	<u>892,498</u>	<u>833,874</u>	<u>562,624</u>	<u>2,437,861</u>
Total current liabilities					
Noncurrent liabilities:					
Accrued insurance loss		10,632,000			10,632,000
Compensated absences obligation	167,355		367,530		534,885
Net OPEB obligation			23,810,700		23,810,700
Noncurrent portion of long-term debt				2,238,998	2,238,998
	<u>167,355</u>	<u>10,632,000</u>	<u>24,178,230</u>	<u>2,238,998</u>	<u>37,216,583</u>
Total noncurrent liabilities					
	<u>316,220</u>	<u>11,524,498</u>	<u>25,012,104</u>	<u>2,801,622</u>	<u>39,654,444</u>
Total Liabilities					
NET POSITION:					
Net investment in capital assets	2,031			2,343,918	2,345,949
Unrestricted	531,941	786,082	(22,974,983)	3,382,754	(18,274,206)
	<u>\$533,972</u>	<u>\$786,082</u>	<u>(\$22,974,983)</u>	<u>\$5,726,672</u>	<u>(\$15,928,257)</u>
Total Net Position					

CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$3,689,161	\$4,258,864	\$12,028,509	\$1,677,632	\$21,654,166
Total Operating Revenues	<u>3,689,161</u>	<u>4,258,864</u>	<u>12,028,509</u>	<u>1,677,632</u>	<u>21,654,166</u>
OPERATING EXPENSES					
Personnel expenses	1,794,301	1,201,541	10,853,394		13,849,236
OPEB expenses			2,842,525		2,842,525
Professional services	271,804	128,232	18,811		418,847
Program supplies	918,519	384,929	3,122	39,322	1,345,892
Insurance	7,566	1,001,361			1,008,927
Self-insurance and claims		2,582,118			2,582,118
Repair and maintenance	442,515			72,299	514,814
Utilities	35,394				35,394
Depreciation	580			718,028	718,608
Other	7,850		236,477		244,327
Total Operating Expenses	<u>3,478,529</u>	<u>5,298,181</u>	<u>13,954,329</u>	<u>829,649</u>	<u>23,560,688</u>
Operating Income (Loss)	<u>210,632</u>	<u>(1,039,317)</u>	<u>(1,925,820)</u>	<u>847,983</u>	<u>(1,906,522)</u>
NONOPERATING					
REVENUES (EXPENSES)					
Interest income	5,787	87,826	34,956	30,700	159,269
Interest expense				(101,156)	(101,156)
Gain from disposal of capital assets				72,216	72,216
Other		38,028			38,028
Total Nonoperating Revenues (Expenses)	<u>5,787</u>	<u>125,854</u>	<u>34,956</u>	<u>1,760</u>	<u>168,357</u>
Net income (loss) before transfers	216,419	(913,463)	(1,890,864)	849,743	(1,738,165)
TRANSFERS					
Transfers in	76,275	1,000,000	250,000		1,326,275
Transfers out				(1,021,708)	(1,021,708)
Change in Net Position	292,694	86,537	(1,640,864)	(171,965)	(1,433,598)
Net Position - (deficits) July 1	<u>241,278</u>	<u>699,545</u>	<u>(21,334,119)</u>	<u>5,898,637</u>	<u>(14,494,659)</u>
Net Position - (deficits) June 30	<u>\$533,972</u>	<u>\$786,082</u>	<u>(\$22,974,983)</u>	<u>\$5,726,672</u>	<u>(\$15,928,257)</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from interfund service provided	\$3,705,950	\$4,296,892	\$13,028,509	\$1,605,416	\$22,636,767
Cash payment to suppliers for goods and services	(1,683,648)	(1,514,522)	(11,111,935)	(111,621)	(14,421,726)
Cash payment to employees for services	(1,832,036)	(1,071,536)	(11,783,673)		(14,687,245)
Cash payment for judgments and claims		(1,310,118)			(1,310,118)
Other payments				(29,555)	(29,555)
Net Cash Provided by Operating Activities	<u>190,266</u>	<u>400,716</u>	<u>(9,867,099)</u>	<u>1,464,240</u>	<u>(7,811,877)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Repayments from other funds				8,900	8,900
Transfers in	76,275	1,000,000	250,000		1,326,275
Transfers out				(1,021,708)	(1,021,708)
Net Cash Provided by Noncapital Financing Activities	<u>76,275</u>	<u>1,000,000</u>	<u>250,000</u>	<u>(1,012,808)</u>	<u>313,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease				(530,264)	(530,264)
Interest payments				(101,156)	(101,156)
Acquisition of capital assets, net				(249,475)	(249,475)
Proceeds from the sale of capital assets				72,216	72,216
Net Cash Used in Capital and Related Financing Activities				<u>(808,679)</u>	<u>(808,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	5,764	87,988	63,521	31,303	188,576
Net Cash Provided by Investing Activities	<u>5,764</u>	<u>87,988</u>	<u>63,521</u>	<u>31,303</u>	<u>188,576</u>
Net Increase (Decrease) in cash and cash equivalents	272,305	1,488,704	(9,553,578)	(325,944)	(8,118,513)
Cash and cash equivalents, beginning	565,714	10,634,789	11,530,996	3,641,014	26,372,513
Cash and cash equivalents, ending	<u>\$838,019</u>	<u>\$12,123,493</u>	<u>\$1,977,418</u>	<u>\$3,315,070</u>	<u>\$18,254,000</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$210,632	(\$1,039,317)	(\$1,925,820)	\$847,983	(\$1,906,522)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	580			718,028	718,608
Other non-operating revenue (expenses)		38,028			38,028
Net change in assets and liabilities:					
Accounts and lease receivables	16,789			(72,216)	(55,427)
Prepaid Items			1,000,000		1,000,000
Accounts payable	(41,470)	130,005	(995,856)	(39,828)	(947,149)
Other payable			8,496	10,273	18,769
Accrued insurance losses		1,272,000			1,272,000
OPEB obligations			(8,011,000)		(8,011,000)
Compensated absence obligations	3,735		57,081		60,816
Net Cash Provided by (Used in) Operating Activities	<u>\$190,266</u>	<u>\$400,716</u>	<u>(\$9,867,099)</u>	<u>\$1,464,240</u>	<u>(\$7,811,877)</u>

AGENCY FUND

An agency fund is used to account for monies where the City is acting as an agent for another government entity. The agency fund used at the City of South San Francisco consisted of:

SSF Employee Deferred Comp Trust Oversight – This fund is used to pay for the administrative costs of monitoring the Deferred Compensation Funds on behalf of City employees.

**CITY OF SOUTH SAN FRANCISCO
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015**

SSF Employee Deferred Comp Trust Oversight

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and investments	\$52,147	\$49,140	\$52,147	\$49,140
Accrued interest	110	134	110	134
Total Assets	<u>\$52,257</u>	<u>\$49,274</u>	<u>\$52,257</u>	<u>\$49,274</u>
LIABILITIES				
Accounts payable	\$17,711	\$231	\$17,711	\$231
Other accrued liabilities	34,546	49,043	34,546	49,043
Total Liabilities	<u>\$52,257</u>	<u>\$49,274</u>	<u>\$52,257</u>	<u>\$49,274</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 and Estimated Market Value of Taxable Property
2. All Overlapping Property Tax Rates
3. Principal Property Tax Payers
4. Twenty Largest Taxable Property Owners for Merged RDA Project Area
5. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Continuing Disclosure Requirements:
 - a. Revenue Bond Coverage
 - b. Sewer Debt Service Coverage
 - c. Bonded Debt Pledge Revenue Coverage

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

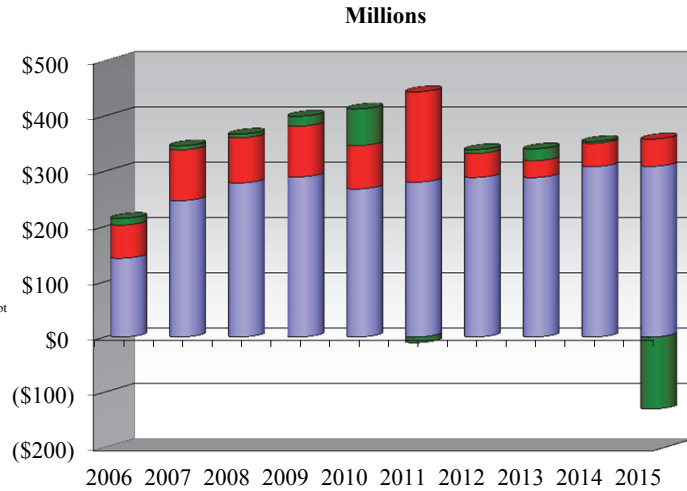
Miscellaneous Information

1. Collection and Use of 1% Special Transient Occupancy Tax

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF SOUTH SAN FRANCISCO
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities					
Invested in capital assets, net of related debt	\$110,328,726	\$212,273,574	\$233,230,681	\$237,441,155	\$209,507,012
Restricted	58,015,343	89,194,344	80,346,634	86,962,890	78,625,094
Unrestricted	11,886,141	3,306,910	9,205,150	21,455,067	65,537,953
Total governmental activities net position	<u>\$180,230,210</u>	<u>\$304,774,828</u>	<u>\$322,782,465</u>	<u>\$322,782,465</u>	<u>\$353,670,059</u>
Business-type activities					
Invested in capital assets, net of related debt	\$32,352,591	\$34,640,593	\$45,635,119	\$52,347,955	\$58,522,676
Restricted	2,059,070	2,806,562	1,480,000	4,971,538	792,921
Unrestricted	(44,279)	3,951,703	(2,674,600)	(3,496,600)	792,921
Total business-type activities net position	<u>\$34,367,382</u>	<u>\$41,398,858</u>	<u>\$44,440,519</u>	<u>\$44,440,519</u>	<u>\$59,315,597</u>
Primary government					
Invested in capital assets, net of related debt	\$142,681,317	\$246,914,167	\$278,865,800	\$289,789,110	\$268,029,688
Restricted	60,074,413	92,000,906	81,826,634	91,935,428	78,625,094
Unrestricted	11,841,862	7,258,613	6,530,550	17,958,467	66,330,874
Total primary government net position	<u>\$214,597,592</u>	<u>\$346,173,686</u>	<u>\$367,222,984</u>	<u>\$399,683,005</u>	<u>\$412,985,656</u>
2011					
Governmental activities					
Invested in capital assets, net of related debt	\$214,246,561	218,218,696	\$216,508,668	\$230,440,390	\$230,517,037
Restricted	163,669,353	43,321,286	30,514,986	42,367,623	49,311,828
Unrestricted	(19,267,010)	(3,837,201)	8,021,490	(12,317,511)	(134,389,522)
Total governmental activities net position	<u>\$358,648,904</u>	<u>\$257,702,781</u>	<u>\$257,702,781</u>	<u>\$260,490,502</u>	<u>\$145,439,343</u>
Business-type activities					
Invested in capital assets, net of related debt	\$66,113,596	\$70,653,841	\$72,217,660	\$78,045,318	\$78,598,277
Unrestricted	9,292,189	10,877,105	13,353,988	15,367,085	4,196,654
Total business-type activities net position	<u>\$75,405,785</u>	<u>\$81,530,946</u>	<u>\$81,530,946</u>	<u>\$93,412,403</u>	<u>\$82,794,931</u>
Primary government					
Invested in capital assets, net of related debt	\$280,360,157	\$288,872,537	\$288,726,328	\$308,485,708	\$309,115,314
Restricted	163,669,353	43,321,286	30,514,986	42,367,623	49,311,828
Unrestricted	(9,974,821)	7,039,904	21,375,478	3,049,574	(130,192,868)
Total primary government net position	<u>\$434,054,689</u>	<u>\$339,233,727</u>	<u>\$340,616,792</u>	<u>\$353,902,905</u>	<u>\$228,234,274</u>

Source: City of South San Francisco, Department of Finance

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

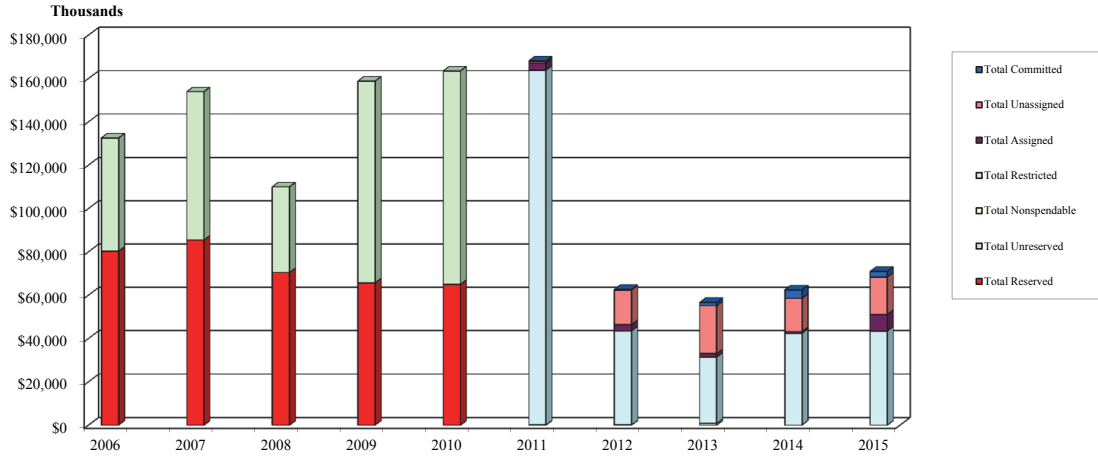
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$5,825,030	\$6,278,669	\$7,435,350	\$7,140,676	\$6,538,052	\$7,711,156	\$7,801,328	\$8,360,945	\$7,155,035	\$8,421,857
Fire Department	14,891,017	14,960,270	17,147,670	19,047,877	17,868,050	20,032,141	20,749,323	22,746,291	21,200,903	22,005,883
Police Department	16,582,172	17,951,508	18,959,373	21,051,263	20,352,570	22,429,782	23,330,208	24,756,958	24,376,379	23,910,436
Public Works	10,595,999	13,472,084	16,286,592	20,924,132	15,873,783	17,127,086	21,269,281	15,773,710	14,980,417	14,493,039
Park, Recreation and Maintenance Services	5,163,333	4,989,601	11,233,170	11,574,808	10,411,821	10,866,568	11,641,892	12,570,236	12,658,309	12,383,880
Library	4,104,854	4,432,731	4,719,233	4,959,138	4,616,658	4,664,490	4,754,760	4,615,967	4,310,550	4,300,885
Economic and Community Development	18,431,929	16,158,998	4,712,239	15,886,834	23,147,877	15,018,495	8,702,949	16,126,427	5,525,541	5,928,316
Interest on Long - Term Debt	2,171,325	4,883,053	5,694,097	5,289,818	5,035,780	4,249,454	3,328,244	52,139		
Total Governmental Activities Expenses	77,765,659	83,126,914	86,187,723	105,874,546	103,844,591	102,099,172	101,577,985	105,002,673	90,207,134	91,444,296
Business-Type Activities:										
Sewer Rental	14,880,113	14,705,709	16,340,344	17,549,690	18,944,267	19,277,959	19,446,739	20,870,522	19,301,103	23,969,579
Parking District	303,712	352,629	363,878	341,100	338,995	571,261	769,117	792,609	943,859	503,014
Storm Water	675,773	683,458	705,099	746,316	722,232	710,903	1,010,093	1,655,950	1,078,868	1,234,616
Total Business-Type Activities Expenses	15,859,598	15,741,796	17,409,321	18,637,106	20,005,494	20,560,123	21,225,949	23,319,081	21,323,830	25,707,209
Total Primary Government Expenses	\$93,625,257	\$98,868,710	\$103,597,044	\$124,511,652	\$123,850,085	\$122,659,295	\$122,803,934	\$128,321,754	\$111,530,964	\$117,151,505
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$2,093,574	\$2,403,697	\$2,578,384	\$2,689,370	\$2,539,316	\$2,688,990	\$2,032,292	\$1,951,016	\$5,785,598	\$3,946,302
Fire Department	2,339,139	2,699,426	2,425,673	2,415,617	2,851,984	3,221,837	3,697,665	2,987,956	3,304,952	3,520,275
Police Department	1,539,685	1,765,507	1,685,514	1,650,620	1,479,104	1,815,405	2,599,149	2,640,146	2,805,640	2,370,736
Public Works	460,184	164,846	2,973,297	2,462,538	4,412,581	3,805,824	3,607,224	2,926,227	4,734,813	5,071,729
Park, Recreation and Maintenance Services	2,738,378	2,757,513	3,755,368	4,872,718	3,032,399	3,004,435	3,178,276	3,433,567	3,571,947	3,708,272
Library	240,238	192,445	233,753	240,542	187,380	168,505	143,971	125,416	138,827	120,850
Economic and Community Development	6,039,752	10,041,002	4,483,292	4,868,445	4,652,031	4,944,328	4,968,383	3,457,020	5,800,849	5,337,177
Operating Grants and Contributions	4,789,269	5,719,440	6,840,628	13,388,016	5,786,227	5,549,711	5,650,685	5,455,010	5,601,916	5,753,845
Capital Grants and Contributions	5,468,406	8,433,785	3,113,674	182,462	217,877	2,728,543	1,471,416	4,036,786	1,538,225	632,735
Total Governmental Activities Program Revenues	25,708,625	34,177,661	28,089,583	32,770,328	25,158,899	27,927,578	27,349,061	27,013,144	33,282,767	30,461,921
Business-Type Activities:										
Charges for Services:										
Sewer Rental	12,116,388	12,568,533	14,112,051	15,770,470	17,486,418	18,087,695	19,310,286	19,338,107	19,155,467	19,798,033
Parking District	447,431	449,945	553,317	606,847	616,578	722,807	760,248	732,932	785,586	819,051
Storm Water	410,175	413,087	421,727	419,446	422,467	406,589	409,498	427,291	409,458	407,640
Operating Grants and Contributions	7,185,612	5,709,258	4,951,013	10,392,219	5,679,902	5,509,874	5,936,527	6,137,401	7,619,601	6,242,687
Capital Grants and Contributions	1,432,115	3,096,728	173,767	162,599	24,720	31,670				
Total Business-Type Activities Program Revenue	21,611,721	22,237,551	20,211,875	27,351,581	24,230,085	24,758,635	26,416,559	26,635,731	27,970,112	27,267,411
Total Primary Government Program Revenues	\$47,320,346	\$56,415,212	\$48,301,458	\$60,121,909	\$49,388,984	\$52,686,213	\$53,765,620	\$53,648,875	\$61,252,879	\$57,729,332
Net (Expense)/Revenue										
Governmental Activities	(\$52,057,034)	(\$48,949,253)	(\$58,098,140)	(\$73,104,218)	(\$78,685,692)	(\$74,171,594)	(\$74,228,924)	(\$77,989,529)	(\$56,924,367)	(\$60,982,375)
Business-Type Activities	5,732,123	6,495,755	2,802,554	8,714,475	4,224,591	4,198,512	5,190,610	3,316,650	6,646,282	1,560,202
Total Primary Government Net Expense	(\$46,324,911)	(\$42,453,498)	(\$55,295,586)	(\$64,389,743)	(\$74,461,101)	(\$69,973,082)	(\$69,038,314)	(\$74,672,879)	(\$50,278,085)	(\$59,422,173)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$33,504,624	\$41,469,349	\$44,165,490	\$59,369,550	\$55,014,367	\$54,323,420	\$37,379,175	\$26,420,861	\$22,890,828	\$24,650,648
Sales Taxes	11,944,496	12,446,921	12,180,885	11,752,776	9,146,620	11,199,175	11,691,564	12,931,805	12,725,141	13,932,125
Transient Occupancy Tax	5,469,708	5,959,034	7,098,284	6,178,391	5,820,675	7,191,938	8,619,170	9,659,281	11,174,017	12,947,473
Other Taxes	5,076,182	5,369,868	6,083,162	6,870,791	6,768,753	7,071,446	7,089,687	7,588,471	8,141,010	8,650,056
Motor Vehicle In-Lieu	4,463,069	4,111,098	267,061	183,193	192,035	211,503	168,214	33,767	40,074	26,995
Property taxes in lieu of vehicle license fees	3,627,834	4,206,799	4,608,649	5,563,165	5,224,547	5,086,144	5,153,384	4,955,873	5,319,154	5,551,651
Interest Earnings	3,170,305	6,924,292	8,994,203	4,760,345	5,127,255	3,944,785	2,384,207	809,721	1,108,177	629,036
Other	(474,027)	4,551,050	1,417,773	1,925,666	1,496,744	1,891,421	9,300,137	1,965,744	2,012,444	4,577,239
Transfers	(176,680)	(176,680)	(169,330)	(423,012)	(1,459,296)	(11,769,393)	(107,717,428)	(906,857)	(1,041,120)	(1,429,308)
Special item	(7,188,206)		(8,540,400)					11,873,226		
Cumulative effect from change in accounting method										
Total Government Activities	59,593,985	81,161,731	76,105,777	96,180,865	87,331,700	79,150,439	-26,717,199	75,331,892	62,369,725	69,535,915
Business-Type Activities:										
Interest Earnings	80,119	359,041	69,777	244,887	175,188	122,283	149,242	95,177	153,353	126,874
Transfers	176,680	176,680	169,330	423,012	1,459,296	1,176,939	785,309	906,857	1,041,120	1,429,308
Total Business-Type Activities	256,799	535,721	239,107	667,899	1,634,484	1,189,167	934,551	1,002,034	1,194,473	1,556,182
Total Primary Government	\$59,850,784	\$81,697,452	\$76,344,884	\$96,848,764	\$88,966,184	\$91,042,115	(\$25,782,648)	\$76,333,926	\$63,564,198	\$71,092,097
Change in Net Position										
Governmental Activities	\$7,536,951	\$32,212,478	\$18,007,637	\$23,076,647	\$8,646,008	\$4,978,845	(\$100,946,123)	(\$2,657,637)	\$5,445,358	\$8,553,540
Business-Type Activities	6,008,922	7,031,476	3,041,661	9,382,374	5,859,075	16,090,188	6,125,161	4,318,684	7,840,755	3,116,384
Total Primary Government	\$13,545,873	\$39,243,954	\$21,049,298	\$32,459,021	\$14,505,083	\$21,069,033	(\$94,820,962)	\$1,661,047	\$13,286,113	\$11,669,924

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



	(b)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$453,567	\$732,903	\$283,435	\$554,692	\$889,186					
Unreserved	16,586,724	20,359,471	14,503,263	17,509,823	14,841,958					
Nonspendable						67,129	\$90,167	\$805,677	\$14,163	\$1,134
Committed						401,797	208,054	1,406,430	3,879,451	2,536,790
Assigned						771,849	840,365	566,104	743,746	1,458,029
Unassigned						15,049,168	17,347,445	23,498,194	15,891,899	17,285,422
Total General Fund	<u>\$17,040,291</u>	<u>\$21,092,374</u>	<u>\$14,786,698</u>	<u>\$18,064,515</u>	<u>\$15,731,144</u>	<u>\$16,289,943</u>	<u>\$18,486,031</u>	<u>\$26,276,405</u>	<u>\$20,529,259</u>	<u>\$21,281,375</u>
All Other Governmental Funds										
Reserved	\$79,859,526	\$84,748,754	\$70,194,663	\$65,117,971	\$64,163,373					
Unreserved, reported in:										
Special revenue funds	13,559,250	17,973,390	21,286,431	23,826,184	11,079,390					
Debt service funds	126,691	124,003	119,525	121,764	3,198,600					
Capital project funds	21,945,889	29,928,573	3,578,595	51,589,538	69,286,211					
Restricted						\$163,727,096	\$43,364,540	\$30,539,396	\$42,392,238	\$43,437,361
Assigned						2,390,904	2,076,065	1,105,320	0	6,188,554
Unassigned						(14,353,252)	(1,388,956)	(1,379,895)	(521,604)	(40,459)
Total all other governmental funds	<u>\$115,491,356</u>	<u>\$132,774,720</u>	<u>\$95,179,214</u>	<u>\$140,655,457</u>	<u>\$147,727,574</u>	<u>\$151,764,748</u>	<u>\$44,051,649</u>	<u>\$30,264,821</u>	<u>\$41,870,634</u>	<u>\$49,585,456</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.

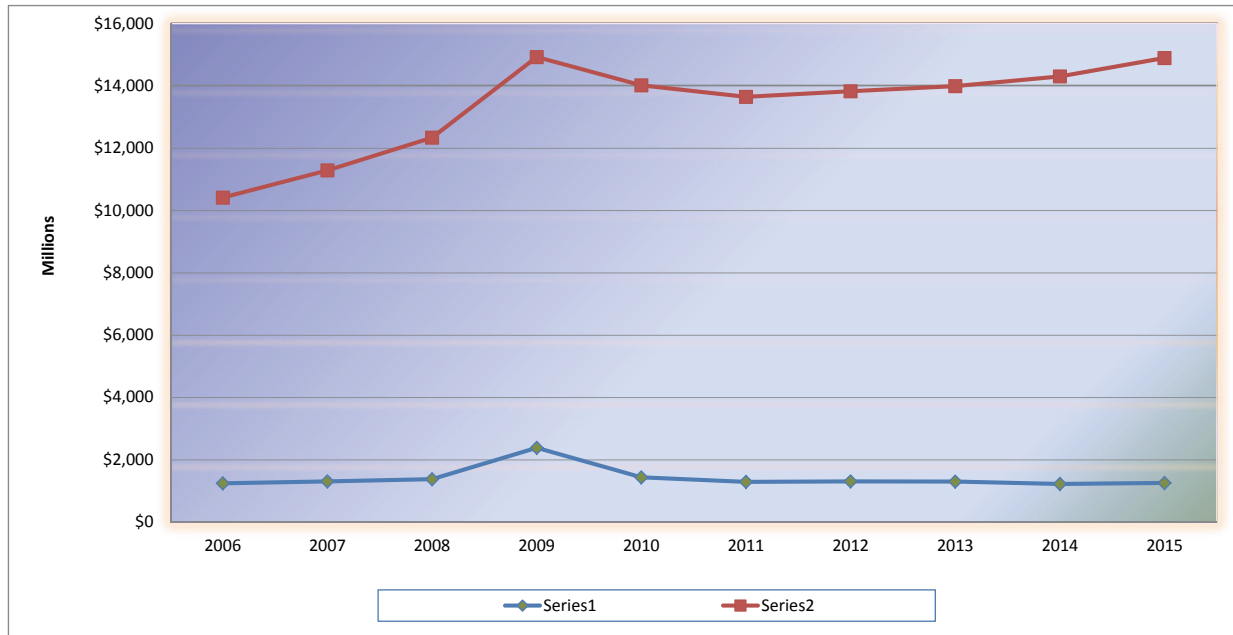
CITY OF SOUTH SAN FRANCISCO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Property Taxes	\$33,504,626	\$41,469,349	\$44,165,490	\$59,369,550
Other Taxes	22,157,878	23,505,138	24,313,543	22,755,561
Intergovernmental revenues	11,495,084	9,103,859	13,219,053	15,088,171
Interest and Rents	6,807,538	1,043,528	12,318,594	7,625,428
Licenses and permits	5,342,009	5,557,296	5,716,017	5,957,815
Charges for services	10,533,289	6,729,772	10,792,043	13,644,314
Fines and forfeitures	889,085	10,691,238	1,073,603	1,013,434
Other	2,065,054	17,083,402	1,091,514	3,722,979
Total Revenues	<u>92,794,563</u>	<u>115,183,582</u>	<u>112,689,857</u>	<u>129,177,252</u>
Expenditures				
Current:				
General government	4,211,157	4,451,564	5,897,066	5,752,948
Fire Department	14,713,658	14,972,467	16,875,311	17,724,990
Police Department	16,425,238	18,040,508	18,757,394	19,989,136
Public works	16,722,028	15,038,206	14,910,401	12,360,989
Recreation and Community Services	4,631,328	4,927,687	10,826,041	10,700,332
Library	4,064,649	4,399,017	4,766,821	4,679,270
Economic and Community Development	18,344,116	15,675,694	13,848,049	19,554,780
Other	1,169,699	633,060	1,023,435	474,805
Capital outlay	2,429,448	844,744	36,544,741	4,247,021
Debt service:				
Principal repayment	23,094,686	8,610,556	1,692,296	1,755,426
Interest and fiscal charges	2,393,177	5,500,469	5,441,036	4,571,150
Total Expenditures	<u>108,199,184</u>	<u>93,093,972</u>	<u>130,582,591</u>	<u>101,810,847</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,404,621)</u>	<u>22,089,610</u>	<u>(17,892,734)</u>	<u>27,366,405</u>
Other Financing Sources (Uses)				
Transfers in	20,973,246	14,505,346	20,182,014	18,754,214
Transfers (out)	(20,890,788)	(14,351,319)	(24,253,621)	(19,330,934)
Tax allocation bonds issued	70,675,000			
Premium on bonds	2,005,535			
Payments to refunded bond escrow	(13,118,105)			
Other debt proceeds				
Sale of capital assets	13,750	13,750	13,750	13,784
Total other financing sources (uses)	<u>59,658,638</u>	<u>167,777</u>	<u>(4,057,857)</u>	<u>(562,936)</u>
Net Change in fund balances before extraordinary item	<u>44,254,017</u>	<u>22,257,387</u>	<u>(21,950,591)</u>	<u>26,803,469</u>
Extraordinary item				
Net change in fund balances	<u>\$44,254,017</u>	<u>\$22,257,387</u>	<u>(\$21,950,591)</u>	<u>\$26,803,469</u>
Debt service as a percentage of noncapital expenditures	21.6%	13.9%	3.9%	6.8%

For The Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
\$54,718,916	\$54,128,998	\$38,174,655	\$27,077,697	\$23,010,136	\$24,650,648
19,771,310	23,412,992	28,866,546	31,894,811	33,931,446	38,275,478
10,609,605	11,860,658	11,580,530	13,054,594	10,757,440	10,453,071
7,680,293	7,612,223	4,955,223	3,238,089	3,632,693	3,531,966
7,270,081	7,004,603	3,056,507	3,054,451	4,366,271	4,795,158
9,986,352	10,010,541	10,088,070	9,275,724	16,864,409	13,387,712
1,054,549	2,133,677	2,184,234	1,753,682	1,528,319	1,221,413
2,542,492	2,261,247	3,000,563	1,837,675	2,249,728	4,660,668
<u>113,633,598</u>	<u>118,424,939</u>	<u>101,906,328</u>	<u>91,186,723</u>	<u>96,340,442</u>	<u>100,976,114</u>
5,916,364	6,407,094	6,485,219	6,658,532	5,970,429	7,167,969
16,790,834	18,140,954	18,812,861	20,877,917	20,163,759	21,247,989
19,359,770	20,272,684	21,217,818	22,542,135	23,309,568	23,611,743
8,416,242	9,856,201	14,253,609	9,186,493	16,791,894	15,923,071
9,960,090	10,168,425	10,101,408	10,927,433	11,552,502	11,826,407
4,342,662	4,231,762	4,272,701	4,112,570	3,987,928	4,247,650
26,279,406	19,894,692	8,184,334	20,512,545	5,972,966	5,917,508
6,724,022	6,969,052	8,894,514			480,290
1,887,434	1,842,000	1,752,000		453,381	352,674
4,255,050	4,274,170	1,817,764	52,139		
<u>103,931,874</u>	<u>102,057,034</u>	<u>95,792,228</u>	<u>94,869,764</u>	<u>88,202,427</u>	<u>90,775,301</u>
<u>9,701,724</u>	<u>16,367,905</u>	<u>6,114,100</u>	<u>(3,683,041)</u>	<u>8,138,015</u>	<u>10,200,813</u>
18,047,351	88,175,882	108,413,018	4,467,530	21,870,234	17,983,227
(22,175,268)	(99,947,814)	(109,646,766)	(6,780,943)	(24,149,582)	(19,717,102)
<u>(4,127,917)</u>	<u>11,771,932</u>	<u>(1,233,748)</u>	<u>(2,313,413)</u>	<u>(2,279,348)</u>	<u>(1,733,875)</u>
5,573,807	4,595,973	4,880,352	(5,966,454)	5,858,667	8,466,938
		(110,397,363)			
<u>\$5,573,807</u>	<u>\$4,595,973</u>	<u>(\$105,517,011)</u>	<u>(\$5,966,454)</u>	<u>\$5,858,667</u>	<u>\$8,466,938</u>
6.6%	6.7%	4.2%	0.1%	0.6%	0.4%

**CITY OF SOUTH SAN FRANCISCO
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**



Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2006	\$4,695,615,723	\$1,015,770,532	\$3,104,488,020	\$363,794,750	\$9,179,669,025	\$1,232,399,424	\$10,412,068,449	\$10,412,068,449	0.30509%
2007	5,088,269,711	1,166,696,622	3,456,741,386	280,811,705	9,992,519,424	1,294,249,195	11,286,768,619	11,286,768,619	0.30977%
2008	5,484,465,766	1,227,775,836	3,934,414,550	324,421,836	10,971,077,988	1,365,179,480	12,336,257,468	12,336,257,468	0.31878%
2009	5,790,070,116	1,368,274,141	4,871,255,093	523,110,471	12,552,709,821	2,373,808,053	14,926,517,874	14,926,517,874	0.34939%
2010	5,467,563,992	1,429,401,205	5,197,739,403	498,656,817	12,593,361,417	1,424,610,941	14,017,972,358	14,017,972,358	0.36462%
2011	5,547,292,029	1,509,554,164	4,922,422,763	387,673,530	12,366,942,486	1,279,681,193	13,646,623,679	13,646,623,679	0.36933%
2012	5,579,044,758	1,581,852,456	4,967,158,758	403,895,119	12,531,951,091	1,295,085,027	13,827,036,118	13,827,036,118	0.37860%
2013	5,606,400,603	1,628,754,902	5,050,279,321	418,927,733	12,704,362,559	1,288,434,392	13,992,796,951	13,992,796,951	0.42174%
2014	5,900,441,192	1,713,575,060	4,273,694,531	1,204,288,116	13,091,998,899	1,212,353,871	14,304,352,770	14,304,352,770	0.13474%
2015	6,313,393,048	2,402,335,027	4,588,967,014	345,957,716	13,650,652,805	1,244,971,467	14,895,624,272	14,895,624,272	0.13804%

Source: HdL Coren & Cone, San Mateo County Assessor 2013/15 Combined Tax Rolls.

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) 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.

**CITY OF SOUTH SAN FRANCISCO
DIRECT AND OVERLAPPING
PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Basic Levy</u>	<u>School Districts</u>	<u>Total Direct/Overlapping Tax Rates</u>	
2006	1.000	0.1176	1.1176	(1,12)
2007	1.000	0.1287	1.1287	(1,13)
2008	1.000	0.1370	1.1370	(1,14)
2009	1.000	0.1426	1.1426	(1,15)
2010	1.000	0.1600	1.1600	(1,16)
2011	1.000	0.1707	1.1707	(1,17)
2012	1.000	0.1824	1.1824	(1,18)
2013	1.000	0.1959	1.1959	(1,19)
2014	1.000	0.2046	1.2046	(1,20)
2015	1.000	0.1822	1.1822	(1,21)

Notes:

- (1) Like other cities, South San Francisco includes several property tax rate areas with different rates. A mean average is indicated.
- (11) Of the 63 tax rate areas in the City, 57 have a tax rate of 1.0271 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0524, which includes Jefferson Union High School bonds, one has a rate of 1.0597, which includes San Bruno Park Elementary and San Mateo High bonds, one at a tax rate of 1.0229 percent, for Series 99 SSFUSD bonds, and one at a tax rate of 1.0459 percent, for Brisbane ESD bonds and Jefferson Union High School bonds.
- (12) Of the 63 tax rate areas in the City, 58 have a tax rate of 1.0247 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0485, which includes Jefferson Union High School bonds, one has a rate of 1.0574, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0450 percent, for Brisbane ESD bonds and Jefferson Union High School bonds.
- (13) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0379 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0612, which includes Jefferson Union School bonds, one has a rate of 1.0664, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0575, for Brisbane ESD bonds and Jefferson Union High School bonds.
- (14) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0360 percent which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have the rate of 1.0756, which includes Jefferson Union School bonds, one has a rate of 1.0716, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0596 percent, for Brisbane ESD bonds and Jefferson Union High School bonds.
- (15) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0327 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond. 2 have the rate of 1.0719 and one has a rate of 1.0689, which includes Jefferson Union School bonds and Brisbane ESD bonds, and one has a rate of 1.0710 which includes San Bruno Park Elementary.
- (16) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0377 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond. 3 have the rate of 1.0783 and one has a rate of 1.0748, which includes Jefferson Union School bonds, and Brisbane ESD bonds, and one has a rate of 1.0804 which includes San Bruno Park Elementary.
- (17) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0389 percent, which includes SSFUSD bonds and San Mateo Jr College bond. 3 has a rate of 1.0870 percent and one at 1.0832 percent which includes Jefferson Union School bonds and Brisbane ESD bonds. One has a rate of 1.0834 percent which includes San Bruno Park Elementary.
- (18) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0420 percent, which includes SSFUSD bonds and San Mateo Jr College bond. 3 has a rate of 1.0893 percent and one at 1.0854 percent which includes Jefferson Union School bond, Brisbane ESD bonds & San Mateo JR College bonds and one has a rate of 1.0909 percent which includes San Bruno Park Elementary.
- (19) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0521 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.0921 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0905 percent, which includes San Bruno Pk Elem bond, SM Union High, SM Jr College bond and San Mateo Comm Coll bond.
- (20) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0522 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.1048 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0864 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.
- (21) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0703 percent, which includes SSFUSD bonds, San Mateo Jr College bond, and San Mateo Comm College. 4 has a rate of 1.0991 percent which includes Brisbane ESD Bond, Jefferson High bonds, SM Jr College bond and San Mateo Comm College. 1 has a rate of 1.0983 percent, which includes San Bruno Pk Elem bond, SM Union High, SM High, SM Jr College bond and San Mateo Comm Coll bond.

Source: HDL, Coren & Cone (San Mateo County Assessor 2005/06- 2014/15 Tax Rate Table).

CITY OF SOUTH SAN FRANCISCO
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2014-15			2005-06		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$1,763,579,111	1	11.84%	\$1,315,580,265	1	12.83%
Slough SSF LLC	1,062,682,272	2	7.13%	--	--	--
ARE San Francisco LLC	407,673,426	3	2.74%			
Slough BTC LLC	--	--	--	250,826,027	3	2.45%
Britannia Pointe Grand LP	287,378,265	4	1.93%	147,316,976	4	1.44%
United Airlines Inc	215,075,660	5	1.44%	279,956,410	2	2.73%
Myers Peninsula Venture LLC	153,235,444	6	1.03%	--	--	--
BMR 750 800 850 gateway LP N A	152,901,550	7	1.03%	--	--	--
Gateway Center LLC	138,821,232	8	0.93%	--	--	--
BMR 180 Oyster Point LLC	130,222,375	9	0.87%	--	--	--
SFF Logistics Inc	118,000,000	10	0.79%	--	--	--
Gateway Center LLC DE	--	--	--	72,500,000	5	0.71%
SFO Fuel Company LLC	--	--	--	70,106,393	6	0.68%
BNP Leasing Corporation	--	--	--	66,465,977	7	0.65%
Costco Wholesale Corporation	--	--	--	59,954,361	8	0.58%
Britannia Biotech Gateway LLP	--	--	--	59,038,522	9	0.58%
Carramerica Realty Operating Partner	---	--	--	52,020,000	10	0.51%
Subtotal	<u>\$4,429,569,335</u>		<u>29.74%</u>	<u>\$2,373,764,931</u>		<u>23.15%</u>

Total Net Assessed Valuation:

Fiscal Year 2014-15	\$14,895,624,272
Fiscal Year 2005-06	\$10,254,014,950

Source: HDL Coren & Cone, 2005-06 & 2014-15 Top Ten Property Taxpayers (Net Values)

San Mateo County Assessor 2005-06 & 2014-15 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

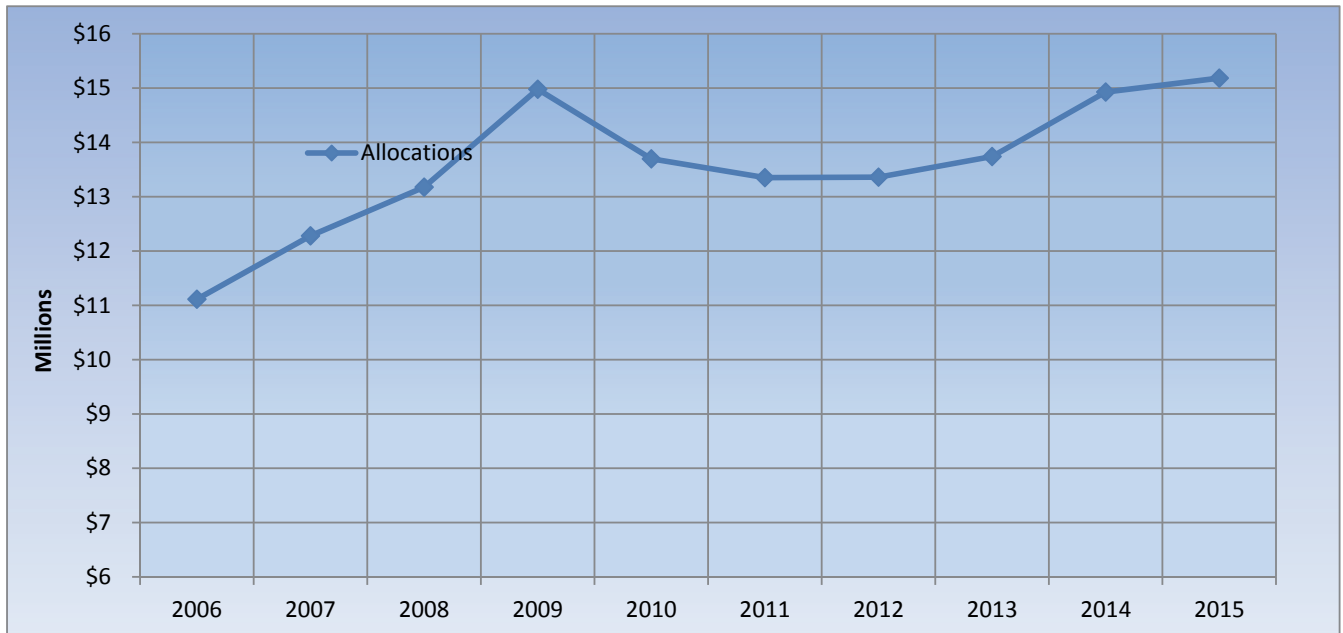
CITY OF SOUTH SAN FRANCISCO
Twenty Largest Taxable Property Owners for Merged RDA Project Area
JUNE 30, 2015

Property Tax Payer	Secured	Unsecured	Total Assessed Value	% of Total AV in Project Area	Land Use
Slough	\$932,452,092		\$932,452,092	21.91%	Industrial
Britannia Pointe Grand LP	423,138,258		\$423,138,258	9.94%	Industrial
Genentech	244,322,133	169,212,244	\$413,534,377	9.72%	Industrial, Office, R&D
BMR Gateway LLC	\$283,123,925		\$283,123,925	6.65%	Commercial
ARE San Francisco Exch LLC	221,241,091		\$221,241,091	5.20%	Industrial, Commercial
Gateway Center LLC	196,803,892	213,146	\$197,017,038	4.63%	Commercial
ASN Solaire LLC	107,138,381		\$107,138,381	2.52%	Residential
Costco Wholesale Corp	39,713,567	41,638,818	\$81,352,385	1.91%	Commercial
HCP Oyster Point III LLC	67,828,506		\$67,828,506	1.59%	Unknown
Amgen SF LLC	0	60,367,761	\$60,367,761	1.42%	Industrial
Gateway Boulevard LLC	59,050,766		\$59,050,766	1.39%	Industrial
Oik Sierra Point LLC	42,351,331		\$42,351,331	1.00%	Commercial
DWF III Gateway LLC	42,009,860		\$42,009,860	0.99%	Commercial
Blue Line Transfer Inc.	37,661,624		\$37,661,624	0.89%	Industrial
SRI Ten Gateway LLC	34,867,582		\$34,867,582	0.82%	Commercial, Office, 2+ stories
Areus Inc	34,032,735		\$34,032,735	0.80%	Commercial
Theravance Inc.		32,862,319	\$32,862,319	0.77%	Industrial, Office, R&D
Felcor CMB SSF Holdings LP	31,563,752		\$31,563,752	0.74%	Residential, Hotels, Motels
HPTMI II Properties Trust	27,170,000		\$27,170,000	0.64%	Residential, Hotels, Motels
Kaiser Permanente Hospitals	\$24,041,066	1,446,945	\$25,488,011	0.60%	Industrial
Total Top Twenty	2,848,510,561	305,741,233	3,154,251,794	74.13%	
Percent of AV	90.3%	9.7%			

(1) Given the nature of the research performed at Genentech, a significant portion of the total assessed value of the Genentech Property is likely equipment. It would appear on the secured roll as that contains the value of personal property/improvements

Source: San Mateo County Assessor, RDA Secured & Unsecured SSF 2015 Tax Rolls
Source: Muni Services

**CITY OF SOUTH SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS**



Fiscal Year	Rate (2)	Levies (3)	Allocations (5)	Collections	Delinquencies	Delinquent taxes as a Percent of
2006	1.00	(4)	\$11,112,993	(4)	(4)	0.0%
2007	1.00	(4)	12,281,105	(4)	(4)	0.0%
2008	1.00	(4)	13,177,156	(4)	(4)	0.0%
2009	1.00	(4)	14,979,798	(4)	(4)	0.0%
2010	1.00	(4)	13,697,389	(4)	(4)	0.0%
2011	1.00	(4)	13,351,506	(4)	(4)	0.0%
2012	1.00	(4)	13,360,854	(4)	(4)	0.0%
2013	1.00	(4)	13,740,246	(4)	(4)	0.0%
2014	1.00	(4)	14,928,197	(4)	(4)	0.0%
2015	1.00	(4)	15,184,788	(4)	(4)	0.0%

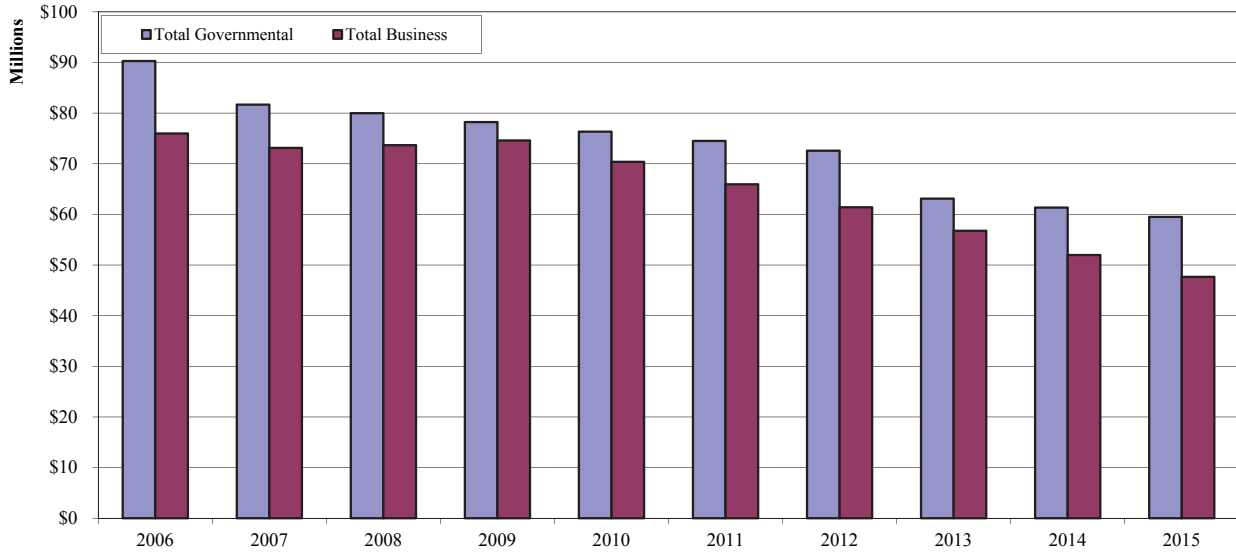
Notes:

- (1) Excludes State Reimbursed Exemptions and deductions for County property tax administration.
- (2) County adopted full cash value method of valuation rather than assessed valuation.
- (3) Levies include real and personal property.
- (4) Information not applicable. All general purpose property taxes are levied by the county and allocated to other governmental entities.

(5) San Mateo County controller's Office. Adjusted estimated revenue for City of South San Francisco.

Source: San Mateo County Auditor -- Controller's Office; Finance Department Revenue Reports

CITY OF SOUTH SAN FRANCISCO
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities						
Fiscal Year	RDA Tax Allocation	Lease Revenue	Certificates of Participation	Special Assessment Debt	Loans	Total
	Bonds	Bonds				
2006	\$73,495,000	\$231,549	\$5,335,000		\$11,227,163	\$90,288,712
2007	72,400,000	194,156	5,200,000		3,884,000	81,678,156
2008	71,000,000	153,860	5,060,000		3,772,000	79,985,860
2009	69,545,000	110,434	4,915,000		3,660,000	78,230,434
2010	68,030,000	0	4,765,000		3,548,000	76,343,000
2011	66,455,000	0	4,610,000		3,436,000	74,501,000
2012	64,815,000	0	4,445,000		3,324,000	72,584,000
2013	63,115,000	0	0		0	63,115,000
2014	61,350,000	0	0		0	61,350,000
2015	59,515,000	0	0		0	59,515,000

Business-Type Activities							
Fiscal Year	Sewer Revenue	Certificates of Participation	State Water Resources	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Bonds		Loans				
2006	\$6,000,000		\$69,978,799	\$75,978,799	\$166,267,511	9.19%	\$2,693.51
2007	6,000,000		67,133,165	73,133,165	154,811,321	8.14%	2,491.21
2008	5,790,000		67,878,194	73,668,194	153,654,054	7.82%	2,419.29
2009	5,575,000		69,025,322	74,600,322	152,830,756	7.84%	2,351.24
2010	5,350,000		65,028,410	70,378,410	146,721,410	7.65%	2,227.37
2011	5,120,000		60,831,038	65,951,038	140,452,038	7.27%	2,184.09
2012	4,885,000		56,530,946	61,415,946	133,999,946	6.76%	2,057.52
2013	4,640,000		52,118,587	56,758,587	119,873,587	5.98%	1,824.28
2014	4,385,000		47,591,019	51,976,019	113,326,019	5.57%	1,723.62
2015	4,120,000		43,543,614	47,663,614	107,178,614	n/a	n/a

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of South San Francisco

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

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

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2015**

2014-15 Assessed Valuation:	\$14,895,624,272
Redevelopment Incremental Valuation:	-
Adjusted Assessed Valuation:	\$14,895,624,272

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2015	% Applicable (1)	City's Share of Debt 6/30/15
San Mateo Community College District	\$664,859,994	8.986%	\$59,744,319
Jefferson Union High School District	151,171,645	1.629	2,462,586
South San Francisco Unified School District	186,096,874	89.211	166,018,882
Brisbane School District	6,660,437	11.842	788,729
City of Brisbane Marina Boulevard and Lagoon Road Reassessment District	1,580,000	24.216	382,613
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$229,397,129

Ratio to 2014-15 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.....1.54%

<u>OVERLAPPING FUND DEBT:</u>	Total Debt 6/30/2015	% Applicable (1)	City's Share of Debt 6/30/15
San Mateo County General Fund Obligations	\$460,064,816	8.986%	\$41,341,424
San Mateo County Board of Education Certificates of Participation	10,430,000	8.986	937,240
San Mateo County Flood Control District Certificates of Participation	21,435,000	60.598	12,989,181
South San Francisco Unified School District Certificates of Participation	702,995	89.211	627,149
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			\$55,894,994

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$59,515,000	100.000%	\$59,515,000
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TOTAL DIRECT DEBT	\$0
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Total Overlapping Debt	\$344,807,123
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COMBINED TOTAL DEBT	\$344,807,123 (2)
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- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds, and Successor Agency Debt.

<u>Ratios to Adjusted Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	1.54%
Total Direct Debt	0.00%
Combined Total Debt	2.31%

<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,902,722,067):</u>	
Total Overlapping Tax Increment Debt	1.52%

Source: California Municipal Statistics, Inc. and City of South San Francisco
510-658-2640 Austin Busch

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2015**

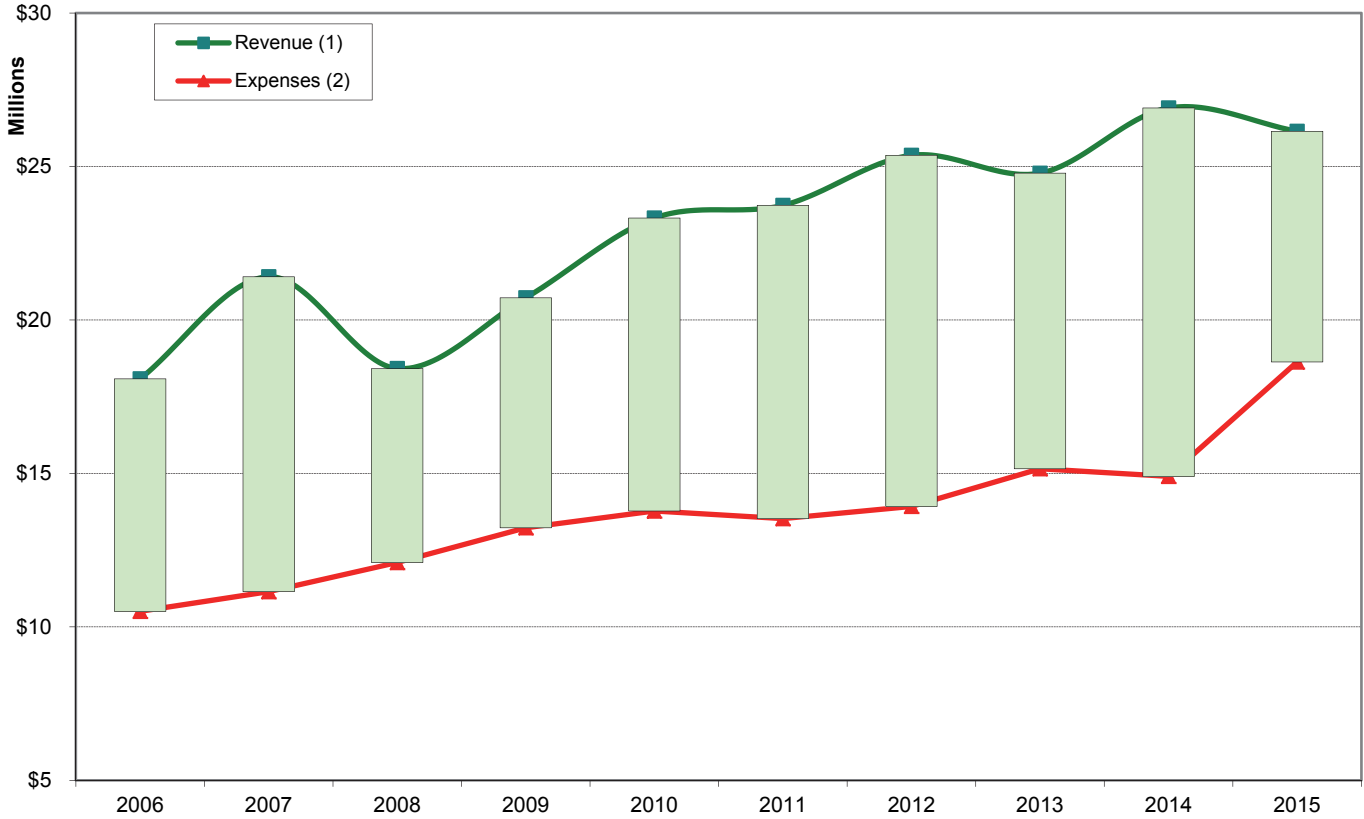
ASSESSED VALUATION:	\$14,895,624,272
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$558,585,910
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$558,585,910

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
2006	\$390,455,531	\$0	\$390,455,531	0.00%
2007	423,253,823	0	423,253,823	0.00%
2008	469,575,123	0	469,575,123	0.00%
2009	559,744,420	0	559,744,420	0.00%
2010	525,673,963	0	525,673,963	0.00%
2011	511,748,388	0	511,748,388	0.00%
2012	518,513,854	0	518,513,854	0.00%
2013	524,729,886	0	524,729,886	0.00%
2014	536,413,229	0	536,413,229	0.00%
2015	558,585,910	0	558,585,910	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.

Source: HDL Coren & Cone, San Mateo County Assessor - Combined Tax Rolls

**CITY OF SOUTH SAN FRANCISCO
REVENUE BOND COVERAGE
SEWER RENTAL ENTERPRISE FUND
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (4)			Coverage
				Principal	Interest	Total	
2006	\$18,081,987	\$10,506,394	\$7,575,593	(3)	\$156,165	\$156,165	48.51
2007	21,409,055	11,146,870	10,262,185	(3)	248,914	248,914	41.23
2008	18,418,866	12,096,256	6,322,610	(3)	241,846	241,846	26.14
2009	20,722,778	13,228,883	7,493,895	215,000	235,897	450,897	16.62
2010	23,321,582	13,774,757	9,546,825	225,000	230,941	455,941	20.94
2011	23,735,469	13,527,544	10,207,925	230,000	223,973	453,973	22.49
2012	25,365,824	13,924,334	11,441,490	235,000	216,501	451,501	25.34
2013	24,782,587	15,151,968	9,630,619	245,000	208,459	453,459	21.24
2014	26,908,316	14,904,225	12,004,091	255,000	199,831	454,831	26.39
2015	26,147,550	18,630,672	7,516,878	265,000	190,532	455,532	16.50

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Gross revenue includes operating revenue and non-operating revenue.

(2) Direct operating expenses include operating expenses (except depreciation) and non-operating expenses (except interest expense).

(3) Retirement of principal for 2005 Sewer Revenue Bonds begins in fiscal year 2008.

(4) The requirement does not include loan payments on State Water Resources Board loans. See schedule of Sewer Debt service coverage for details.

Source: City of South San Francisco, Department of Finance

**CITY OF SOUTH SAN FRANCISCO
SEWER DEBT SERVICE COVERAGE
SEWER RENTAL ENTERPRISE FUND
LAST FIVE FISCAL YEARS**

	Fiscal Year				
	2011	2012	2013	2014	2015
Revenues					
Service Charges	\$18,087,695	\$19,193,259	\$19,310,559	\$19,129,475	\$19,758,128
Connection and Other Fees	31,670	117,027	27,548	25,992	122,640
Interest Income	106,230	119,011	80,692	133,248	106,830
Developer Fees					
Other Cities' Participation (1)	5,509,874	5,936,526	6,137,401	7,619,601	6,159,937
Total Revenues	<u>\$23,735,469</u>	<u>\$25,365,824</u>	<u>\$25,556,200</u>	<u>\$26,908,316</u>	<u>\$26,147,535</u>
Operating Expenses (2)	<u>\$13,527,544</u>	<u>\$13,924,334</u>	<u>\$15,151,968</u>	<u>\$14,904,225</u>	<u>\$18,759,650</u>
Wastewater System Net Revenues	<u>\$10,207,925</u>	<u>\$11,441,490</u>	<u>\$10,404,232</u>	<u>\$12,004,091</u>	<u>\$7,387,885</u>
Parity Debt Service (3)					
State Water Resources Control Board Loans	\$6,270,859	\$5,997,459	\$6,012,716	\$6,022,799	\$5,445,162
CSCDA Series 2005D Revenue Bonds	222,061	214,589	206,405	197,630	188,148
Total Parity Debt	<u>\$6,492,920</u>	<u>\$6,212,048</u>	<u>\$6,219,121</u>	<u>\$6,220,429</u>	<u>\$5,633,310</u>
Total Parity Debt Service Coverage	<u>1.57</u>	<u>1.84</u>	<u>1.67</u>	<u>1.93</u>	<u>1.31</u>

(1) Primarily consists of payments from the City of San Bruno. The City of San Bruno is a co-owner of the Plant and pays the City in advance on a quarterly basis for the City of San Bruno's share of operating costs. See "Wastewater System" herein.

(2) Excludes depreciation, capital expenditures and debt service.

(3) Includes Sewer Revenue Bonds and State Water Loan payments

(4) Reflects an adopted increase in rates for Fiscal Year 2004-05 of 25% per Resolution No. 68-2004, adopted by the City Council on July 14, 2004 and effective on and after July 1, 2004 and an adopted increase in rates for Fiscal Year 2005-06 of 9% per Resolution No. 68-2005, adopted by the City Council on June 22, 2005 and effective on and after June 22, 2005.

**CITY OF SOUTH SAN FRANCISCO
REDEVELOPMENT PLEDGED REVENUE COVERAGE
LAST SEVEN FISCAL YEARS**

2006 RDA Revenue Bonds

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2009	\$32,246,342	\$1,275,000	\$3,245,969	\$4,520,969	7.13
2010	35,871,577	1,330,000	3,193,869	4,523,869	7.93
2011	44,300,878	1,380,000	3,141,394	4,521,394	9.80
2012	25,114,631	1,435,000	3,086,819	4,521,819	5.55
2013		1,490,000	3,030,181	4,520,181	
2014		1,545,000	2,971,344	4,516,344	
2015		1,605,000	2,904,331	4,509,331	

(1) New issuance. Retirement of principal and interest begins in fiscal year 2007.

1999 RDA Revenue Bonds (Housing)

Funding Source: RDA Gateway and Low Moderate Income Housing tax increment revenues. Gateway bonds defeased in FY 05-06.

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2009	\$6,353,579	\$180,000	\$115,145	\$295,145	21.53
2010	5,798,618	185,000	107,205	292,205	19.84
2011	5,732,171	195,000	98,748	293,748	19.51
2012	25,114,631	205,000	89,645	294,645	85.24
2013		210,000	79,995	289,995	
2014		220,000	69,780	289,780	
2015		230,000	58,750	288,750	

1999 Certificates of Participation

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2009	\$32,246,342	\$145,000	\$250,938	\$395,938	81.44
2010	35,871,577	150,000	244,775	394,775	90.87
2011	44,300,878	155,000	238,250	393,250	112.65
2012	25,114,631	165,000	230,500	395,500	63.50
2013					
2014					
2015					

1989 Cal Health Facilities Financing Authority Revenue Bonds

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2009	\$32,246,342	\$43,426	\$9,664	\$53,090	607.39
2010	35,871,577	110,434	6,428	116,862	306.96
2011					
2012					
2013					
2014					
2015					

RDA All Non-housing (A)

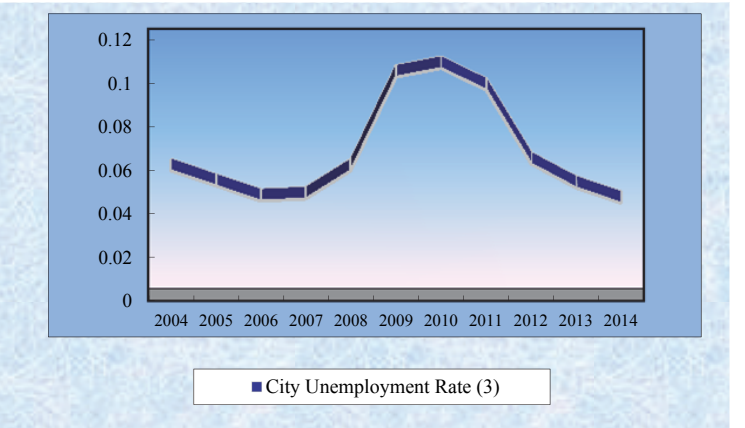
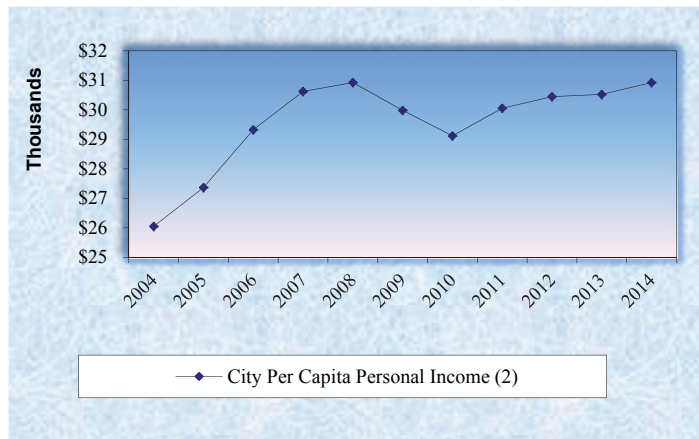
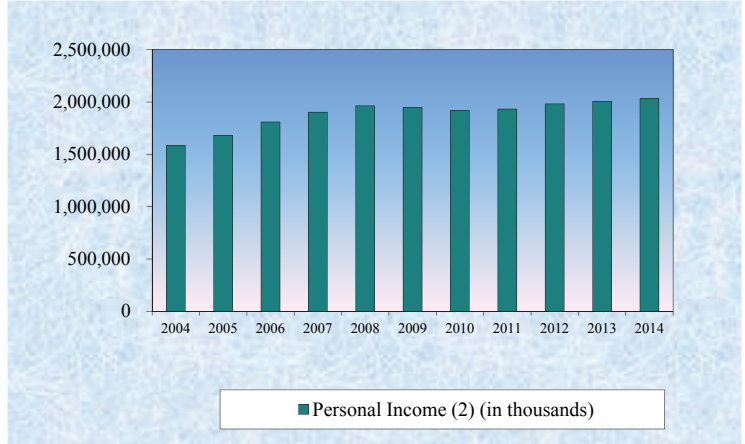
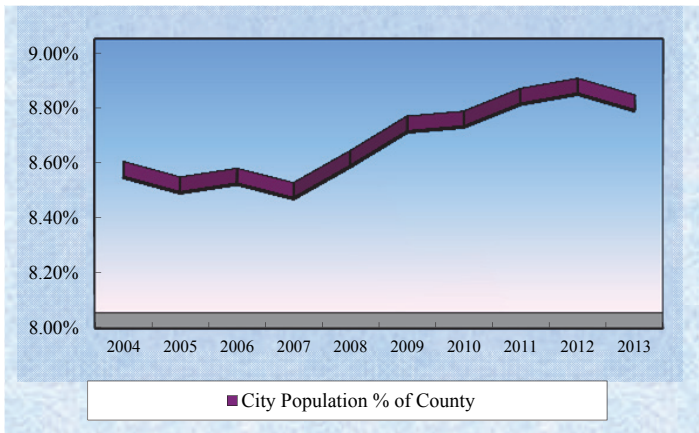
Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2009	\$32,246,342	\$1,463,426	\$3,506,570	\$4,969,996	6.49
2010	35,871,577	1,590,434	3,445,072	5,035,506	7.12
2011	44,300,878	1,535,000	3,379,644	4,914,644	9.01
2012	25,114,631	1,600,000	3,317,319	4,917,319	5.11
2013		1,490,000	3,030,181	4,520,181	
2014		1,545,000	2,971,344	4,516,344	
2015		1,605,000	2,904,331	4,509,331	

Note: Redevelopment Agencies abolished as of 1/31/2012. Numbers for 2012 include the first and second RPTTF distributions received.

(A) Shows coverage of all non-housing bonds pledged to tax increment. Source: City of South San Francisco, Department of Finance

CITY OF SOUTH SAN FRANCISCO DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS



Year	Estimated City Population (1)	City Personal Income (2) (in thousands)	City Per Capita Personal Income (2)	City Unemployment Rate (3)	San Mateo County Population (1)	City Population % of County
2004	60,909	\$1,586,667	\$26,050	6.0%	712,400	8.55%
2005	61,444	1,681,507	27,366	5.3%	723,453	8.49%
2006	61,729	1,810,075	29,323	4.6%	724,104	8.52%
2007	62,143	1,903,016	30,623	4.7%	733,496	8.47%
2008	63,512	1,964,028	30,924	6.0%	739,469	8.59%
2009	65,000	1,948,798	29,982	10.3%	745,858	8.71%
2010	65,872	1,918,061	29,118	10.7%	754,285	8.73%
2011	64,307	1,932,618	30,053	9.7%	729,443	8.82%
2012	65,127	1,982,857	30,446	6.3%	735,678	8.85%
2013	65,710	2,005,666	30,523	5.2%	747,373	8.79%
2014	65,749	2,033,156	30,923	4.5%	745,635	8.82%

Notes:

** All data entered were updated to reflect the City of South San Francisco's current information available through HDL, Coren & Cone 2014-15 CAFR Statistical Report.

Data Sources:

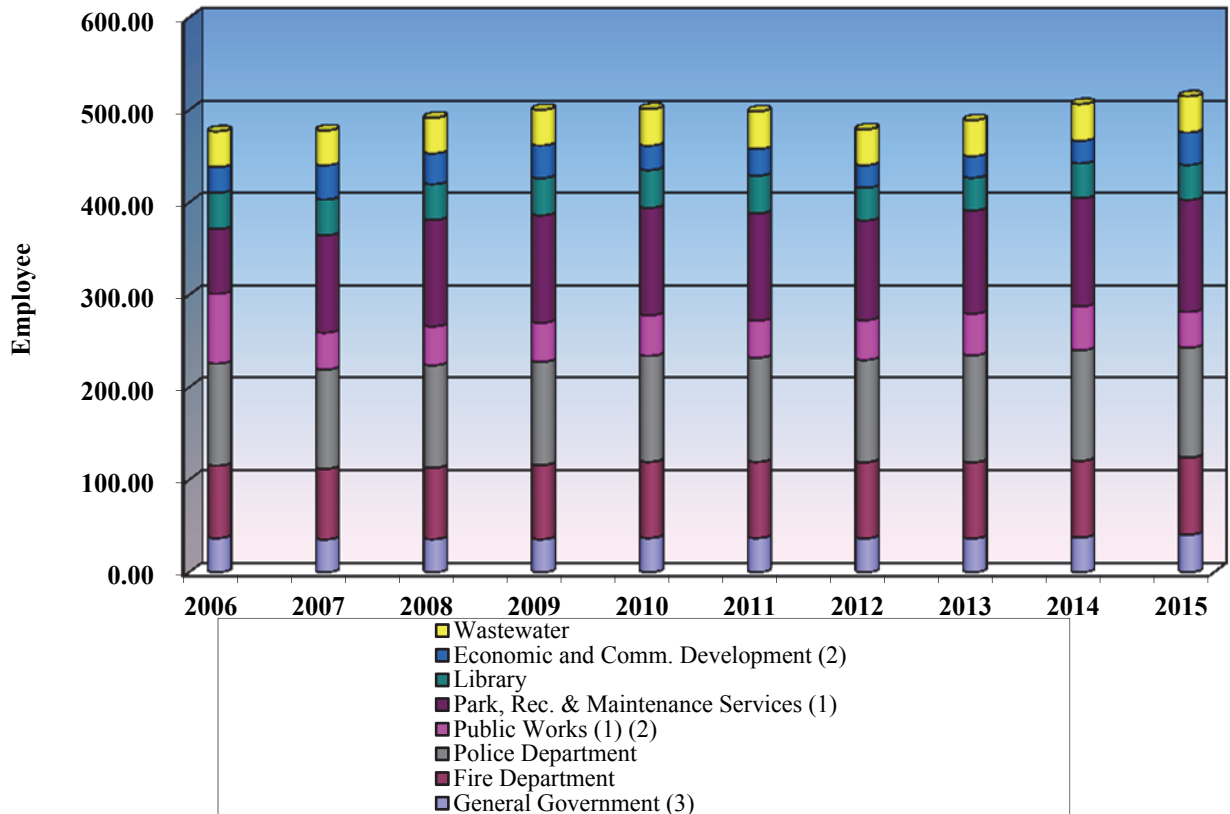
- (1) Population: HDL/California State Dept of Finance. Estimated City's population as of January 2014
- (2) Personal and per capita income: HDL, Coren & Cone
- (3) Unemployment Data: HDL/California Employment Development Department

CITY OF SOUTH SAN FRANCISCO
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2014-15</u>			<u>2005-06</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Genentech	8,451	1	12.9%	7,500	2	12.1%
Layton Construction Co Inc	779	2	1.2%			
Onyx Pharmaceuticals Inc	650	3	1.0%			
Life Technologies Corporation	622	4	0.9%			
Costo Wholesalers (2 stores)	616	5	0.9%	798	4	1.3%
The New French Bakery, Inc	414	6	0.6%			
Amgen San Francisco LLC	406	7	0.6%			
Successfactors, Inc.	400	8	0.6%			
SBM Site Services LLC	388	9	0.6%			
Wave Division Holdings LLC	344	10	0.5%			
United Airlines				9,000	1	14.6%
Kaiser Medical Center				1,100	3	1.8%
United Parcel Service				732	5	1.2%
Aeroground				400	6	0.6%
Exelixis				545	7	0.9%
Elan Pharmaceuticals				300	8	0.5%
Oroweat				300	9	0.5%
See's Candies				200	5	0.3%
Subtotal	<u>13,070</u>		<u>19.9%</u>	<u>20,875</u>		<u>33.8%</u>
Total City Population	<u>65,749</u>			<u>61,824</u>		

Source: SSF Business License Database- Business licenses expiring 12/31/15. Information for 1998-2005 not available.
SSF CAFR 2005-06 data.

CITY OF SOUTH SAN FRANCISCO
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years (Adopted Operating Budget)



Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government (3)	36.88	35.48	35.67	35.60	37.00	37.00	36.60	36.60	37.60	40.60
Fire Department	78.48	76.48	77.48	80.48	82.48	82.48	82.48	82.48	82.98	83.48
Police Department	110.45	107.45	110.85	111.65	114.65	112.65	110.65	115.65	119.75	118.87
Public Works (1) (2)	75.37	39.76	42.00	42.10	43.85	40.05	43.03	45.02	47.21	38.68
Park, Rec. & Maintenance Services (1)	70.23	105.49	115.15	116.37	116.34	116.05	107.86	111.66	117.21	121.31
Library	39.15	38.54	38.68	40.21	40.81	40.81	35.34	35.35	37.66	37.71
Economic and Comm. Development (2)	27.75	37.21	33.35	35.35	26.45	28.95	24.45	23.45	24.40	35.15
Wastewater	38.74	37.59	38.59	38.59	39.54	40.64	38.82	38.82	39.63	39.06
Total	477.05	478.00	491.77	500.35	501.12	498.63	479.23	489.03	506.44	514.86

Notes:

1. Oversight of the Parks and Building Maintenance Division has been moved from Public Works to the Parks & Recreation Department.
2. Oversight of the Engineering Division has been moved from Economic and Community Development to Public Works.
3. Council members are added to the General Government total.

Source: City of South San Francisco Adopted Operating Budget FY 2014-15

CITY OF SOUTH SAN FRANCISCO
Operating Indicators by Function/Program
Last Six Fiscal Years

	2010	2011	2012	2013	2014	2015
Function/Program						
Public safety:						
Fire:						
Inspection permit issued	2,425	1,449	1,997	2,369	2,574	1,817
Police:						
Police calls for service	32,953	30,065	29,195	33,657	29,359	31,532
Law violations:						
Part I crimes	2,195	1,905	2,012	1,874	1,780	1,874
Physical arrests (adult and juvenile)	1,867	1,753	1,790	2,081	2,158	1,933
Traffic violations	4,731	4,753	3,954	3,632	4,175	3,828
Parking violations	14,999	19,031	19,108	14,648	16,597	13,378
Public works						
Street resurfacing (miles) (Eng Div)	2.0	2.4	4.75	3	22	0
Potholes repaired (square miles)	0.50	0.23	0.37	0.13	0.20	0.11
Asphalt used for street repairs (tons)	656	169.07	420	287	435	250
Culture and recreation:						
Recreation class participants	21,602	24,702	26,737	27,184	26,694	26,879
Library:						
Total items borrowed	(3) 560,186	723,592	731,911	701,721	686,491	643,630
Items in collection	(3) 191,455	176,086	181,905	188,394	185,482	130,106
Wastewater						
Residential connections	16,698	16,510	16,466	16,466	16,482	16,470
Commercial connections	1,585	1,573	1,576	1,566	1,562	1,560
Other connections	136	136	140	127	128	128
Average daily sewage treatment (millions of gallons)	8.92	9.38	9.18	9.27	8.28	8.89

Note: N/A denotes information not available.

(1) Total Parking Citations reported is comprised of both handwritten and automated parking citations.

Prior to 2007, the handwritten citations were only reported.

(2) Street resurfacing (.8 miles) numbers includes pavement surface repaired through cape seal (7.70 miles).

(3) Year 2010 Library items circulated is low due to 21 weeks closure of Main Library.

CITY OF SOUTH SAN FRANCISCO
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function/Program										
Public safety:										
Fire stations	5	5	5	5	5	5	5	5	5	5
Police stations	1	1	1	1	1	1	(6)	1	(6)	1
Police Fleet	41	41	(1) 45	(2) 48	(2) 48	52	51	51	(8) 50	53
Public works										
Miles of streets	127	127	127	127	127	127	127	127	127	127
Street lights	3,603	3,738	3,779	3,779	4,156	4,160	4,160	(7) 4,505	4,505	4,505
Parking District lights	20	20	20	20	20	20	20	20	20	20
Traffic Signals	70	70	70	70	73	74	74	74	74	74
Culture and recreation:										
Community services:										
City parks	30	25	28	28	28	28	28	28	28	28
City parks acreage	172	189	190	190	190	190	190	190	190	190
Playgrounds	19	24	24	24	24	24	24	24	24	24
City trails	8	6	6	6	6	6	6	6	6	6
Community gardens	1	1	1	1	1	1	1	1	1	1
Community centers	3	4	4	4	4	4	4	4	4	4
Senior centers	2	2	2	2	2	(4) 1	1	1	1	1
Skate Park					(3) 1	1	1	1	1	1
Dog park					(3) 1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	7	7	7	7	7	7	7	7	7
Basketball Courts	15	12	12	12	12	12	12	12	12	12
Baseball/softball diamonds	8	11	11	11	11	11	11	11	11	11
Soccer/football fields	2	5	5	5	5	5	5	5	5	5
Library:										
City Libraries (6)	2	2	2	2	2	2	2	2	2	2
Wastewater										
Miles of sanitary sewers	164	164	164	164	164	164	164	164	164	164
Miles of storm sewers	125	125	125	125	125	125	125	125	125	125
Number of treatment plants	1	1	1	1	1	1	1	1	1	1

Source: ssf.net/depts/rcs; Director of Rec & Comm Services; Superintendent of parks & Maintenance
(1) Police patrol units consists of 35 marked/unmarked cars, 6 motorcycles, 1 SWAT and 3 cushman.
(2) Year 2009, the 3 units added are not new. These are units that was not included on the previous Fleet count.
(3) Year 2010, Skate park and dog park was added on the list.
(4) The only senior center is Magnolia Center but programming still continues at El Camino.
(5) Community Learning Center not included on count as it is only a homework center not a library.
(6) Police substation located behind Miller parking garage not included.
(7) Includes all lights in SSF billed as LS-2 from PG&E
(8) One less motorcycle from last year.

CITY OF SOUTH SAN FRANCISCO
Miscellaneous Information
Last Three Fiscal Years

Collection and Use of 1% Special Transient Occupancy Tax (TOT) Approved by Voters as Measure I *

	2013	2014	2015
Transient Occupancy Tax Detail			
8% TOT collected	\$8,693,353	\$10,056,615	\$11,652,726
1% Measure I Special Tax	965,928	1,117,402	1,294,747
Total TOT Collection	\$9,659,281	\$11,174,017	\$12,947,474
1% Measure I Special Tax Use			
Police	\$193,186	\$223,480	\$258,949
Fire	193,186	223,480	258,949
Library	193,186	223,480	258,949
Parks	193,186	223,480	258,949
Recreation	193,186	223,480	258,949
Total 1% Measure I Special Tax	\$965,928	\$1,117,402	\$1,294,747

* Note: Measure I, a one percent supplemental special tax to the already existing 8% general transient occupancy tax (TOT) was approved on Nov. 2, 2004 and took effect January 1, 2005. Special tax was earmarked for use to supplement Police, Fire, Library, and Parks and Recreation expenditures.