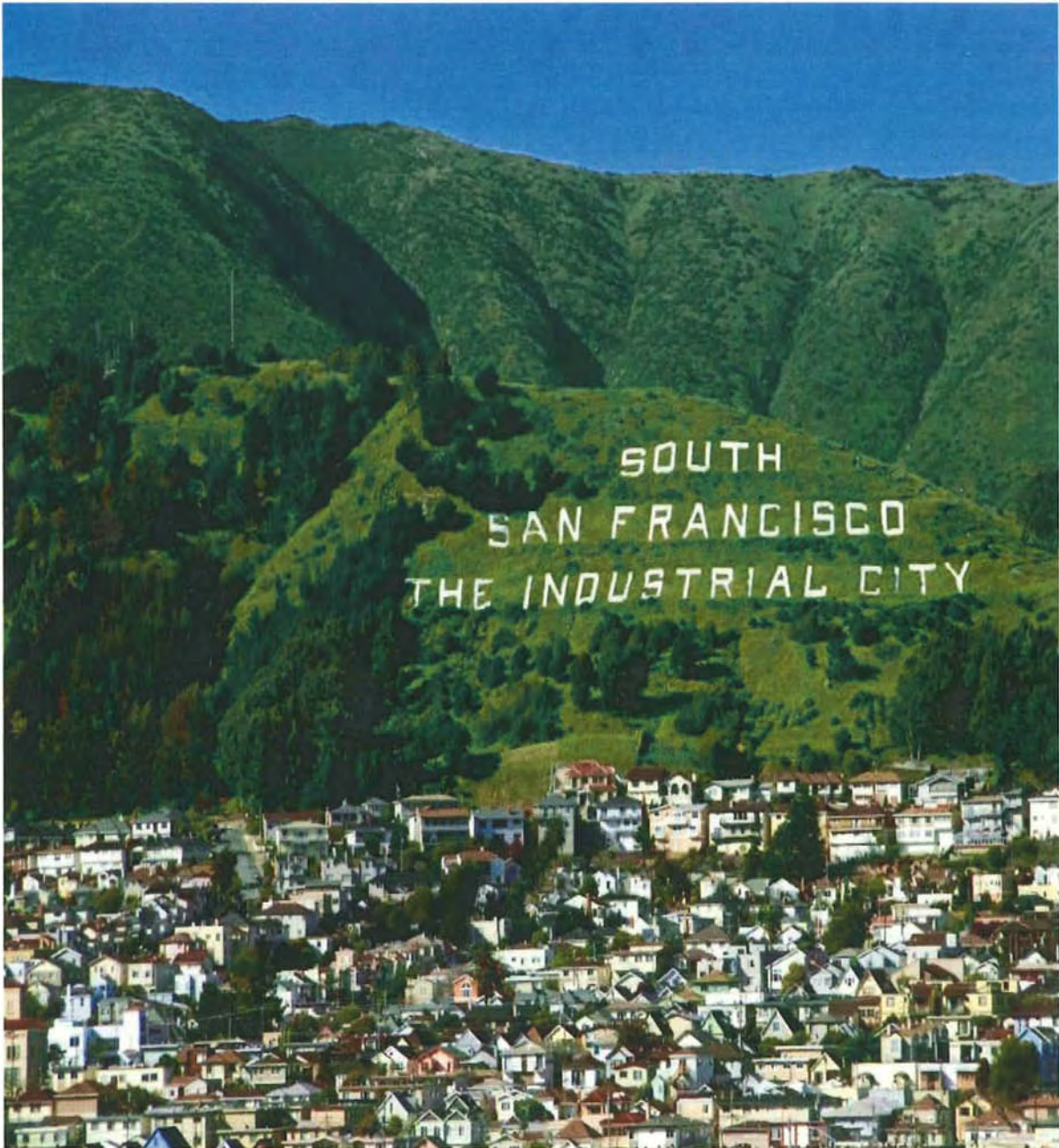


# THE CITY OF SOUTH SAN FRANCISCO, CALIFORNIA



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010**

# **CITY OF SOUTH SAN FRANCISCO, CALIFORNIA**



## **Comprehensive Annual Financial Report For the Year Ended June 30, 2010**

Prepared by:

Department of Finance  
City Hall  
400 Grand Avenue  
South San Francisco, California 94080

Original Cover Photo by John Wong

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CITY OF SOUTH SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2010

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OFFICE OF THE CITY MANAGER

CITY COUNCIL 2010

MARK N. ADDIEGO, MAYOR  
KEVIN MULLIN, VICE MAYOR  
RICHARD A. GARBARINO, COUNCILMEMBER  
PEDRO GONZALEZ, COUNCILMEMBER  
KARYL MATSUMOTO, COUNCILMEMBER

BARRY M. NAGEL, CITY MANAGER

December 14, 2010

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, 2010, 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.

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 63,744. It employs approximately 420 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 City has outstanding tax allocation bonds, lease revenue bonds, special assessment debt, and certificates of participation that are supported by specific revenue sources. These are not considered to be general tax-supported obligations. There are also various capital leases and notes payable in governmental and proprietary funds.

Cash Management

The City pools all of its idle funds for investment purposes and manages its investments following objectives that maintain safety of principal, liquidity, and yield. As of June 30, 2010, the City's investments consisted of the following (not counting City funds held as bond reserves or held as bond proceeds:

	<u>000's</u>	<u>%</u>
State of California Local Agency Investment Fund (LAIF)	\$ 36,335	23.3%
U.S. Agency Securities	\$ 78,444	50.4%
San Mateo County Investment Pool	\$ 2,358	1.5%
U.S. Treasury Securities	\$ 21,656	13.9%
FDIC Insured Corporate Notes	\$ 13,275	8.5%
Cash in Bank	\$ 3,444	2.2%
Money Market Mutual Funds	<u>\$ 285</u>	<u>0.2%</u>
	<u>\$ 155,797</u>	<u>100.0%</u>

As of June 30, 2010 the City's investments earned an average market yield (yield to maturity) of .89%. The average maturity of the portfolio was 1.9 years at June 30, 2010.

### 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 2009-10 is in the Financial Section of this report.

### Award

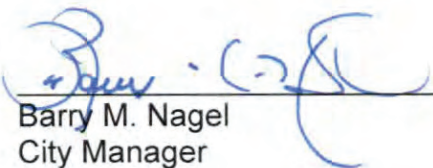
The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009, received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The award signified the report's attainment of easily readable and efficiently organized 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,

  
\_\_\_\_\_  
Jim Steele  
Director of Finance

  
\_\_\_\_\_  
Barry M. Nagel  
City Manager

# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

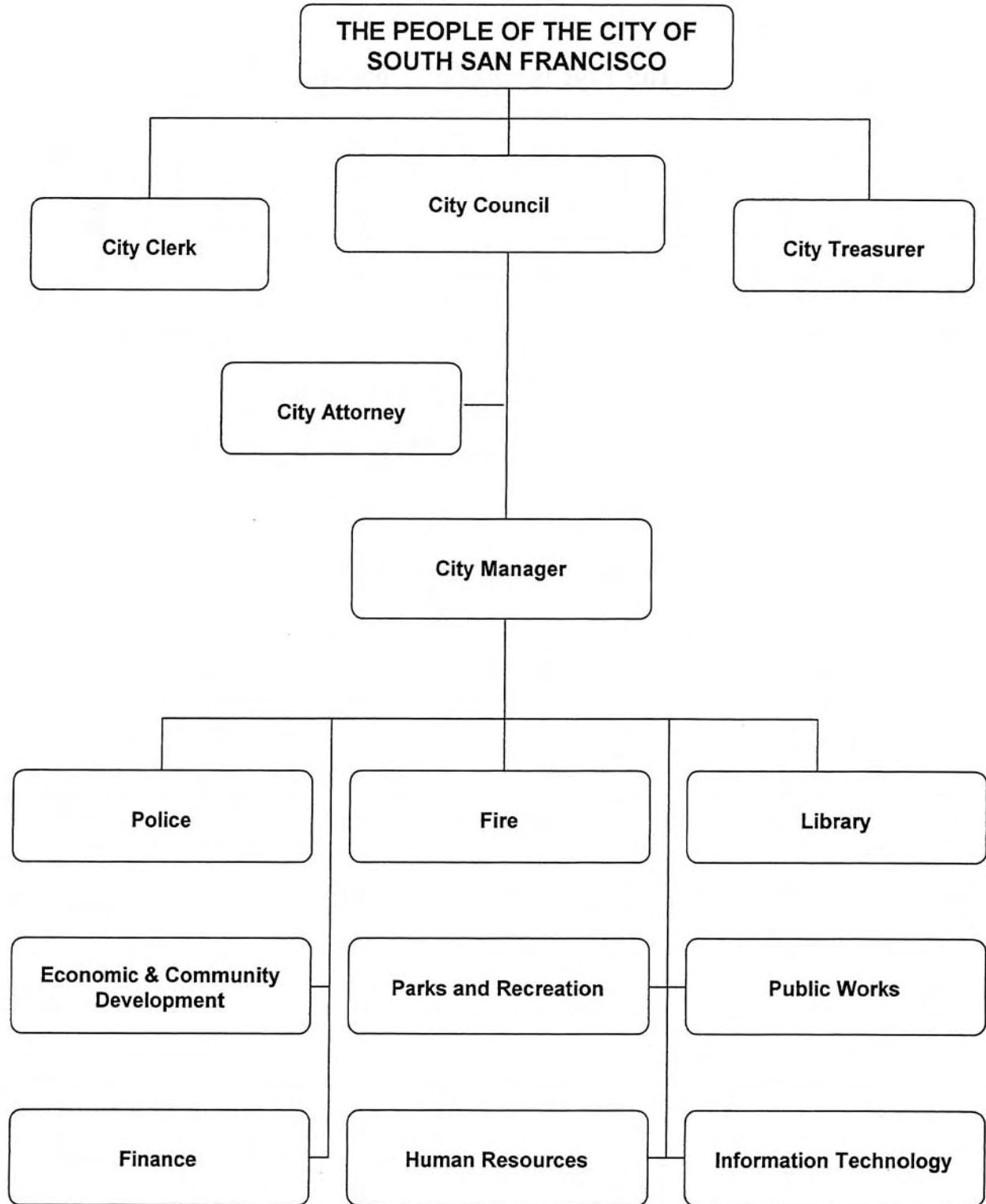
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Executive Director

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# ORGANIZATION CHART



**CITY OF SOUTH SAN FRANCISCO  
CITY COUNCIL AND DIRECTORY OF OFFICIALS**

***CITY COUNCIL\****

**MARK N. ADDIEGO  
MAYOR**

**KEVIN MULLIN  
VICE MAYOR**

**RICHARD A. GARBARINO  
COUNCIL MEMBER**

**KARYL MATSUMOTO  
COUNCIL MEMBER**

**PEDRO GONZALEZ  
COUNCIL MEMBER**

***CITY OFFICIALS***

**KRISTA MARTINELLI-LARSON  
CITY CLERK**

**BARRY M. NAGEL  
CITY MANAGER**

**RICHARD BATTAGLIA  
CITY TREASURER**

**STEVEN T. MATTAS  
CITY ATTORNEY**

***DEPARTMENT MANAGERS***

**MARTY VAN DUYN  
ASSISTANT CITY MANAGER**

**MICHAEL MASSONI  
CHIEF OF POLICE**

**SUSAN KENNEDY  
ASSISTANT TO THE CITY  
MANAGER**

**PHILIP D. WHITE  
FIRE CHIEF**

**TERRY WHITE  
DIRECTOR OF PUBLIC WORKS**

**SHARON RANALS  
DIRECTOR OF PARKS AND  
RECREATION**

**JIM STEELE  
DIRECTOR OF FINANCE**

**VALERIE SOMMER  
LIBRARY DIRECTOR**

**DOUG HOLLIS  
DIRECTOR OF INFORMATION  
TECHNOLOGY**

**KATHY MOUNT  
HUMAN RESOURCES  
DIRECTOR**

\* As of June 30, 2010

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**INDEPENDENT AUDITOR'S REPORT  
ON BASIC FINANCIAL STATEMENTS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of the South San Francisco Conference Center Authority, which represents 1% and 2% of the assets and revenues and 2% and 3% of liabilities and expenses of the reporting entity, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco as of June 30, 2010 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons as listed in the table of content listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note 7F, the City reduced its beginning net assets in the Sewer Enterprise Fund by \$1,201,432.

Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the City of South San Francisco's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the City of South San Francisco. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the Table of Contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maze & Associates

December 14, 2010

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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 2009-10 FINANCIAL HIGHLIGHTS**

**Summary:**

The local economy continued to struggle for the recession that began in 2007-08. Overall, General Fund revenue decreased \$4.4 million, or 6.7% from 2008-09. This occurred despite the fact that the voters approved a Transient Occupancy Tax (TOT) increase of 1% for half the year in 2009-10. Without that voter approved increase, General Fund revenues would have declined another \$.3 million.

- The Agency's property tax increment revenue dropped \$3.5 million, or 9% from 2008-09, reflecting the decline in value of properties due to the recession. Unfortunately, at the same time as the recession, the State of California balanced its budget for 2009-10 in part by taking Redevelopment funds from local agencies. 2009-10 was the first (and larger of the two year) taking of funds, so Redevelopment expenditures rose \$9.1 million to \$33 million in 2009-10. Since the year ended, the California voters approved Proposition 22, which should end State raids on local Redevelopment funds in the future.
- The Sewer Fund's financial position, as measured by unrestricted net assets, improved with a second year of planned rate increases that will support Treatment Plant reliability improvements over the next 3 years.
- The Redevelopment Agency has advanced funds to the Downtown Parking District to build the Miller Avenue parking garage downtown. As of June 30, 2010 the garage was under construction, and is expected to open in February 2011.

Financial highlights of the year include the following:

- Net assets in governmental activities rose from \$345 million to \$354 million as of June 30, 2010, primarily as a result of the completion of the Lindenville Pump Station, adding \$5.3 million to governmental capital assets. Net assets in business-type activities increased from \$53.5 million to \$59.3 million, due largely to construction in progress for the new downtown Miller Avenue parking garage.
- Governmental program revenues decreased from \$32.8 million in fiscal 2008-09 to \$25.2 million in 2009-10, primarily due to large, non-recurring grant receipts during 2008-09 for construction of two major new recreation facilities, the Centennial Way Trail and the Joseph Fernekas Recreation Building.

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

- Governmental program expenses rose decreased from \$105.9 million to \$103.8 million, reflecting across the board spending cuts in 2009-10 to deal with the ongoing recession, as well as lowered capital expenses in 2009-10, reflecting the non-recurring grant revenues received in 2008-09 mentioned above. Somewhat offsetting these declines was an increase in expenditures in Economic and Community Development, reflecting the State's taking of Redevelopment funds to balance the State budget, as mentioned above.
- Revenues generated from business-type activities decreased from \$27.6 million in 2008-09 to \$24.4 million in 2009-10. Despite a 20% Sewer Rate increase to fund Treatment Plant reliability improvements, Sewer Charges only generated a 16% increase in revenue, as recession took its toll on business flows, meaning Sewer Revenues would have been higher if not for the recession. In addition, the Sewer Fund had benefited from some one time developer contributions towards sewer capital projects in 08-09.
- The City transferred \$2.7 million to the Self Insurance Fund to fund an actuarially estimated workers' compensation liability, meaning net transfers out of the governmental activities increased from the prior year.
- The overall General Fund balance decreased from \$18.1 million to \$15.7 million at June 30, 2010, primarily reflecting the need to transfer \$2.7 million to the Self Insurance Fund for the workers' compensation liability increases mentioned above.

**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 comprise the Statement of Net Assets and the Statement of Activities. The Statement

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

of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by 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 Assets 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.

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 Assets and the Statement of Activities present information about the following:

- ***Governmental activities***-All of the City's basic services are considered to be governmental activities, including general government, fire, police, public works, parks, recreation, maintenance services, 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 include two separate legal entities, the City of South San Francisco Redevelopment Agency and the City of South San Francisco Capital Improvements Financing Authority, because the City Council governs both of these entities, with services provided solely to the City.

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

- ***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 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.

***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.

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

**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 Assets and the Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

**FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE**

This analysis focuses on the net assets and changes in net assets of the City's Governmental Activities (Table and Charts 1 through 3) and Business-type Activities (Tables 4 and 5) presented in the City-wide Statement of Net Assets and Statement of Activities. A comparative analysis is presented for fiscal years 2008-09 and 2008-09.

**Governmental Activities**

*Governmental Net Assets*

**Table 1**  
**Governmental Net Assets at June 30, 2010**  
**(In Millions)**

	2010	2009
Cash and investments	\$175.3	\$170.1
Other assets	27.2	21.8
Capital assets	286.8	284.7
<b>Total assets</b>	<b>489.3</b>	<b>476.6</b>
Long-term debt outstanding	75.2	77.3
Other liabilities	60.3	54.3
<b>Total liabilities</b>	<b>135.5</b>	<b>131.6</b>
Net assets:		
Invested in capital assets, net of debt	209.5	237.4
Restricted	78.6	87.0
Unrestricted	65.6	20.6
<b>Total net assets</b>	<b>\$353.7</b>	<b>\$345.0</b>

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

The City's net assets from governmental activities (including Redevelopment) increased \$7.8 million to \$353.7 million at June 30, 2010. Despite revenues decreasing due to the downturn, expenditures were kept in line through fiscal diligence, and a net increase in revenues over expenses contributed to net assets. This can also be seen in Table 2.

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

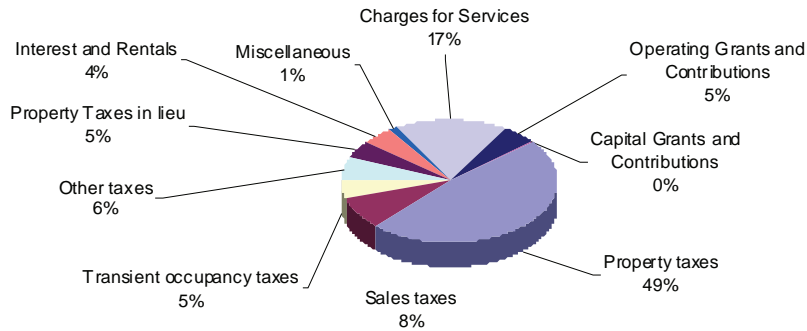
	2009-10	2008-09
<b>Expenses</b>		
General government	\$6.5	\$7.1
Fire department	17.9	19.0
Police department	20.4	21.1
Public works department	15.9	20.9
Recreation and community services	10.4	11.6
Library	4.6	5.0
Economic and community development	23.1	15.9
Interest on long-term debt	5.0	5.3
Total expenses	<u>\$103.8</u>	<u>\$105.9</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$19.2	\$19.2
Operating grants and contributions	5.8	13.1
Capital grants and contributions	0.2	0.2
Total program revenues	<u>\$25.2</u>	<u>\$32.5</u>
General revenues:		
Taxes:		
Property taxes	\$55.0	\$59.4
Sales taxes	9.1	11.8
Transient occupancy taxes	5.8	6.2
Other taxes	6.8	6.9
Motor vehicle in lieu	0.2	0.2
Property taxes in lieu	5.2	5.6
Investment earnings	5.1	4.8
Miscellaneous	1.6	2.0
Total general revenues	<u>\$88.8</u>	<u>\$96.9</u>
Excess (deficiency) before transfers	<u>\$10.2</u>	<u>\$23.5</u>
Transfers	<u>(1.5)</u>	<u>(0.4)</u>
<b>Change in net assets</b>	<b>8.7</b>	<b>23.1</b>
Net assets - beginning	345.0	321.9
Implementation of GASB 34		
Net assets - ending	<u>\$353.7</u>	<u>\$345.0</u>



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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Program revenue decreased 23% to \$25 million, as Operating Grants decreased. 2008-09 contained some large non-recurring grants, including \$.9 million from State Proposition 1B funds for road improvements and \$1.0 million in grants for construction of the Centennial Way Trail and the new Joseph Fernekes Recreation Building.

**Chart 1**  
**Revenues by Source - Governmental Activities 2009-10**



The percentage of 2009-10 revenues by source as shown in Chart 1 was consistent with the previous year, with the exception of Operating Grants and Contributions and Property Taxes. The latter increased as a relative share of total revenues as property taxes have been less volatile in the recession to date.

Table 3 (below) illustrates 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.

Except for two areas (Recreation and Economic and Community Development), net expenditures (Program Revenues less program expenses) declined in all categories, again reflecting fiscal discipline in the face of the economic downturn. Economic and Community Development net expenses rose significantly as the State took Redevelopment property taxes to balance its budget, as mentioned above. Recreation net expenses rose as overall Recreation revenues stayed about flat with the prior year, while health costs rose significantly.

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**Table 3**

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

	2009-10	2008-09
General government	(\$4.0)	(\$4.4)
Fire department	(15.0)	(16.6)
Police department	(18.2)	(19.0)
Public works department	(8.9)	(10.9)
Recreation and community services	(6.4)	(5.8)
Library	(3.3)	(4.0)
Economic and community development	(17.8)	(7.0)
Interest on long-term debt	(5.1)	(5.3)
<b>Total</b>	<b>(\$78.7)</b>	<b>(\$73.0)</b>

**Business-type Activities**

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

	2010	2009
Cash and investments	\$9.9	\$5.8
Other assets	(5.6)	1.5
Capital assets	128.9	126.1
<b>Total assets</b>	<b>133.2</b>	<b>133.4</b>
Long-term debt outstanding	66.0	70.3
Other liabilities	7.9	9.6
<b>Total liabilities</b>	<b>73.9</b>	<b>79.9</b>
Net assets:		
Invested in capital assets, net of debt	58.5	52.3
Restricted		4.9
Unrestricted	0.8	(3.7)
<b>Total net assets</b>	<b>\$59.3</b>	<b>\$53.5</b>

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Cash increased, primarily because the Sewer Fund had a 20% rate increase to fund Plant reliability improvements over the next several years. Net assets increased, due to the completion of major upgrades to the Shaw Road and Swift Ave. Pump Station upgrades. Other liabilities decreased as the Sewer Fund was able to utilize funds deposited by a large business in the prior year to pay for capital improvements benefiting that business' projected expansion plans. Unrestricted net assets show rose to reflect the more positive financial picture after the rate increase.

**Table 5**  
**Change in Business-type Net Assets**  
 (in Millions)

	<u>2009-10</u>	<u>2008-09</u>
Expenses		
Sewer Enterprise	18.94	17.50
Parking District	0.34	0.30
Storm Water	<u>0.72</u>	<u>0.70</u>
Total expenses	<u>20.00</u>	<u>18.50</u>
Revenues		
Program revenues		
Charge for Services	18.53	16.80
Operating grants and contributions	5.68	10.40
Capital grants and contributions	<u>0.02</u>	<u>0.11</u>
Total program revenues	<u>24.23</u>	<u>27.31</u>
General revenues		
Investment earnings	<u>0.18</u>	<u>0.20</u>
Total general revenues	<u>0.18</u>	<u>0.20</u>
Excess (deficiency) before transfers	<u>4.41</u>	<u>9.01</u>
Transfers	<u>1.45</u>	<u>0.40</u>
Change in net assets	5.86	9.41
Net assets - beginning (as restated)	<u>53.46</u>	<u>44.05</u>
Net assets - ending	<u><u>59.32</u></u>	<u><u>53.46</u></u>

The Sewer Fund's operating expenditures increased to fund higher health benefit costs and higher Treatment Plant operating supply costs. Sewer operating grants declined, as it took advantage of some large, non-recurring development funding in 2008-09 to pay for sewer infrastructure improvements. Sewer charges for service increased, as mentioned above, for the 20% rate increase.

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**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. *Unreserved fund balance* is a major indicator of designated and uncommitted resources available for spending in future fiscal years.

**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:

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**Table 6**  
**Comparison of Final Budgets to Original Adopted Budget – General Fund**  
**In \$ 000's**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Change</b>	<b>Pct Change</b>	<b>Discussion: (Items of more than 5% and \$50,000 variance)</b>
<b>Revenues:</b>					
Property taxes	13,738	15,957	2,219	16.2%	Staff was conservative in budgeting for property taxes at the start of 2009-2010, given the uncertain impacts of the recession, and was pleased that actual results came in better.
Sales taxes	10,664	8,885	(1,779)	-16.7%	The City lost a major sales tax generator after the year started, and the recession's impact was much more pronounced than had originally been expected.
Transient Occup.taxes	5,604	5,784	180	3.2%	
Other taxes	3,994	3,656	(338)	-8.5%	Primarily due to fewer properties changing hands, and lower property transfer tax receipts.
Intergovernmental	5,887	7,033	1,146	19.5%	The Library often receives State grants after the year starts.
Interest and rentals	3,578	3,209	(368)	-10.3%	Continued lowering of interest rates.
Licenses and permits	5,625	6,733	1,108	19.7%	Staff had budgeted for this conservatively, due to the recession. A large biotechnology company ended up moving forward with some expansion plans, bringing in more building permit revenue that had originally been estimated.
Charges for services	8,067	8,161	94	1.2%	
Fines and forfeitures	1,220	1,220			
Other	244	214	(30)	-12.1%	
<b>Expenditures:</b>					
City Council	194	164	(31)	-15.7%	
City Clerk	389	350	(39)	-10.0%	
City Treasurer	49	125	77	157.6%	Reflects the addition of funding for outside investment advisor services.
City Attorney	746	746			
City Manager	742	737	(5)	-0.7%	
Finance	1,618	1,689	71	4.4%	
Non-departmental	707	793	86	12.2%	Reflects higher cost for County Animal Control contract.
Human Resources	986	966	(20)	-2.0%	
Fire	16,161	16,628	467	2.9%	
Police	18,722	19,176	454	2.4%	
Public Works	3,238	3,427	189	5.8%	Reflects carryover of prior year purchase orders for unfinished geotechnical studies.
Recreation and Community Services	9,899	9,965	66	0.7%	
Library	4,133	4,352	219	5.3%	Reflects midyear budget additions to reflect grant funded programs.
Economic and community develop.	2,503	3,033	530	21.2%	Reflects several large consultant purchase orders carried forward from 2008-09 to support zoning ordinance and South El Camino Master Plan updates.
Other	5		(5)	-100.0%	
Capital outlay		234	234	NA	

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**Analysis of Major Governmental Funds**

***General Fund***

General Fund revenue decreased \$4.4 million, or 6.7% from 2008-09. This occurred despite the fact that the voters approved a Transient Occupancy Tax (TOT) increase of 1% for half the year in 2009-10. Without that voter approved increase, General Fund revenues would have been down another \$.3 million. There were continuing troubling signs in several areas:

- ⇒ *Property Taxes*, reflecting the housing market decline in the overall economy, decreased by \$.9 million.
- ⇒ *Sales Taxes*, reflecting the overall consumer pullback, as well as reflecting the closing of a major sales tax producer, declined by \$2.6 million. This was the second year in a row for a sales tax decline.
- ⇒ *Transient Occupancy Tax* was \$.3 million below the prior year, and would have been \$.6 million below had the voters not approved a 1% TOT increase effective January 1, 2010.
- ⇒ *Licenses and Permits*, an indicator of business investment, came in \$1.3 million below 2008-09, the second year in a row for a major decline in this category.

General Fund expenditures decreased \$3.7 million or 5.6% from last year, reflecting the City's successfully cutting expenditures to live within lowered revenues.

Overall, the General Fund Balance decreased \$2.3 million, or 13% from the prior year, as the City transferred that amount to the Self Insurance Fund to cover a higher actuarial estimate of workers' compensation costs.

At June 30, 2010, the General Fund balance consisted of \$3.6 million in unreserved, undesignated dollars, \$5.6 million for emergencies and economic contingencies, \$4.7 million for future capital projects and economic 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 Redevelopment Agency 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.

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***Merged Project Redevelopment Capital Project Fund***

As mentioned previously, property tax revenue declined due to the recession as property values declined throughout San Mateo County. Property Tax increment declined by \$3.5 million, or 9% from 2008-09. In addition, the State of California balanced its budget in part by requiring payments from Redevelopment Agencies, taking \$8.5 million from South San Francisco. Nevertheless, the Agency was still able to put aside an additional \$.4 million at year end for future capital projects, after meeting all of its operating and debt service obligations. At the end of 2009-10, \$25 million remained in bond funds to be used for capital projects. All funds have been allocated to capital projects, and are expected to be fully drawn down over the next year.

***Low and Moderate Income Housing Capital Project Redevelopment Agency Fund***

This fund holds the 20% in annual Redevelopment Agency (RDA) property tax increment that must be set aside for low and moderate income housing needs. The fund received \$7.5 million in such revenues (of transfers in), down 9% from the year before due to the decline in property values during the recession. A large (\$9.5 million) loan commitment to a non-profit housing developer was made at the end of the year, with the loan expected to occur in the first half of 2010-11.

***Merged Redevelopment Project Area Debt Service Fund***

- ⇒ Activity in 2008-09 was very similar to that in 2008-09, as no new debt service obligations were incurred. Fund balance reflects bond reserves on hand, as required by bond covenants. The statistical section at the end of these financial statements shows Redevelopment bond coverage, which remains higher than as required by bond covenants despite the economic downturn.

***New Major Funds Reported On:***

While several funds had been separated internally in the general ledger for a number of years, management believes it would be important to report on those funds in the financial statements for information purposes. In prior years, the following four funds have been consolidated into either the "Capital Improvement" or the "Other Governmental Funds" in the financial statements: East of 101 Sewer Impact Fee Fund, East of 101 Traffic Impact Fee Fund, Oyster Point Impact Fee Fund, and the Childcare Impact Fee Fund. State law authorizes the City to collect impact fees from new development to fund public facilities which are needed as a result of the new development. The impact fees are charged based upon a pro-rata share of the cost of the new improvements.

**East of 101 Sewer Impact Fee Fund**

The fund has a negative fund balance of \$1.6 million as of June 30, 2010, and the City Council has authorized the Redevelopment Agency to advance expenses associated with past projects



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made from this fund until development fees received make this fund whole. \$.25 million in new fees were received during 2010, and \$.16 million was spent on various sewer improvements.

**East of 101 Traffic Impact Fees Fund**

\$.73 million in fees were collected during 2010, and \$.3 million in traffic projects were funded. The fund has a balance of \$8.8 million as of June 30, 2010.

**Oyster Point Improvements Impact Fee Fund**

The City contributed funding, along with the County Transportation Agency, to pay for the Oyster Point Flyover and Hookramp (Freeway) interchange improvements in the early 2000's. Total funding from all sources was \$54 million. Because insufficient developer impact fees were available to fund the City's share, the Redevelopment Agency advanced the City's share to the Impact Fee fund. As impact fees are collected over the next several years, that advance will be paid back with interest, equal to the interest on the Redevelopment bond proceeds used to make the advance (4.585%). At the end of 2010, \$12.1 million in impact fees will need to be collected from future development to pay the Agency back.

**Child Care Impact Fee Fund**

During 2010, \$.1 million in new child care impact fees were received. The fund has a balance of \$2.7 million as of June 30, 2010.

***Merged Redevelopment Project Area Debt Service Fund***

- ⇒ Activity in 2008-09 was very similar to that in 2008-09, as no new debt service obligations were incurred. Fund balance reflects bond reserves on hand, as required by bond covenants.

***Other Governmental Funds***

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

**Analysis of Enterprise Funds**

***Sewer Enterprise Fund***

The Sewer Enterprise fund reported net income before transfers of \$6.5 million in the current year. Operating revenues increased \$2.6 million or 13% from the previous year to \$23.2 million, due to the planned sewer rate increase needed to fund the multi-year Treatment Plant reliability improvements. Operating expenses increased \$1.0 million this year or 6% from 2008-09. This reflects higher health, costs, as well as an increase in professional services to fund continued required regulatory studies to comply with bay discharge requirements. During fiscal 2010, the

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Sewer Enterprise Fund beginning net assets were reduced by \$1,201,432 and were correctly restated as a liability in the Developer Advance Capital Projects Fund.

***Parking District Fund***

Net assets increased \$.3 million to \$2.9 million. The Redevelopment Agency is advancing construction dollars to the District to build a Miller Avenue parking garage, which is expected to open in February 2011.

***Storm Water Fund***

Ongoing revenues continue to lag requirements for storm water improvements. As a result, the Gas Tax fund, as it did in the prior year, transferred in \$.4 million to fund Storm Water capital projects.

**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, 2010, the City had \$416 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 7 below:

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**Table 7**  
**Capital Assets**  
**(in Millions) at June 30**

	2010	2009
<b><i>Governmental Activities:</i></b>		
Land	\$85.9	\$76.5
Buildings and improvements	80.1	72.6
Equipment and vehicles	15.8	14.9
Furniture and fixtures	1.5	1.3
Infrastructure—streets*	170.4	167.5
Infrastructure—traffic control devices*	4.8	4.8
Infrastructure—storm drains*	8.6	8.0
Construction in progress	14.3	25.6
Less accumulated depreciation	(94.6)	(86.4)
Totals	\$286.8	\$284.8
* Additions during the fiscal year only		
 <b><i>Business-type Activities</i></b>		
Land	\$1.3	\$1.3
Clean water facilities and transmission lines	69.7	69.7
Buildings and improvements	51.8	20.0
Equipment and vehicles	9.7	9.4
Infrastructure—streets	1.4	1.4
Construction in progress	26.8	53.2
Less accumulated depreciation	(31.8)	(28.9)
Totals	\$128.9	\$126.1

**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:

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**Table 8**  
**Outstanding Debt**  
**(in Millions) at June 30**

<i>Governmental activities</i>	2010	2009
Tax allocation, revenue bonds, and loans (issued and incurred - The Redevelopment Agency)	\$69.3	\$71.0
Certificates of participation	4.8	4.9
Notes payable	2.3	2.3
Capital leases	0.9	1.2
	\$77.3	\$79.4
 <i>Business-type Activities</i>		
State Water Resources Board loans	\$65.0	\$69.0
2005 Sewer Bonds	5.4	5.6
	\$70.4	\$74.6

There was no significant change to the City's debt obligations compared to the prior year. The two largest debt obligations are:

- Four loan packages 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 3.0%, 2.6%, and 2.5% and are due in 2013, 2022 and 2026. Because of the regional benefits and equity interest in this project, the City of San Bruno shares in the loan repayments.
- During 2008-09, the Redevelopment Agency used proceeds of the 2006 bond sale to pay for preparatory work for the Miller Ave. Parking Garage and Caltrain Station constructions, as well as to fund an Emergency Operations Center at the Downtown Fire Station.

**Debt Without City Commitment**

At June 30, 2010, a total of \$455 thousand in special assessment district debt was outstanding, issued by one remaining special assessment district. There is one special assessment district in the Gateway area East of Highway 101 where the City assisted developers by issuing debt to finance street and sewer infrastructure construction that benefited those developers. They in turn pay for the annual debt service through an assessment on their property tax bills. Although the

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City bears no responsibility on the debt, it does act as the districts' agent in the collection and remittance of assessments. South San Francisco Magnolia Plaza Associates, a developer, is responsible for repaying a \$6.1 million Magnolia Plaza Senior Apartment note due in 2017 out of rent revenue received from the 1987 apartment development. Note 6 to the Basic Financial Statements provides further information on these debt issues outside of the City's liability to pay.

**ECONOMIC OUTLOOK AND MAJOR ACCOMPLISHMENTS**

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

**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, phone (650) 877-8513. The City's website is at [www.ssf.net](http://www.ssf.net).

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**Basic Financial Statements**

**Fund Financial Statements**

**CITY OF SOUTH SAN FRANCISCO**

**STATEMENT OF NET ASSETS AND  
STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position.

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

The Statement of Net Assets 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 assets. 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 follows 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 Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the City of South San Francisco Redevelopment Agency and the City of South San Francisco Capital Improvements Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their 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.



**CITY OF SOUTH SAN FRANCISCO**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>				
Cash and investments	\$142,142,784	\$9,868,034	\$152,010,818	\$1,600,681
Receivables:				
Accounts	3,846,831	1,145,566	4,992,397	377,972
Accrued interest	812,736	29,365	842,101	
Due from other governments	1,611,093		1,611,093	
Due from Conference Center	202,633		202,633	
Loans	11,594,728		11,594,728	
Deposit	171,010		171,010	
Prepays	147,090		147,090	
Inventory	61,048		61,048	
Bond issuance costs		112,187	112,187	111,606
Restricted cash and investments	33,154,305		33,154,305	493,152
Internal balances	6,901,530	(6,901,530)		
Land held for redevelopment	1,900,000		1,900,000	
Capital assets:				
Nondepreciable	100,210,593	28,066,695	128,277,288	
Depreciable, net accumulated depreciation	186,601,090	100,834,392	287,435,482	5,251,346
Total Assets	<u>489,357,471</u>	<u>133,154,709</u>	<u>622,512,180</u>	<u>7,834,757</u>
<b>LIABILITIES</b>				
Accounts payable	16,729,335	1,159,285	17,888,620	303,151
Accrued salaries and benefits	2,457,287		2,457,287	59,344
Accrued interest payable	9,208,539	1,229,199	10,437,738	40,683
Other payable	139,123		139,123	121,203
Deposits	3,374,848	50,000	3,424,848	199,731
Unearned revenue	5,292,626		5,292,626	
Accrued insurance losses:				
Due within one year	712,000		712,000	
Due in more than one year	6,272,000		6,272,000	
Compensated absences obligation:				
Due within one year	3,667,500	287,030	3,954,530	
Due in more than one year	1,838,261	235,187	2,073,448	
Debt and capital lease obligations:				
Due within one year	2,059,011	4,427,373	6,486,384	350,000
Due in more than one year	75,245,660	65,951,038	141,196,698	3,040,091
OPEB obligations - due in more than one year	8,154,222		8,154,222	
Pollution remediation - due in more than one year	537,000	500,000	1,037,000	
Total Liabilities	<u>135,687,412</u>	<u>73,839,112</u>	<u>209,526,524</u>	<u>4,114,203</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	<u>209,507,012</u>	<u>58,522,676</u>	<u>268,029,688</u>	<u>1,861,255</u>
Restricted for:				
Debt service	5,405,247		5,405,247	493,152
Special revenue projects	14,302,164		14,302,164	
Capital projects	58,917,683		58,917,683	
Total Restricted Net Assets	<u>78,625,094</u>	<u>792,921</u>	<u>78,625,094</u>	<u>493,152</u>
Unrestricted	<u>65,537,953</u>	<u>792,921</u>	<u>66,330,874</u>	<u>1,366,147</u>
Total Net Assets	<u><u>\$353,670,059</u></u>	<u><u>\$59,315,597</u></u>	<u><u>\$412,985,656</u></u>	<u><u>\$3,720,554</u></u>

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$6,538,052	\$2,539,316		
Fire	17,868,050	2,851,984	\$454	
Police	20,352,570	1,479,104	632,781	
Public Works	15,873,783	4,412,581	2,386,445	\$217,877
Parks and Recreation	10,411,821	3,032,399	953,045	
Library	4,616,658	187,380	1,087,023	
Economic and Community Development	23,147,877	4,652,031	726,479	
Interest on Long-Term Debt	5,035,780			
Total Governmental Activities	<u>103,844,591</u>	<u>19,154,795</u>	<u>5,786,227</u>	<u>217,877</u>
Business-type Activities				
Sewer	18,944,267	17,486,418	5,679,902	24,720
Parking District	338,995	616,578		
Storm Water	722,232	422,467		
Total Business-type Activities	<u>20,005,494</u>	<u>18,525,463</u>	<u>5,679,902</u>	<u>24,720</u>
Total Primary Government	<u>\$123,850,085</u>	<u>\$37,680,258</u>	<u>\$11,466,129</u>	<u>\$242,597</u>
<b>Component Unit</b>				
Conference Center	<u>\$3,202,795</u>	<u>\$1,293,244</u>		

**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**

Total general revenues and transfers

Change in Net Assets

Net Assets - Beginning, as restated (Note 7F)

Net Assets - Ending

See accompanying notes to financial statements

**Net (Expenses) Revenues and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
(\$3,998,736)		(\$3,998,736)	
(15,015,612)		(15,015,612)	
(18,240,685)		(18,240,685)	
(8,856,880)		(8,856,880)	
(6,426,377)		(6,426,377)	
(3,342,255)		(3,342,255)	
(17,769,367)		(17,769,367)	
(5,035,780)		(5,035,780)	
<u>(78,685,692)</u>		<u>(78,685,692)</u>	
	\$4,246,773	4,246,773	
	277,583	277,583	
	(299,765)	(299,765)	
	<u>4,224,591</u>	<u>4,224,591</u>	
<u>(78,685,692)</u>	<u>4,224,591</u>	<u>(74,461,101)</u>	
			<u>(\$1,909,551)</u>
55,014,367		55,014,367	
9,146,620		9,146,620	
5,820,675		5,820,675	1,835,156
6,768,753		6,768,753	
192,035		192,035	
5,224,547		5,224,547	
5,127,255	175,188	5,302,443	20,733
1,496,744		1,496,744	
(1,459,296)	1,459,296		
<u>87,331,700</u>	<u>1,634,484</u>	<u>88,966,184</u>	<u>1,855,889</u>
8,646,008	5,859,075	14,505,083	(53,662)
<u>345,024,051</u>	<u>53,456,522</u>	<u>398,480,573</u>	<u>3,774,216</u>
<u>\$353,670,059</u>	<u>\$59,315,597</u>	<u>\$412,985,656</u>	<u>\$3,720,554</u>

## 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 2010. 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.

### **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.

### **REDEVELOPMENT AGENCY FUNDS:**

**MERGED REDEVELOPMENT PROJECT AREA CAPITAL PROJECTS FUND** – This fund accounts for property tax increment revenues used for capital projects connected with the Gateway, Downtown, Shearwater and El Camino project areas.

**LOW AND MODERATE INCOME HOUSING CAPITAL PROJECTS FUND** – This fund accounts for the 20% share of property tax increment revenue directed toward low and moderate income housing projects.

### **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.

### **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.

### **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.

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**CITY OF SOUTH SAN FRANCISCO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010**

	<b>Capital Projects Funds</b>				
	<b>General Fund</b>	<b>Capital Improvement</b>	<b>Merged Redevelopment Project Area</b>	<b>Redevelopment Agency Low Mod Housing</b>	<b>East of 101 Sewer Impact Fees</b>
<b>ASSETS</b>					
Cash and investments	\$13,711,357	\$866,019	\$48,998,352	\$25,141,735	\$75,128
Receivables:					
Accounts	3,134,761	14,800	44,488		
Accrued interest	139,642	197	309,721	146,758	4,406
Due from other governments	1,500,000				
Due from other funds	11,000				
Due from Conference Center	202,633				
Loans			873,885	9,248,524	
Prepays	147,090				
Advance to other fund			18,706,362		
Inventory	61,048				
Restricted cash and investments		99,343	24,935,612	2,306,935	
Land held for redevelopment				1,900,000	
Total Assets	<u>\$18,907,531</u>	<u>\$980,359</u>	<u>\$93,868,420</u>	<u>\$38,743,952</u>	<u>\$79,534</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$328,811	\$118,624	\$6,283,102	\$25,268	
Accrued salaries and benefits	2,457,287				
Other payable	9,504				
Deposits	38,501	4,568	500	27,055	
Deferred revenue	342,284	35,796	500,000	50,000	\$1,733,089
Due to other funds					
Advance from other fund				346,748	
Total Liabilities	<u>3,176,387</u>	<u>158,988</u>	<u>6,783,602</u>	<u>449,071</u>	<u>1,733,089</u>
Fund Balances:					
Reserved for:					
Encumbrances	681,048	588,757	933,359	62,945	
Advances, inventory and prepaid	208,138		18,706,362		
Loans receivable			873,885	9,248,524	
Future loan obligations					
Debt service					
Restricted assets and programs		99,343	21,350,450	2,306,935	
Land held for redevelopment				1,900,000	
Unreserved, reported in:					
General fund	14,841,958				
Special revenue funds					
Debt service funds					
Capital projects funds		133,271	45,220,762	24,776,477	(1,653,555)
Total Fund Balances (Deficits)	<u>15,731,144</u>	<u>821,371</u>	<u>87,084,818</u>	<u>38,294,881</u>	<u>(1,653,555)</u>
Total Liabilities and Fund Balances	<u>\$18,907,531</u>	<u>\$980,359</u>	<u>\$93,868,420</u>	<u>\$38,743,952</u>	<u>\$79,534</u>

See accompanying notes to basic financial statements

<b>East of 101 Traffic Impact Fees</b>	<b>Oyster Point Improvements Impact Fees</b>	<b>Child Care Impact Fees</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$8,762,993	\$88,218	\$2,710,801	\$22,967,711	\$123,322,314
			634,587	3,828,636
52,325	4,465	16,468	100,997	774,979
			111,093	1,611,093
				11,000
				202,633
			1,472,319	11,594,728
				147,090
			346,748	19,053,110
				61,048
			5,812,415	33,154,305
				1,900,000
<u>\$8,815,318</u>	<u>\$92,683</u>	<u>\$2,727,269</u>	<u>\$31,445,870</u>	<u>\$195,660,936</u>
			\$308,389	\$7,064,194
				2,457,287
			6,334	15,838
			3,304,224	3,374,848
			3,392,550	6,053,719
			713,745	713,745
	\$12,175,839			12,522,587
	12,175,839		7,725,242	32,202,218
	17,308		443,906	2,727,323
			346,748	19,261,248
			1,472,319	11,594,728
			5,405,247	5,405,247
			407,285	24,164,013
				1,900,000
				14,841,958
			11,079,390	11,079,390
			3,198,600	3,198,600
\$8,815,318	(12,100,464)	\$2,727,269	1,367,133	69,286,211
8,815,318	(12,083,156)	2,727,269	23,720,628	163,458,718
<u>\$8,815,318</u>	<u>\$92,683</u>	<u>\$2,727,269</u>	<u>\$31,445,870</u>	<u>\$195,660,936</u>

**CITY OF SOUTH SAN FRANCISCO  
GOVERNMENTAL FUNDS  
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL  
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
June 30, 2010**

Total fund balances reported on the governmental funds balance sheet \$163,458,718

Amounts reported for Governmental Activities in the Statement of Net Assets 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. 283,610,773

Internal service funds are used by management to charge the cost of management of communication, telephone, building, fleet maintenance, equipment replacement, worker's 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 Assets. 5,491,757

Tax refund payable - Property tax refund (8,540,400)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds. (9,192,295)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds. (76,343,000)

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 111,093

Pollution remediation (537,000)

Accrued insurance losses (144,000)

Non-current portion of compensated absences (4,245,587)

Net assets of governmental activities \$353,670,059

See accompanying notes to financial statements



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**CITY OF SOUTH SAN FRANCISCO  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Capital Projects Funds</b>				
	<b>General Fund</b>	<b>Capital Improvement</b>	<b>Merged Redevelopment Project Area</b>	<b>Redevelopment Agency Low Mod Housing</b>	<b>East of 101 Sewer Impact Fees</b>
<b>REVENUES</b>					
Property taxes	\$16,319,710		\$37,187,989		
Sales taxes	9,212,499				
Transient occupancy taxes	5,820,675				
Other taxes	3,650,313				
Intergovernmental	7,138,574		15,000		
Interest and rentals	3,255,793	\$241	2,353,539	\$907,249	\$11,005
Licenses and permits	7,270,081				
Charges for services	8,073,132	4,069			249,718
Fines and forfeitures	1,054,549				
Other	179,435		36,573	70,199	
<b>Total Revenues</b>	<b>61,974,761</b>	<b>4,310</b>	<b>39,593,101</b>	<b>977,448</b>	<b>260,723</b>
<b>EXPENDITURES</b>					
Current:					
City council	107,613				
City clerk	339,670				
City treasurer	100,950				
City attorney	744,033				
City manager	713,308				
Finance	1,593,221				
Non-departmental	761,235		67,282		
Human Resources	950,340				
Fire	16,790,834				
Police	19,259,655				
Public works	3,383,129	3,594,011			
Parks and Recreation	9,960,090				
Library	4,342,662				
Economic and community development	2,841,018		19,951,940	1,158,197	
Capital outlay	120,038	422,380	6,181,604		
Debt service:					
Principal repayments					
Interest and fiscal charges	11,442		36,635		
<b>Total Expenditures</b>	<b>62,019,238</b>	<b>4,016,391</b>	<b>26,237,461</b>	<b>1,158,197</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(44,477)</b>	<b>(4,012,081)</b>	<b>13,355,640</b>	<b>(180,749)</b>	<b>260,723</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	805,451	3,529,175	17,307	7,495,228	169,642
Transfers out	(3,094,345)	(44,097)	(13,005,458)	(294,067)	(1,248,859)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,288,894)</b>	<b>3,485,078</b>	<b>(12,988,151)</b>	<b>7,201,161</b>	<b>(1,079,217)</b>
<b>Net Change in Fund Balances (Deficits)</b>	<b>(2,333,371)</b>	<b>(527,003)</b>	<b>367,489</b>	<b>7,020,412</b>	<b>(818,494)</b>
Fund balances (deficits) - July 1, as restated (Note 7F)	18,064,515	1,348,374	86,717,329	31,274,469	(835,061)
Fund balances (deficits) - June 30	\$15,731,144	\$821,371	\$87,084,818	\$38,294,881	(\$1,653,555)

See accompanying notes to financial statements

<b>East of 101 Traffic Impact Fees</b>	<b>Oyster Point Improvements Impact Fees</b>	<b>Child Care Impact Fees</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
			\$1,211,217	\$54,718,916
				9,212,499
				5,820,675
			1,087,823	4,738,136
			3,456,031	10,609,605
\$255,686	\$20,869	\$80,778	795,133	7,680,293
		74,868	1,584,565	7,270,081
730,717	630,440		895,128	9,986,352
				1,054,549
				2,542,492
<u>986,403</u>	<u>651,309</u>	<u>155,646</u>	<u>9,029,897</u>	<u>113,633,598</u>
				107,613
				339,670
				100,950
				744,033
				713,308
				1,593,221
			538,712	1,367,229
				950,340
				16,790,834
			100,115	19,359,770
2,500	41,730	8,249	1,386,623	8,416,242
				9,960,090
				4,342,662
			2,328,251	26,279,406
				6,724,022
			1,887,434	1,887,434
	574,121		3,632,852	4,255,050
<u>2,500</u>	<u>615,851</u>	<u>8,249</u>	<u>9,873,987</u>	<u>103,931,874</u>
<u>983,903</u>	<u>35,458</u>	<u>147,397</u>	<u>(844,090)</u>	<u>9,701,724</u>
			6,030,548	18,047,351
(306,362)		(7,914)	(4,174,166)	(22,175,268)
<u>(306,362)</u>		<u>(7,914)</u>	<u>1,856,382</u>	<u>(4,127,917)</u>
<u>677,541</u>	<u>35,458</u>	<u>139,483</u>	<u>1,012,292</u>	<u>5,573,807</u>
<u>8,137,777</u>	<u>(12,118,614)</u>	<u>2,587,786</u>	<u>22,708,336</u>	<u>157,884,911</u>
<u>\$8,815,318</u>	<u>(\$12,083,156)</u>	<u>\$2,727,269</u>	<u>\$23,720,628</u>	<u>\$163,458,718</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, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$5,573,807

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.

Expenditures for capital assets	10,865,406
Retirement of capital assets	(744,245)
Current year depreciation	(7,673,808)

**Long Term Debt Proceeds and Payments**

Repayment of debt principal is added back to fund balance	1,887,434
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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):

Interest expenses	(780,730)
Pollution remediation	(537,000)
Accrued insurance losses	(144,000)
Compensated absences	42,535
Deferred revenue	111,093

**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.

45,516

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$8,646,008

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)  
FOR THE YEAR ENDED JUNE 30, 2010**

	<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>
<b>Resources (inflows):</b>				
Property taxes	\$13,738,000	\$15,956,891	\$16,319,710	\$362,819
Sales taxes	10,664,000	8,884,919	9,212,499	327,580
Transient occupancy taxes	5,603,911	5,783,911	5,820,675	36,764
Other taxes	3,994,000	3,656,000	3,650,313	(5,687)
Intergovernmental	5,887,400	7,033,461	7,138,574	105,113
Interest and rentals	3,577,577	3,209,296	3,255,793	46,497
Licenses and permits	5,625,201	6,733,125	7,270,081	536,956
Charges for services	8,067,399	8,161,357	8,073,132	(88,225)
Fines and forfeitures	1,220,000	1,220,000	1,054,549	(165,451)
Other	244,000	214,400	179,435	(34,965)
	<u>58,621,488</u>	<u>60,853,360</u>	<u>61,974,761</u>	<u>1,121,401</u>
<b>Amounts available for appropriation</b>				
<b>Charges to appropriations (outflows)</b>				
City Council	194,218	163,718	127,113	36,605
City Clerk	389,249	350,499	339,670	10,829
City Treasurer	48,664	125,360	124,988	372
City Attorney	745,747	745,747	744,033	1,714
City Manager	742,197	736,986	726,754	10,232
Finance	1,617,943	1,688,977	1,680,485	8,492
Non-Departmental	707,177	793,478	793,235	243
Human Resources	986,209	966,209	950,340	15,869
Fire	16,160,748	16,628,091	16,790,834	(162,743)
Police	18,722,001	19,175,721	19,547,529	(371,808)
Public Works	3,238,278	3,427,151	3,419,803	7,348
Parks and Recreation	9,898,731	9,964,797	9,964,590	207
Library	4,133,416	4,352,340	4,342,662	9,678
Economic and Community Development	2,503,161	3,033,221	3,016,770	16,451
Other	4,501			
Capital Outlay		233,749	120,038	113,711
Principal repayments	127,451	127,451		127,451
Interest and fiscal charges	23,335	23,335	11,442	11,893
	<u>60,243,026</u>	<u>62,536,830</u>	<u>62,700,286</u>	<u>(163,456)</u>
<b>Total charges to appropriations</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,415,749	843,286	805,451	(37,835)
Transfers out	(215,000)	(3,379,604)	(3,094,345)	285,259
	<u>1,200,749</u>	<u>(2,536,318)</u>	<u>(2,288,894)</u>	<u>247,424</u>
<b>Total Other Financing Sources (Uses)</b>				
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$420,789)</u>	<u>(\$4,219,788)</u>	<u>(3,014,419)</u>	<u>\$1,205,369</u>
<b>Fund Balance - July 1</b>			18,064,515	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>681,048</u>	
<b>Fund Balance - June 30</b>			<u>\$15,731,144</u>	

See accompanying notes to financial statements

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## **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 ASSETS  
JUNE 30, 2010**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities</b>
	<b>Sewer Enterprise</b>	<b>Parking District</b>	<b>Storm Water</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$7,774,443	\$1,802,773	\$290,818	\$9,868,034	\$18,820,470
Receivables:					
Accounts	1,145,566			1,145,566	18,195
Accrued interest	27,638	835	892	29,365	37,757
Due from other funds					702,745
Deposit					171,010
Total current assets	<u>8,947,647</u>	<u>1,803,608</u>	<u>291,710</u>	<u>11,042,965</u>	<u>19,750,177</u>
Noncurrent assets:					
Cost of issuance	112,187			112,187	
Capital assets:					
Nondepreciable	21,438,632	6,628,063		28,066,695	1,050
Depreciable, net accumulated depreciation	<u>100,662,982</u>	<u>166,740</u>	<u>4,670</u>	<u>100,834,392</u>	<u>3,199,860</u>
Total non-current assets	<u>122,213,801</u>	<u>6,794,803</u>	<u>4,670</u>	<u>129,013,274</u>	<u>3,200,910</u>
Total Assets	<u>131,161,448</u>	<u>8,598,411</u>	<u>296,380</u>	<u>140,056,239</u>	<u>22,951,087</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	322,683	829,439	7,163	1,159,285	474,741
Accrued interest payable	1,229,199			1,229,199	16,244
Other payable					123,285
Deposits	50,000			50,000	
Accrued insurance loss					712,000
Compensated absences obligation	264,017	10,011	13,002	287,030	508,919
Current portion of long-term debt	<u>4,427,373</u>			<u>4,427,373</u>	<u>217,011</u>
Total current liabilities	<u>6,293,272</u>	<u>839,450</u>	<u>20,165</u>	<u>7,152,887</u>	<u>2,052,200</u>
Noncurrent liabilities:					
Accrued insurance losses					6,128,000
Advances from other funds	1,700,000	4,830,523		6,530,523	
Compensated absences obligation	221,998	11,677	1,512	235,187	751,255
Pollution remediation	500,000			500,000	
Net OPEB obligation					8,154,222
Noncurrent portion of long-term debt	<u>65,951,038</u>			<u>65,951,038</u>	<u>744,660</u>
Total noncurrent liabilities	<u>68,373,036</u>	<u>4,842,200</u>	<u>1,512</u>	<u>73,216,748</u>	<u>15,778,137</u>
Total Liabilities	<u>74,666,308</u>	<u>5,681,650</u>	<u>21,677</u>	<u>80,369,635</u>	<u>17,830,337</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	51,723,203	6,794,803	4,670	58,522,676	2,239,239
Restricted for:					
Debt service					
Unrestricted	<u>4,771,937</u>	<u>(3,878,042)</u>	<u>270,033</u>	<u>1,163,928</u>	<u>2,881,511</u>
Total Net Assets	<u>\$56,495,140</u>	<u>\$2,916,761</u>	<u>\$274,703</u>	<u>\$59,686,604</u>	<u>\$5,120,750</u>

Some amounts reported for business-type activities in the statement  
of net assets are different because certain internal service fund  
assets and liabilities are included in business-type activities (371,007)  
\$59,315,597

See accompanying notes to financial statements



**CITY OF SOUTH SAN FRANCISCO  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$17,486,418		\$420,667	\$17,907,085	\$11,501,430
Other cities' participation	5,647,823			5,647,823	
Other fees	24,720			24,720	
Parking fees		\$616,578		616,578	
	<u>23,158,961</u>	<u>616,578</u>	<u>420,667</u>	<u>24,196,206</u>	<u>11,501,430</u>
<b>OPERATING EXPENSES</b>					
Personnel expenses	5,824,866	175,621	513,359	6,513,846	4,706,629
Professional services	1,501,119		54,224	1,555,343	352,549
OPEB expenses					4,088,430
Program supplies	1,234,514	14,323	23,760	1,272,597	737,814
Insurance	254,000	2,200	4,500	260,700	909,929
Self-insurance and claims	500,000			500,000	2,548,088
Repair and maintenance	710,777		21,984	732,761	481,036
Rents and leases	1,471,085			1,471,085	
Utilities	1,187,437		11,247	1,198,684	28,708
Administration	1,046,242	96,445	58,919	1,201,606	
Depreciation	2,858,990	14,977	2,551	2,876,518	672,581
Other	44,717		1,931	46,648	72,304
	<u>16,633,747</u>	<u>303,566</u>	<u>692,475</u>	<u>17,629,788</u>	<u>14,598,068</u>
Operating Income (Loss)	<u>6,525,214</u>	<u>313,012</u>	<u>(271,808)</u>	<u>6,566,418</u>	<u>(3,096,638)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	162,621	7,440	5,127	175,188	176,042
Gain on dispositions of capital assets					29,162
Interest expense	(1,982,212)	(22,487)		(2,004,699)	(148,491)
Other	32,079		1,800	33,879	45,813
	<u>(1,787,512)</u>	<u>(15,047)</u>	<u>6,927</u>	<u>(1,795,632)</u>	<u>102,526</u>
Income (loss) before transfers	4,737,702	297,965	(264,881)	4,770,786	(2,994,112)
<b>TRANSFERS</b>					
Transfers in	1,248,859		545,000	1,793,859	2,914,597
Transfers out	(334,563)			(334,563)	(245,976)
Change in Net Assets	5,651,998	297,965	280,119	6,230,082	(325,491)
Net Assets - July 1, as restated (Note 7F)	<u>50,843,142</u>	<u>2,618,796</u>	<u>(5,416)</u>	<u>53,456,522</u>	<u>5,446,241</u>
Net Assets - June 30	<u>\$56,495,140</u>	<u>\$2,916,761</u>	<u>\$274,703</u>	<u>\$59,686,604</u>	<u>\$5,120,750</u>

Change in net assets \$6,230,082

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 (\$371,007)

Change in net assets of business-type activities \$5,859,075

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Enterprise	Parking District	Storm Water	Total	Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$19,705,801	\$616,578	\$422,467	\$20,744,846	
Cash payment to suppliers for goods and services	(9,299,625)	714,854	(173,152)	(8,757,923)	(\$2,529,333)
Cash payment to employees for services	(5,788,644)	(190,818)	(543,476)	(6,522,938)	(4,741,976)
Cash received from interfund service provided					11,483,507
Cash payment for judgments and claims	500,000			500,000	(1,046,088)
	<u>5,117,532</u>	<u>1,140,614</u>	<u>(294,161)</u>	<u>5,963,985</u>	<u>3,166,110</u>
Net Cash Provided by (Used in) Operating Activities					
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Receipt from other funds	(5,616)	4,340,079		4,334,463	
Cash payments from(to) other governments	2,274,056			2,274,056	570,859
Advances to other funds					(412,745)
Establish new fund (Note 7F)	835,061			835,061	
Transfers in	1,248,859		545,000	1,793,859	2,914,597
Transfers out	(334,563)			(334,563)	(245,976)
	<u>4,017,797</u>	<u>4,340,079</u>	<u>545,000</u>	<u>8,902,876</u>	<u>2,826,735</u>
Net Cash Provided by Noncapital Financing Activities					
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on long-term debt	(4,221,911)			(4,221,911)	(253,967)
Proceeds from long-term debt					92,381
Interest paid on long-term debt	(1,933,890)	(22,487)		(1,956,377)	
Acquisition of capital assets	(1,328,673)	(4,317,593)		(5,646,266)	(268,376)
	<u>(7,484,474)</u>	<u>(4,340,080)</u>		<u>(11,824,554)</u>	<u>(429,962)</u>
Net Cash Used in Capital and Related Financing Activities					
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	168,797	9,783	4,563	183,143	170,651
	<u>168,797</u>	<u>9,783</u>	<u>4,563</u>	<u>183,143</u>	<u>170,651</u>
Net Cash Provided by Investing Activities					
Net Increase (Decrease) in cash and cash equivalents	1,819,652	1,150,396	255,402	3,225,450	5,548,269
Cash and cash equivalents, beginning	5,954,791	652,377	35,416	6,642,584	13,272,201
Cash and cash equivalents, ending	<u>\$7,774,443</u>	<u>\$1,802,773</u>	<u>\$290,818</u>	<u>\$9,868,034</u>	<u>\$18,820,470</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$6,525,214	\$313,012	(\$271,808)	\$6,566,418	(\$3,096,638)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	2,858,990	14,977	2,551	2,876,518	672,581
Other non-operating revenue (expenses)	32,079		1,800	33,879	45,813
Net change in assets and liabilities:					
Accounts and lease receivables	(693,371)			(693,371)	(17,923)
Prepaid items					
Accounts payable	(142,647)	827,822	3,413	688,588	(195,636)
Other payable	(5,655)			(5,655)	4,232
Deposits, as restated (Note 7F)	(1,201,432)			(1,201,432)	
Deferred revenue	(2,791,868)			(2,791,868)	
Accrued insurance losses					1,502,000
Pollution remediation	500,000			500,000	
OPEB obligations					4,263,430
Compensated absence obligations	36,222	(15,197)	(30,117)	(9,092)	(11,749)
	<u>\$5,117,532</u>	<u>\$1,140,614</u>	<u>(\$294,161)</u>	<u>\$5,963,985</u>	<u>\$3,166,110</u>
Net Cash Provided by (Used in) Operating Activities					
Non-cash transaction:					
Issuance cost amortization	\$7,276			7,276	

<b>FIDUCIARY FUND</b>
-----------------------

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.

**NON-OBLIGATED ASSESSMENT DISTRICTS AGENCY FUND**

This fund accounts for the collection of assessments and related repayments of special assessment bonds.

**CITY OF SOUTH SAN FRANCISCO  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2010**

	<u><b>Agency Fund Non- Obligated Assessment Districts</b></u>
ASSETS	
Accrued interest receivable	\$7,296
Restricted cash and investments	<u>1,106,269</u>
Total Assets	<u><u>\$1,113,565</u></u>
LIABILITIES	
Accounts payable	
Deferred contributions from property owners	<u>1,113,565</u>
Total Liabilities	<u><u>\$1,113,565</u></u>

See accompanying notes to financial statements

**Basic Financial Statements**

**Notes to the Financial Statements**

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**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**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 Redevelopment Agency** (the Agency) was established in 1981 to develop certain portions of the City's older industrial areas. The Agency is governed by the City Council in a separate capacity as members of the Redevelopment Agency Board. The City of South San Francisco Redevelopment Agency's component unit financial statements may be obtained from the City's Finance Department at 400 Grand Avenue, South San Francisco, CA 94080.

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 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 FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation**

**Government-wide Statements** - The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. 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 FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Redevelopment Agency Funds:**

**Merged Redevelopment Project Area Capital Projects Fund** – Accounts for property tax increment revenues used for capital projects connected with the Gateway, Downtown, Shearwater and El Camino project areas.

**Low and Moderate Income Housing Capital Project Fund** – Accounts for the 20% share of property tax increment revenue directed toward low and moderate income housing projects.

**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.

**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.

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

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 FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fiduciary Fund** - An agency fund is used to account for assets held by the City as an agent for special assessment districts that service debt for which the City is not obligated for repayment. The City is an agent for the 1989 El Camino Plaza Assessment Districts Series 89A and B, 1990 Pointe Grand Business Park Assessment District Series 90A, and 1987 Magnolia Plaza Senior Apartments as disclosed in Note 6 below. The financial activities of this fund, excluded from the Government-wide financial statement, are presented in a separate Fiduciary Fund financial statement.

**F. Basis of Accounting**

The government-wide, proprietary, 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 fiduciary funds are 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 assets 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 FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The City follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

**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; Debt Service funds; Capital Projects funds except for the Inactive Bonds 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, 2010.

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.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a result of unanticipated disbursements for the year ended June 30, 2010, the following funds incurred expenditures in excess of its budget:

	Expenditures in Excess of Budget (Non GAAP Legal Basis)
General Fund	\$163,456
Oyster Point Improvements Impact Fees Capital Projects Fund	532,266
Child Care Impact Fees Capital Projects Fund	8,249
Developer Contributions Special Revenue Fund	813,431
City Programs Special Revenue Fund	262,068
Redevelopment Agency Low Mod Housing Debt Service Fund	418,837

Sufficient funds were available to fund these expenditures.

**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.

**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.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Capital assets, excluding infrastructure, are recorded if acquisition or construction costs exceeds \$5,000. The similar threshold for infrastructure is \$100,000.

- 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.

The changes of the compensated absences were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$5,560,045	\$531,309	\$6,091,354
Additions	3,331,823	272,811	3,604,634
Payments	<u>(3,386,107)</u>	<u>(281,903)</u>	<u>(3,668,010)</u>
Ending Balance	<u>\$5,505,761</u>	<u>\$522,217</u>	<u>\$6,027,978</u>
Current Portion	<u>\$3,667,500</u>	<u>\$287,030</u>	<u>\$3,954,530</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.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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. Pension Costs** are funded currently as determined each July 1 by an actuary.

**O. Unbilled Services** - for the Sewer Rental Enterprise Fund are accrued at year-end.

**P. 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.

**Q. Proposition 1A**

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the City. The State is required to repay the \$1,964,728 it borrowed from the City, plus interest, by June 30, 2013.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program (Program), administered by the California Statewide Communities Development Authority (“California Communities”), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the participating cities receive cash equal to their share of State borrowings and forgo interest they otherwise would have received from the State on the unpaid borrowings. The City is a participant in the Program.

California Communities simultaneously purchased the Proposition 1A receivables from the City and other participants, and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the City received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the City equal the book value of State borrowings no gain or loss was incurred.

**R. *New Funds***

During fiscal year 2009-2010, the City established the following funds:

*Affordable Housing Trust Special Revenue Fund* – 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.

*Sewer Capacity Charges Capital Projects Fund* – these citywide charges provide new development’s share of collection and treatment capacity, both through the existing infrastructure provided, and through future capital projects not funded by other sources.

*Developer Deposit* – accounts for a deposit by a large corporation for various capital projects the developer agreed to fund. Those projects are now complete.



**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**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, 2010 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.

**Financial Statement Presentation:**

Statement of net assets:	
City of South San Francisco:	
Cash and investments available for operations	\$ 152,010,818
Restricted cash and investments	33,154,305
Total Primary Government cash and investments	185,165,123
Conference Center:	
Cash and investments available for operations	1,600,681
Restricted cash and investments	493,152
Total South San Francisco Conference Center cash and investments	2,093,833
Restricted Cash and investments in Fiduciary Funds (separate statement)	1,106,269
Total cash and investments	\$188,365,225

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.



**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	No Limit	No Limit
Banker's Acceptances	180 days	N/A	20%	\$5 million
Commercial Paper	270 days	A1,P1	15%	\$3 million
Negotiable Certificates of Deposit	1 year	N/A	20%	\$5 million
Repurchase Agreements	90 days	N/A	No Limit	No Limit
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$50 million	No Limit
The San Mateo County Investment Fund	Upon Demand	N/A	No Limit	No Limit
		Highest Rating		
Mutual Funds	N/A	Category	20%	10%
Medium-Term Notes	5 years	A	10%	\$2 million

The City of South San Francisco Conference Center Authority maintains its cash and investments separately from the City. It follows the California Government code which allows the Authority to invest in their own bonds, certain time deposits, obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances with maturities not to exceed 270 days, and medium-term notes issued by corporations operating within the U.S., commercial paper rated P-1 or higher by Moody's or A-1 by Standard & Poor's commercial paper record, repurchase agreements of obligations of the U.S. Government or its agencies for a term of one year or less and the Local Agency Investment Fund.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**D. Investments Authorized by Debt Agreements**

The City 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
Banker's Acceptances	360 days	Highest Rating Category	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 FINANCIAL STATEMENTS**

**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 FINANCIAL STATEMENTS**

**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	More than Five Years	
<i>City:</i>				
U.S. Agency Securities				
Callable	\$2,007,500	\$11,842,376		\$13,849,876
Non-callable	11,396,215	68,825,678		80,221,893
Corporate Notes		13,275,046		13,275,046
U.S. Treasury Notes		21,655,603		21,655,603
California Asset Management Pool	9,209,925			9,209,925
Local Agency Investment Fund	36,335,000			36,335,000
San Mateo County Investment Fund	2,358,362			2,358,362
Money Market Funds	1,507,245			1,507,245
Collateralized Investment Agreements			\$4,258,550	4,258,550
Cash in Banks	3,590,872			3,590,872
Cash on Hand	9,020			9,020
<i>South San Francisco Conference Center:</i>				
Local Agency Investment Fund	1,189,490			1,189,490
U.S. Agency Securities		489,549		489,549
Cash in Banks	414,694			414,694
Cash on Hand	100			100
Total Cash and Investments	<u>\$68,018,423</u>	<u>\$116,088,252</u>	<u>\$4,258,550</u>	<u>\$188,365,225</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, 2010, these investments have an average maturity of 203 days.

The City is a participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance is available for withdrawal on demand, and is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments matured in an average of 1 year.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**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, 2010, for each of the Primary Government's investment types as provided by Standard and Poor's or Fitch investment rating systems, except as noted:

Investment Type	AAA	Fitch A-/V2	Total
<i>City:</i>			
U.S. Government-Sponsored Enterprise Agencies			
Non-callable	\$80,221,893		\$80,221,893
Callable	13,849,876		13,849,876
Corporate Notes	13,275,046		13,275,046
U.S. Treasury Notes	21,655,603		21,655,603
San Mateo County Investment Fund		\$2,358,362	2,358,362
Money Market Funds	1,507,245		1,507,245
	<u>130,509,663</u>	<u>2,358,362</u>	<u>132,868,025</u>
<i>Totals</i>			
<i>Not rated:</i>			
Collateralized Investment Agreements			4,258,550
California Asset Management Pool			9,209,925
Local Agency Investment Fund			36,335,000
Cash in Banks			3,590,872
Cash on Hand			9,020
<i>South San Francisco Conference Center:</i>			
U.S. Agency Securities	489,549		489,549
<i>Not rated:</i>			
California Local Agency Investment Fund			1,189,490
Cash in Banks			414,694
Cash on Hand			100
	<u>\$130,509,663</u>	<u>\$2,358,362</u>	<u>\$188,365,225</u>
Total Cash and Investments			

**G. Concentration of Credit Risk**

The City's investment policy contains no 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, 2010:

Issuer	Investment Type	Amount
Federal National Mortgage Association	Federal agency securities	\$26,408,490
Federal Home Loan Bank	Federal agency securities	20,824,571
Federal Home Loan Mortgage Corporation	Federal agency securities	24,945,491
Federal Farm Credit Bank	Federal agency securities	17,649,793

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investments in any one issuer that represent 5% or more of total investments by major fund are as follows at June 30, 2010:

Fund	Issuer	Investment Type	Amount
<b>Major Fund</b>			
RDA Merged Capital Project Fund	Federal National Mortgage Association	Federal agency securities	\$6,125,653
	Federal Home Loan Bank	Federal agency securities	3,118,406
	Federal Home Loan Mortgage Corporation	Federal agency securities	6,383,688

**NOTE 3 - CAPITAL ASSETS**

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

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$76,522,497			\$9,349,289	\$85,871,786
Construction in Progress	25,602,752	\$10,638,553	(\$744,245)	(21,159,303)	14,337,757
Total capital assets not being depreciated	102,125,249	10,638,553	(744,245)	(11,810,014)	100,209,543
Capital assets being depreciated:					
Buildings and Improvements	72,594,966			7,525,212	80,120,178
Infrastructure - Streets	167,518,861			2,892,776	170,411,637
Infrastructure - Storm Drains	8,033,750			600,873	8,634,623
Infrastructure - Traffic Control Devices	4,789,725			13,201	4,802,926
Infrastructure - Parks					
Equipment & Vehicle	5,666,684	226,853	(45,940)	578,222	6,425,819
Furniture and Fixtures	1,319,659			170,869	1,490,528
Total capital assets being depreciated	259,923,645	226,853	(45,940)	11,781,153	271,885,711
Less accumulated depreciation for:					
Buildings and Improvements	(18,633,574)	(1,891,158)			(20,524,732)
Infrastructure - Streets	(54,056,057)	(4,981,354)			(59,037,411)
Infrastructure - Storm Drains	(1,548,216)	(191,132)			(1,739,348)
Infrastructure - Traffic Control Devices	(1,330,128)	(167,902)			(1,498,030)
Infrastructure - Parks					
Equipment & Vehicle	(4,388,725)	(354,210)	45,940	28,861	(4,668,134)
Furniture and Fixtures	(928,774)	(88,052)			(1,016,826)
Total accumulated depreciation	(80,885,474)	(7,673,808)	45,940	28,861	(88,484,481)
Net Governmental Fund Program					
Capital Assets Being Depreciated	179,038,171	(7,446,955)		11,810,014	183,401,230
<b>Internal Service Fund Capital Assets</b>					
Capital assets not being depreciated:					
Construction in Progress	1,050				1,050
Total capital assets not being depreciated	1,050				1,050
Capital assets being depreciated:					
Equipment & Vehicle	9,245,678	268,376	(147,967)	28,861	9,394,948
Accumulated depreciation	(5,631,412)	(672,581)	137,766	(28,861)	(6,195,088)
Net Internal Service Capital Assets Being Depreciated	3,614,266	(404,205)	(10,201)		3,199,860
Governmental activity capital assets, net	\$284,778,736	\$2,787,393	(\$754,446)		\$286,811,683

**CITY OF SOUTH SAN FRANCISCO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS (Continued)**

	Balance June 30, 2009	Additions	Transfers	Balance June 30, 2010
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$1,252,141			\$1,252,141
Construction in Progress	53,190,082	\$5,396,344	(\$31,771,872)	26,814,554
Total capital assets not being depreciated	54,442,223	5,396,344	(31,771,872)	28,066,695
Capital assets, being depreciated:				
Buildings and Improvements	20,063,408		31,734,557	51,797,965
Clean Water Facilities & Lines	69,690,715		37,315	69,728,030
Infrastructure - Streets	1,385,399			1,385,399
Equipment & Vehicle	9,406,689	249,922		9,656,611
Furniture and Fixtures	31,154			31,154
Total capital assets being depreciated	100,577,365	249,922	31,771,872	132,599,159
Less accumulated depreciation for:				
Buildings and Improvements	(4,569,966)	(893,613)		(5,463,579)
Clean Water Facilities & Lines	(15,227,612)	(1,742,736)		(16,970,348)
Infrastructure - Streets	(253,990)	(46,180)		(300,170)
Equipment & Vehicle	(8,810,788)	(191,393)		(9,002,181)
Furniture and Fixtures	(25,893)	(2,596)		(28,489)
Total accumulated depreciation	(28,888,249)	(2,876,518)		(31,764,767)
Net capital assets being depreciated	71,689,116	(2,626,596)	31,771,872	100,834,392
Business-type activity capital assets, net	\$126,131,339	\$2,769,748		\$128,901,087
	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
<b>Component Unit:</b>				
South San Francisco Conference Center				
Buildings and Improvements	\$10,365,819	\$16,353		\$10,382,172
Furniture and Fixtures	819,249	4,908		824,157
Machinery and equipment	344,851	3,890		348,741
Total:	11,529,919	25,151		11,555,070
Less accumulated depreciation	5,747,529	556,195		6,303,724
Component unit, net	\$5,782,390	(\$531,044)		\$5,251,346

**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 FINANCIAL STATEMENTS**

**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:

	2010
<b>Governmental Activities</b>	
Governmental Fund Programs	
General government	\$399,419
Fire	378,699
Police	77,935
Public works	6,305,394
Parks and recreation	308,877
Library	115,533
Economic and community development	87,951
Internal Service Funds	672,581
<b>Total Governmental Activities</b>	<b>\$8,346,389</b>
 <b>Business-Type Activities</b>	
Sewer Enterprise	\$2,858,990
Parking	14,977
Storm Water	2,551
<b>Total Business-Type Activities</b>	<b>\$2,876,518</b>

**NOTE 4 - INTER-FUND TRANSACTIONS**

A. **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
General Fund	Supplemental Law Enforcement Services	
	Special Revenue Fund	\$11,000
Equipment Replacement Internal Service Fund	Community Development Block Grant	
	Special Revenue Fund	702,745
		<b>\$713,745</b>

As of June 30, 2010, the South San Francisco Conference Center owed the City General Fund \$121,203 which will be repaid in the next fiscal year.



**CITY OF SOUTH SAN FRANCISCO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4 - INTER-FUND TRANSACTIONS (Continued)**

***B. Inter-fund Advance***

Advances due to or due from other funds are long-term loans between funds that are to be repaid in their entirety over several years.

As of June 30, 2010, the Redevelopment Agency Low/Mod Income Housing Capital Projects Fund owed the Community Development Block Grant Special Revenue Fund in the amount of \$346,748 for the rehabilitation of the rental apartment complex on 339-341 Commercial Avenue. The advance bears no interest and the outstanding balances will be paid off from the low and moderate income rental revenues generated from the apartment complex.

As of June 30, 2010, the Oyster Point Improvements Impact Fund owed the Merged Redevelopment Project Area Capital Project Fund for developer fees in the amount of \$12,175,839 for the Flyover and Hookramps Projects that were completed in prior years. The advance bears 4.585% interest annually and the outstanding balance will be paid off from the future developer fees.

The Sewer Enterprise Fund owed the Merged Redevelopment Project Area Capital Projects Fund for development of sewer infrastructures in the amount of \$1,700,000. The advance bears 4.585% interest and the outstanding balance will be paid off from future sewer fees.

The Parking District Enterprise Fund owed the Merged Redevelopment Project Area Capital Project Fund for Miller Parking structure in the amount of \$4,830,523. The advance bears 4.585% interest annually and the outstanding balance will be paid off from future parking permit and parking meter revenues.

***C. 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.

***D. 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.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4 - INTER-FUND TRANSACTIONS (Continued)**

Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

<b>FROM FUND (OUT)</b>	<b>TO FUND (IN)</b>	<b>AMOUNT</b>
<b>General Fund</b>	Capital Improvement Capital Project Fund	\$215,899
	Non-Major Governmental Funds	2,000
	City Service Internal Service Fund	12,100
	Self Insurance Internal Service Fund	2,725,000
	Equipment Replacement Internal Service Funds	139,346
<b>Capital Project Funds:</b>		
Capital Improvement	General Fund	29,180
	Non-Major Governmental Funds	14,917
Merged Redevelopment Project Area	Capital Improvement Capital Project Fund	623,464
	RDA Low Mod Housing	7,495,228
	Non-Major Governmental Funds	4,886,766
RDA Low Mod Housing	Merged Redevelopment Project Area	17,307
	Non-Major Governmental Funds	276,760
East of 101 Sewer Impact Fees	Sewer Enterprise Fund	1,248,859
East of 101 Traffic Impact Fees	Capital Improvement Capital Project Fund	306,362
Child Care Impact Fees	Non-Major Governmental Funds	7,914
<b>Non-major Governmental Funds</b>	General Fund	756,534
	Capital Improvement Capital Project Fund	2,130,441
	Non-major Governmental Funds	842,191
	Storm Water Enterprise Fund	445,000
<b>Sewer Enterprise Fund</b>	Capital Improvement Capital Project Fund	26,770
	East of 101 Sewer Impact Fees	169,642
	Storm Water Enterprise Fund	100,000
	City Service Internal Service Fund	38,151
<b>Internal Service Funds</b>		
	City Service	Capital Improvement Capital Project Fund
Equipment Replacement	General Fund	19,737
	Capital Improvement Capital Project Fund	195,139
	<b>Total</b>	<u><u>\$22,755,807</u></u>

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS**

**A. Current Year Transactions and Balances**

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2010, follows:

	Authorized and Issued	Balance at June 30, 2009	Additions	Retirement	Balance at June 30, 2010	Current Portion
<b>Governmental Activities:</b>						
Redevelopment Agency (1):						
2006 Revenue Bonds, 3.75 to 5.13%, due 9/1/35 (2)	\$70,675,000	\$67,240,000		\$1,330,000	\$65,910,000	\$1,380,000
2000 HUD Section 108, 4.4 to 6.6%, due 8/1/23 (3)	1,750,000	1,390,000		112,000	1,278,000	112,000
1999 Revenue Bonds, 3.3 to 5.0%, due 9/1/18 (4)	31,720,000	2,305,000		185,000	2,120,000	195,000
1999 Certificates of Participation, 3.2 to 5.0%, due 4/1/29 (5)	6,145,000	4,915,000		150,000	4,765,000	155,000
1989 California Health Facilities Financing Authority (CHFFA) Revenue Bonds, 7.2%, due 9/23/11 (6)	563,000	110,434		110,434		
<b>Total Redevelopment Agency</b>	<b>110,853,000</b>	<b>75,960,434</b>		<b>1,887,434</b>	<b>74,073,000</b>	<b>1,842,000</b>
1988 Costco (Price Club) Notes, 8.5%, due 12/6/13 (7)	2,270,000	2,270,000			2,270,000	
<b>Total Other Bonds and Notes</b>	<b>2,270,000</b>	<b>2,270,000</b>			<b>2,270,000</b>	
<b>Total Governmental Activities Debt</b>	<b>113,123,000</b>	<b>78,230,434</b>		<b>1,887,434</b>	<b>76,343,000</b>	<b>1,842,000</b>
Capital Leases (8):						
2000 Fire Truck, 5.72%, due 7/14/10		57,958		38,093	19,865	19,867
2005 Ambulance & Fire truck		26,957		26,957		
2005 ALS Ambulance & Fire truck		79,614		21,646	57,968	22,509
2006 Ambulance & Sweeper		128,370		62,710	65,660	65,660
2006 EMS Computer System		57,383		28,032	29,351	29,351
2008 Two Fire Trucks		865,356		76,529	788,827	79,624
<b>Total Capital Leases</b>		<b>1,215,638</b>		<b>253,967</b>	<b>961,671</b>	<b>217,011</b>
<b>Compensated Absences</b>		<b>5,560,045</b>	<b>\$3,331,823</b>	<b>3,386,107</b>	<b>5,505,761</b>	<b>3,667,500</b>
<b>Net Governmental Long-Term Obligations</b>		<b>\$85,006,117</b>	<b>\$3,331,823</b>	<b>\$5,527,508</b>	<b>\$82,810,432</b>	<b>\$5,726,511</b>
<b>Business-Type Activities:</b>						
1993 State Water Resources Loan, 3.0%, due 10/8/13 (9)	\$7,899,017	\$2,740,465		\$516,179	\$2,224,286	\$531,664
1999 State Water Resources Loan, 2.6%, due 8/1/22 (9)	47,721,252	38,005,542		2,285,276	35,720,266	2,344,694
2004 State Water Resources Loan, 2.5%, due 1/1/27 (9)	21,258,529	19,225,209		921,421	18,303,788	944,457
2008 State Water Resources Loan, 2.4%, (10)	9,164,505	9,054,106		274,035	8,780,071	376,558
2005 Sewer Revenue Bonds, 2.75 to 5.0%, due 04/30/20	6,000,000	5,575,000		225,000	5,350,000	230,000
<b>Total Long-Term Debt</b>	<b>92,043,303</b>	<b>74,600,322</b>		<b>4,221,911</b>	<b>70,378,411</b>	<b>4,427,373</b>
<b>Compensated Absences</b>		<b>531,309</b>	<b>272,811</b>	<b>281,903</b>	<b>522,217</b>	<b>287,030</b>
<b>Total Enterprise Fund Long-Term Obligations</b>	<b>92,043,303</b>	<b>\$75,131,631</b>	<b>\$272,811</b>	<b>\$4,503,814</b>	<b>\$70,900,628</b>	<b>\$4,714,403</b>
<b>Component Unit - Conference Center:</b>						
2003 Revenue Bonds, 2.25% to 4.0%, due 9/1/18 (12)	\$5,865,000	\$3,945,000		\$345,000	\$3,600,000	\$350,000
Unamortized refunding loss on 2003 bonds		(236,424)		(26,515)	(209,909)	
<b>Total Conference Center</b>		<b>\$3,708,576</b>		<b>\$318,485</b>	<b>\$3,390,091</b>	<b>\$350,000</b>

**CITY OF SOUTH SAN FRANCISCO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

(1) The City has pledged incremental property taxes (related to the specific properties) of the Redevelopment Agency.

(2) On April 19, 2006, the 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, 2010, \$8,840,000 and \$18,600,000 of principal remained outstanding on the defeased 1997 and 1999 bonds, respectively.

The 2006 Bonds are special obligation of the 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 \$116,668,673 in remaining debt service on the bonds which is scheduled to occur in 2036. As disclosed in the originating offering documents, projected net revenues are expected to provide coverage over debt service of 3.41 over the life of the bonds. For fiscal year 2010, the Merged Redevelopment Project Area Capital Project Fund's net tax revenue, including all revenues and expenditures, but excluding debt service amounted to \$480,079 which represented coverage of 0.1 over the \$4.5 million in debt service.

(3) In May 2000, the City and Redevelopment Agency secured a "Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, in the aggregate principal amount of \$1,750,000 (the **2000 HUD Section 108 Loan**). The proceeds of the HUD Section 108 Loan were used to finance the acquisition of real property (and related relocation), the rehabilitation of rental housing, and the rehabilitation of a public facility, pursuant to 24 CFR Statute 570.703(a), (d), (h) and (l).

Under the Contract, the City and the Redevelopment Agency pledge: (a) all allocations or grants under Section 106 of Title I, or Section 108 (q) of Title I; (b) program income, as defined at 24 CFR Section 570.500 (a); (c) tax increment revenues and receipts available to the Redevelopment Agency; (d) all proceeds from foregoing; and (e) all funds or investments in accounts established by the Contract.

(4) 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 (2) above. As of June 30, 2010, the Housing Set-Aside's portion of the bonds outstanding was \$2,120,000

**CITY OF SOUTH SAN FRANCISCO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

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. As of June 30, 2010, \$6,055,000 of principal remained outstanding on the defeased 1993 bonds.

(5) On February 1, 1999, the City issued \$6,145,000 of **1999 Certificates of Participation (COPs)** to finance the acquisition of the land and improvements used and operated as the City of South San Francisco Conference Center. During fiscal 2003/04, pursuant to a resolution of the Redevelopment Agency Board, tax increment revenues were pledged to pay debt service on the 1999 COPs. The pledge of future tax increment revenue ends upon repayment of the \$7,493,000 in remaining debt service on the bonds which is scheduled to occur in 2029. For fiscal year 2010, the merged Redevelopment Project Area Capital Project Fund net tax revenue, including all revenues and expenditures, but excluding debt service amounted to \$480,079 which represented coverage of 1.2 over the \$394,776 in debt service.

(6) **1989 California Health Facilities Financing Authority Revenue Bonds** - In April 6, 1989 the City received \$563,000 from the California Health Facilities Financial Authority for construction of the adult day care facility in the Magnolia Senior Center. Debt service payments are made from low and moderate tax increment revenues from the Redevelopment Agency Low/Moderate Income Housing Debt Service Fund. The bonds were paid off during 2009-10.

(7) **1988 Costco (Price Club) Notes** - In 1988 the City borrowed money from a retail company then known as Price Club to purchase land from a third party adjacent to their store located on South Airport Boulevard in the City, which now operates as a Costco Wholesale store (Costco). The City leases the land back to the company for lease payments equaling a percentage of Costco's gross annual sales at the location. The note bears interest at 8.5%. In fiscal year 2007, Costco exercised the option to extend the lease through December 6, 2013. In the event that the notes have not been paid in full at the end of the ground lease term, any unpaid balance of principal and accrued interest will be forgiven. The lease payments made to the City by Costco are offset against the City's obligation to Costco, first for interest, then for principal.

(8) 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 Assets as appropriate. Capital lease payments are made from revenues of the Equipment Replacement Internal Service Fund, Redevelopment Agency and General Fund.

**CITY OF SOUTH SAN FRANCISCO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

(9) The four 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. One third of the annual debt service payment on the 1993 loan is reimbursable from the City of San Bruno through a joint construction and ownership agreement of the wastewater treatment plant.

(10) **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 amounts to \$2.6 million and represents in-substance interest on the outstanding balance. Loan proceeds are drawn down as the project progresses and debt service payments commence on August 15, 2009. As of June 30, 2010, the outstanding balance of the loan was \$8,780,071.

(11) 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. The pledge of all future Enterprise Funds net revenue ends upon repayment of the \$7,663,015 in remaining debt service on the bonds which is scheduled to occur in 2026. For fiscal year 2010, Sewer Rental Enterprise Fund revenues including operating revenues, non-operating interest earnings, and transfers in amounted to \$25.4 million. Operating costs included operating expenses, but not interest, depreciation or amortizations and amounted to \$13.6 million. Net Revenues available for debt service amounted to \$11.8 million which represented coverage of 26.0 over the \$455,941 in debt service.

(12) 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.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

The 2003 revenue bonds were issued for the purpose of refunding prior 1993 revenue bonds, which were due in 2018. The refunding reduced required interest payments and did not extend the maturities on the bonds. The proceeds from these bonds are transferred to a trustee to be placed in an irrevocable trust to redeem the 1993 revenue bonds. The funds were invested in U.S. Treasury Notes with a cost of \$5,082,742, which represents the amount necessary to pay the redemption price and interest through the call date. Accordingly, the 1993 revenue bonds were removed from the balance sheet at June 1, 2003. As of June 30, 2010, approximately \$3,600,000 principal remained outstanding on the 1993 revenue bonds. The advance refunding reduced the Authority's total debt service payments over the next 15 years 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. The 2003 revenue bonds bear interest rates ranging from 2.25% to 4.00% and mature on September 1, 2018.

**B. Debt Service Requirements**

Future debt service requirements, including interest and capital leases, at June 30, 2010, 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
2011	\$2,059,011	\$3,589,738	\$4,427,374	\$1,795,953	\$350,000	\$122,050
2012	2,023,247	3,504,011	4,535,091	1,686,677	360,000	113,300
2013	4,350,238	3,418,746	4,657,359	1,570,155	370,000	103,400
2014	2,146,669	3,330,865	4,782,568	1,450,197	385,000	92,300
2015	2,230,291	3,233,489	4,312,405	1,326,640	395,000	80,269
2016-2020	12,227,215	14,535,718	23,306,541	4,928,801	1,740,000	172,069
2021-2025	13,103,000	11,496,792	19,950,357	1,843,877		
2026-2030	16,080,000	7,872,128	4,406,716	154,720		
2031-2035	18,755,000	3,518,125				
2036-2040	4,330,000	108,250				
Totals	<u>\$77,304,671</u>	<u>\$54,607,862</u>	<u>\$70,378,411</u>	<u>\$14,757,020</u>	<u>\$3,600,000</u>	<u>\$683,388</u>



**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

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	Cost
Capital Leases	Governmental Activity	\$2,209,175

**NOTE 6 - DEBT WITHOUT CITY COMMITMENT**

The City has sponsored the issuance of the following debt, for which the City is not liable for repayment but is only acting as agent for the property owners and bondholders:

	Balance at June 30, 2009	iti Repayments	Balance at June 30, 2010	Current Portion
1989 El Camino Plaza Assessment District Series 89A, 6.5 to 7.2%, due 9/2/09	\$50,000	\$50,000		
1989 El Camino Plaza Assessment District Series 89B, 9.5 to 9.75%, due 9/2/09	35,000	35,000		
1990 Pointe Grand Business Park Assessment District Series 90A, 7.0 to 7.75%, due 9/2/09	660,000	205,000	\$455,000	\$220,000
1987 Magnolia Plaza Senior Apartments variable interest rates, due 5/1/17	6,100,000		6,100,000	
Total	\$6,845,000	\$290,000	\$6,555,000	\$220,000

For all debt issues above, bond principal and interest payments will be made from installment payments on unpaid assessments on properties within the assessment districts.



**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 7 - NET ASSETS AND FUND BALANCES**

**A. Net Assets**

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include assets restricted due to Redevelopment Agency bond covenants or low and moderate income housing loan agreements.

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

**B. Fund Balance**

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

**C. Reservations**

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves.

Reserved for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserved for **advances, inventory and prepaid** are the portions of fund balance that are not available for appropriation due to funds being advanced to other City funds, assets held in inventory and assets committed for future expenses.

Reserved for **loans receivable** represents fund balances that cannot be appropriated because the assets have been loaned out in various City improvement programs.

Reserved for **future loan obligations** represents fund balances set aside strictly for potential future loans, as required by the various loan programs.

Reserved for **debt service** represents fund balances set aside for cash reserve accounts held by fiscal agents for debt service.

Reserved for **restricted assets and programs** is the portion of fund balance legally restricted for the payment of principal and interest on long-term obligations.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 7 - NET ASSETS AND FUND BALANCES (Continued)**

Reserved for **land held for resale** is the carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

**D. Designations**

The unreserved-designated fund balances include amounts which have been internally designated to be set aside and are not considered to be available for immediate appropriation. The components of the unreserved fund balance for the Governmental Funds at June 30, 2010 are as follows:

	General Fund	Capital Improvement	Redevelopment Agency Capital Project		East of 101 Sewer Impact Fees
			Merged Project Area	Low Mod Housing	
Unreserved, designated for:					
Economic contingencies	\$4,372,000				
Potential catastrophic events	1,249,000				
Capital projects and maintenance	486,281		\$6,772,173	\$6,931,224	
Future economic development and future capital projects	4,651,677				
Genetech refund	123,916		8,416,485		
Police evidence revolving	35,286				
Future loan commitment				9,509,000	
Unrealized gains/losses	364,281				
<b>Total unreserved, designated</b>	<b>11,282,441</b>		<b>15,188,658</b>	<b>16,440,224</b>	
<b>Total unreserved, undesignated</b>	<b>3,559,517</b>	<b>\$133,271</b>	<b>30,032,104</b>	<b>8,336,253</b>	<b>(\$1,653,555)</b>
<b>Total unreserved fund balances</b>	<b>\$14,841,958</b>	<b>\$133,271</b>	<b>\$45,220,762</b>	<b>\$24,776,477</b>	<b>(\$1,653,555)</b>
	East of 101 Traffic Impact Fees	Oyster Point Improvements Impact Fees	Redevelopment Agency Child care Impact Fee Fund	Other Governmental Funds	Total
Unreserved, designated for:					
Economic contingencies					\$4,372,000
Potential catastrophic events					1,249,000
Capital projects and maintenance	\$1,482,811		\$153,757	\$576,278	16,402,524
Future economic development and future capital projects					4,651,677
Genetech refund					8,540,401
Police evidence revolving					35,286
City programs			2,675,995	12,809,235	15,485,230
Future loan commitment					9,509,000
Unrealized gains/losses					364,281
<b>Total unreserved, designated</b>	<b>1,482,811</b>		<b>2,829,752</b>	<b>13,385,513</b>	<b>60,609,399</b>
<b>Total unreserved, undesignated</b>	<b>7,332,507</b>	<b>(\$12,100,464)</b>	<b>(102,483)</b>	<b>2,259,610</b>	<b>37,796,760</b>
<b>Total unreserved fund balances</b>	<b>\$8,815,318</b>	<b>(\$12,100,464)</b>	<b>\$2,727,269</b>	<b>\$15,645,123</b>	<b>\$98,406,159</b>

The Sewer Enterprise Fund has \$4,771,937 in unrestricted net assets as of June 30, 2010. The City has internally set aside those funds as Reserved for Operating and Capital Replacement purposes.

**CITY OF SOUTH SAN FRANCISCO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 7 - NET ASSETS AND FUND BALANCES (Continued)**

***E. Net Deficit***

The East of 101 Sewer Impact Fees Capital Projects Fund and the Oyster Point Improvements Impact Fees Capital Projects Fund had net deficits in the amounts of \$1,653,555 and \$12,100,464, respectively, at June 30, 2010. Capital Projects are often funded from grant sources that reimburse the City after the dollars are expended. In addition, the Redevelopment Agency advanced funds to the Oyster Point Improvements Impact Fees Capital Projects Fund. The City has an AB 1600 developer impact fee that charges developers in the Oyster Point area for the Oyster Point freeway improvements to repay the advance from the Redevelopment Agency. In fiscal 2009, the Redevelopment Agency had advanced funds to the Oyster Point Improvements Impact Fees Capital Projects Fund to pay off the outstanding loan from San Mateo County Transportation Authority. The developer impact fee will remain on the books until the advance is paid off.

The Health and Retirement Benefits Internal Service Fund had a net deficit in the amount of \$1,320,579 at June 30, 2010.

The Federal Aviation Grant Special Revenue Fund had a fund deficit in the amount of \$44,163 at June 30, 2010.

The Supplemental Law Enforcement Services Special Revenue Fund had a fund deficit in the amount of \$467 at June 30, 2010.

***F. Beginning Net Assets and Fund Balance Adjustments***

During fiscal year 2007, the City received advances from a large biotechnology company. Three of the four sewer system capital projects for which the funds were advanced were completed in fiscal year 2010. At that time, the City reviewed the funding agreement and confirmed that the remaining funds should be booked as a liability. Therefore, during fiscal year 2010, the Sewer Enterprise Fund beginning net assets was reduced by \$1,201,432. The liabilities in the amount of \$1,201,432 are recorded in the Developer Deposit Capital Projects Fund.

During fiscal year 2010, the City reevaluated its fund structure for financial reporting and established in this report the East of 101 Sewer Impact Fees Capital Projects Fund, East of 101 Traffic Impact Fees Capital Projects Fund, Oyster Point Improvements Impact Fees Capital Projects Fund, and the Child Care Impact Fees Capital Projects Fund, which had fund balances (deficits) at July 1, 2009 of (\$835,061), \$8,137,777, (\$12,118,614), and \$2,587,786, respectively. The beginning fund balances (deficits) for these new funds were reported previously in the Sewer Enterprise Fund, Developer Contributions Special Revenue Fund and Capital Improvement Capital Project Fund beginning fund balances and net assets.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 8 - RETIREMENT BENEFITS**

**A. CALPERS Safety and Miscellaneous Employees Plans**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2010, are summarized as follows:

	<u>Safety (Police &amp; Fire)</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 Years of service	5 Years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 years	50 years
Monthly benefits, as a % of annual salary	3.000%	1.426 – 2.7%
Required employee contribution rates	9%	7%
Required employer contribution rates	29.138%	17.229%

In order to reduce the City's pension obligation over time, the City changed its CalPERS retirement plans for employees hired as of April 1, 2010 or after to the following:

- Misc. 2% at 60
- Safety 3% at 55

All qualified permanent and probationary employees are eligible to participate in PERS. A credited service year is one year of full time employment. The City's labor contracts require it to pay the employees contributions as well as its own. These benefit provisions and all other requirements are established by state statute and City ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 8 - RETIREMENT BENEFITS (Continued)**

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i><b>Safety Plan</b></i>			
June 30, 2008	\$4,625,027	100%	\$0
June 30, 2009	4,902,787	100%	0
June 30, 2010	5,027,090	100%	0
<i><b>Miscellaneous Plan</b></i>			
June 30, 2008	\$3,353,136	100%	\$0
June 30, 2009	3,334,512	100%	0
June 30, 2010	3,430,786	100%	0

CALPERS uses the 3-year smoothed market method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 20 years. Investment gains and losses are accumulated as they are realized and 10 percent of the net balance is amortized annually.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 8 - RETIREMENT BENEFITS (Continued)**

The Plan's actuarial value (which differs from market value) and funding progress over the most recent three years available is set forth below at their actuarial valuation date of June 30:

*Miscellaneous Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2006	\$112,083,357	\$90,724,014	\$21,359,343	80.9%	\$17,717,314	120.6%
2007	121,314,261	99,425,920	21,888,341	82.0%	18,091,423	121.0%
2008	131,136,048	107,792,726	23,343,322	82.2%	20,018,033	116.6%

*Safety:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2006	\$174,244,412	\$140,481,955	\$33,762,457	80.6%	\$14,810,713	228.0%
2007	183,900,944	151,407,610	32,493,334	82.3%	15,674,127	207.3%
2008	194,481,726	160,497,621	33,984,105	82.5%	15,324,630	221.8%

Audited annual financial statements and ten year statistical comparison are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**B. *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.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC 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 1, 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 1, 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, 2010, approximately 272 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:

Eligibility	Age 50 and 5 years City service or disability at any age * Blue Shield HMO Single Premium + Medicare Part B
Medical Benefit	* Part-time employee benefits provided on a pro-rated basis as a percentage of premiums
Surviving Spouse Benefit	Participant -Surviving spouse covered 2 months following retiree death for AFSCME Local 1569, Mid-Management, IAFF
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 has not yet participated in the California Employers' Retiree Benefit Trust (CERBT) Fund – an irrevocable trust established by PERS to pre-fund OPEB. The City Council has elected to take the pay-as-you-go approach for the OPEB contribution for the next few years.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)**

**A. Funding Policy and Actuarial Assumptions**

The annual required contribution (ARC) was determined as part of a June 30, 2008 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) 4.5% investment rate of return if not pre-funded and assets remain in City’s own investment portfolio; 7.0% if pre-funded with CERBT, (b) 3.25% projected annual salary increase, (c) 3.0% inflation rate.

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

Year	Non-Medicare		Medicare	
	HMO	PPO	HMO	PPO
2008	actual 2008/2009 premiums			
2009	9.70%	10.50%	10.10%	10.90%
2010	9.05%	9.75%	9.40%	10.10%
2011	8.40%	9.00%	8.70%	9.30%
↓	↓	↓	↓	↓
2017+	4.50%	4.50%	4.50%	4.50%

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 30 year amortization period.



**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)**

***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 2010, the City made contribution less than the ARC as presented below:

Annual required contribution (ARC)	\$6,273,000
Interest on net OPEB Obligation	175,000
Adjustment to annual required contribution	<u>(294,000)</u>
 Annual OPEB cost	 6,154,000
 Contributions made:	
Premium paid	<u>1,890,570</u>
 Total contributions	 <u>1,890,570</u>
 Change in net OPEB Asset / (Obligation)	 (4,263,430)
 Net OPEB Obligation at June 30, 2009	 <u>(3,890,792)</u>
 Net OPEB Asset (Obligation) at June 30, 2010	 <u><u>(\$8,154,222)</u></u>

The Plan's annual required contributions and actual contributions for the year ended June 30, 2010 is set forth below (in thousands):

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$5,790,000	\$1,899,208	33%	\$3,890,792
6/30/2010	\$6,154,000	\$1,890,570	31%	\$8,154,222

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)**

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the June 30, 2008 actuarial study is presented below:

(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
6/30/2008	\$0	\$59,485	(\$59,485)	0%	\$31,813	(187.0%)

The City Council has authorized, through the budget process, operating transfers of cash from the General Fund to the Health and Retirement Benefits Internal Service Fund for the purposes of offsetting the OPEB liability. While not recognized by government accounting standards, which require a formal trust be set to remove the OPEB liability, management believes this is a prudent course of action at this point. As of June 30, 2010, \$6,833,643 in cash and investments in the Health and Benefits Internal Service Fund has been set-aside by the City Council for OPEB.

**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.

**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.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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 90<sup>th</sup> Street, Daly City, CA 94015.

**C. *Mobile Air Compressor Unit***

(MACU) was established in 1989 by the Cities of South San Francisco, Daly City, San Bruno, Pacifica, Brisbane and the Colma Fire Protection District for the purpose of purchasing and maintaining certain specialized fire equipment for the use of members. Purchase of equipment is funded by members in proportion to each member's share of interest. Routine maintenance is funded annually by a \$1,500 charge to each member. Unusual costs are shared by members according to each member's share of interest. The City's proportionate share of interest is 28.6%.

**D. *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 FINANCIAL STATEMENTS**

**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. As of July 1, 2009, the City's liability coverage through ABAG increased to a total of \$25 million, with the first \$5.0 million covered out of ABAG's financial reserves, and with the next \$20 million covered from two excess insurance policies acquired by ABAG. The Plan includes a property insurance program that covers various perils and risks up to \$1,000,000 per occurrence subject to lower categorical sub-limits and various deductibles. 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 \$2,000,000 for each condition and up to \$5,000,000 in the aggregate with a \$100,000 self-insured retention for sewer truck lines and \$50,000 for all other categories. For the year ended June 30, 2010, the City paid ABAG Plan \$767,132 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 assets. 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 three 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, 2010			Fiscal
	Workers' Compensation	General Liability	Total	2008-2009 Total
Balance, beginning of year	\$4,782,000	\$556,000	\$5,338,000	\$4,210,000
Current year claims and changes in estimates	3,575,232	775,651	4,350,883	3,456,828
Claims Paid	(2,267,232)	(437,651)	(2,704,883)	(2,328,828)
Balance, end of year	<u>\$6,090,000</u>	<u>\$894,000</u>	<u>\$6,984,000</u>	<u>\$5,338,000</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 FINANCIAL STATEMENTS**

<b>NOTE 12 - COMMITMENTS AND CONTINGENCIES</b>
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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 of 1984 including 1996 amendments 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. *Redevelopment Settlement***

In fiscal year 2005, the Agency approved a Settlement and Release Agreement with the County of San Mateo to mitigate the County's financial losses due to the proposed plan amendments and the fiscal merger of the four redevelopment project areas. The agreement calls for the Agency to fund the cost of certain County public improvements or rent waivers up to \$5,000,000, with payments not to exceed \$2,000,000 during fiscal years 2006 and 2007 and \$3,000,000 during the period commencing with fiscal year 2008. During fiscal year 2010 the Agency paid off the balance of the settlement agreement. The payoff was requested by the County to fund the projects listed under the agreement.

**B. *Redevelopment Pass-Throughs***

Pursuant to California Redevelopment Law (Health and Safety Code Section 33607.5), the Agency is obligated to pass-through a portion of the gross tax increment received on the Project Area to jurisdictions within the project area. In fiscal 2009-2010, the Agency calculated and remitted \$6,953,550 in pass-through payments to the affected jurisdictions.

The State also directed that the above amounts be included in the Agency's total incremental property tax receipts for purposes of calculating the amounts to be set aside for Low and Moderate Income Housing.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

<b>NOTE 13 - RENTAL REVENUES FROM USE OF CITY PROPERTY</b>
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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, 2010, 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
2011	\$420,000
2012	420,000
2013	420,000
2014	420,000
2015	420,000
2016-2020	2,100,000
2021-2025	2,100,000
2026-2029	1,680,000
Total	\$7,980,000

Related to a long-term obligation mentioned in Note 5 to the Basic Financial Statements, 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 2007, Costco exercised the option to extend the lease through December 6, 2013. In fiscal 2010 lease payments were \$400,000.

The City Redevelopment Agency leases land to South San Francisco Magnolia Plaza Associates (Magnolia Plaza), upon which Magnolia Plaza has constructed a multifamily rental housing development. The period of the lease is 75 years beginning May 1, 1987. At expiration or termination of the lease, title to all improvements on the land shall vest in the Agency. In fiscal 2010, total lease payments were \$51,800.

The City leases land to Sitike Counseling Center for general office use. The period of the lease is 10 years beginning December 2, 1996. In fiscal 2007, Sitike exercised the option to extend the lease through February 2012. At expiration or termination of the lease, title to all improvements on the land shall vest in the Agency. In fiscal 2010 lease receipts were \$80,320.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 13 - RENTAL REVENUES FROM USE OF CITY PROPERTY (Continued)**

Future minimum lease revenues for the Costco, Magnolia Plaza, and Sitike leases are as follows:

Year ending June 30:	Costco	Magnolia Plaza	Sitike	Total
2011	\$400,000	\$51,800	\$73,500	\$525,300
2012	400,000	51,800	82,593	534,393
2013		51,800		51,800
2014		51,800		51,800
2015		51,800		51,800
2016-2018		155,400		155,400
2019-2023		259,000		259,000
2024-2028		259,000		259,000
2029-2033		259,000		259,000
2034-2038		259,000		259,000
2039-2043		259,000		259,000
2044-2048		259,000		259,000
2049-2053		259,000		259,000
2054-2058		259,000		259,000
2059-2061		155,400		155,400
	<u>\$800,000</u>	<u>\$2,641,800</u>	<u>\$156,093</u>	<u>\$3,597,893</u>

**NOTE 14 – UPDATE IN PROPERTY TAX SETTLEMENT**

On April 1, 2008, the San Mateo County Superior Court ruled that in a prior decision going back several years for several parcels in South San Francisco, the San Mateo County Assessment Appeals Board (AAB) “did not hear (the applicant’s appeals case) within the time frame specified in California Revenue and Taxation Code Section 1604(c)”. As a result of the untimely hearing, the court ruled that the applicant “is entitled to have enrolled its opinion of value (for affected parcels)” rather than the County’s opinion of value for the parcels and years in question. The applicant was a large biotechnology company based in South San Francisco.

The difference between the applicant’s opinion of value and the County’s opinion of value totaled \$18.1 million for all affected prior tax years, including interest due the applicant. That amount must be refunded to the large biotechnology firm, with the money for that refund to come from two sources. About half of the refund will come from the South San Francisco Redevelopment Agency, and the remainder will come from all taxing entities in San Mateo County.

Two of the parcels impacted by the April 1 ruling are in the Downtown Redevelopment Project Area, and the County will be deducting that refund amount directly from the Redevelopment Agency’s December 2008 property tax payment. The County applies all supplemental roll adjustments for Redevelopment area parcels directly back to those areas. The County has indicated that that refund amount, including interest, totals \$8.9 million. The Agency has already identified sufficient funds in fiscal 2008-09 to cover this refund, with no resulting impact on the Agency’s debt service payments or other legal obligations.

**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 14 – UPDATE IN PROPERTY TAX SETTLEMENT (Continued)**

The remaining parcels are in non-Redevelopment areas, that is, City areas, and those refunds will be deducted from all the taxing entities in the County, as is the County's practice for all supplemental adjustments to the property tax rolls for non-Redevelopment parcels. The City's (General Fund) share of this refund is \$124,000.

It is important to note that the April Superior Court ruling covered numerous prior tax years, and the ruling further stated that it would remain in effect "until the fiscal year in which the AAB holds a hearing and makes a final determination on the" application. Because the AAB subsequently held a hearing and made a determination prior to June 30, 2008 for the 2008 roll year, the County's assessment of value for the impacted parcels, and not the applicant's, will be in effect for on an ongoing basis for tax years 2008 and beyond, absent any future successful challenges. Therefore, the ruling on the untimely hearing by the County is a one-time event.

As of June 30, 2010, the Agency has designated \$8.4 million of fund balance in the Merged Redevelopment Project Area Capital Projects Fund as designated for pending property tax refund. To reflect the financial statements on a full accrual basis, the agency has recorded \$8.54 million of tax refund payable on the Statement of Net Assets as of June 30, 2010.

**NOTE 15 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)**

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of \$8,528,106 in fiscal year 2009-10.

Based on the calculations in AB26 4X, the Agency's SERAF payment is estimated to be \$1,754,096 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

**NOTE 16 – POLLUTION REMEDIATION**

On March 4, 2010, Baykeeper, an environmental organization, filed a Clean Water Act citizen suit against the City in federal court alleging the City has allowed sewage to leak from its collection system into the City's storm sewer system and the waters of the United States. The City is presently in settlement discussions with Baykeeper and estimates a liability of \$500,000 for attorney fees and supplemental environmental program costs. The funds to pay these costs will come from the City's Sewer Enterprise Fund.



**CITY OF SOUTH SAN FRANCISCO  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 16 – POLLUTION REMEDIATION (Continued)**

In fiscal 2010, the 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 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 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 Agency to the State was discounted to give the 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.

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## **Supplementary Information**

<b>MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</b>
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**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.

**REDEVELOPMENT AGENCY FUNDS:**

**MERGED REDEVELOPMENT PROJECT AREA CAPITAL PROJECTS FUND** – This fund accounts for property tax increment revenues used for capital projects connected with the Gateway, Downtown, Shearwater and El Camino project areas.

**LOW AND MODERATE INCOME HOUSING CAPITAL PROJECTS FUND** – This fund accounts for the 20% share of property tax increment revenue directed toward low and moderate income housing projects.

**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.

**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.

**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.

**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, 2010**

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$536,460		(\$536,460)
Interest and rentals		241	241
Charges for service	295,484	4,069	(291,415)
Other			
	831,944	4,310	(827,634)
Total Revenues			
EXPENDITURES:			
Current:			
Public works	15,846,354	4,182,768	11,663,586
Capital outlay		422,380	(422,380)
	15,846,354	4,605,148	11,241,206
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,014,410)	(4,600,838)	10,413,572
OTHER FINANCING SOURCES (USES)			
Transfers in	12,573,114	3,529,175	(9,043,939)
Transfers out		(44,097)	(44,097)
	12,573,114	3,485,078	(9,088,036)
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	(\$2,441,296)	(1,115,760)	\$1,325,536
Adjustment to budgetary basis:			
Encumbrance adjustments		588,757	
Fund balance - July 1, as restated (Note 7F)		1,348,374	
Fund balance - June 30		\$821,371	

**CITY OF SOUTH SAN FRANCISCO**  
**MERGED REDEVELOPMENT PROJECT AREA 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, 2010**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$28,240,426	\$37,187,989	\$8,947,563
Intergovernmental		15,000	15,000
Interest and rental	2,805,000	2,353,539	(451,461)
Other		36,573	36,573
	<u>31,045,426</u>	<u>39,593,101</u>	<u>8,547,675</u>
Total Revenues			
EXPENDITURES:			
Current:			
Economic and community development	14,743,971	20,885,299	(6,141,328)
Non-departmental		67,282	(67,282)
Capital outlay	20,432,733	6,181,604	14,251,129
Debt services:			
Interest and fiscal charges		36,635	(36,635)
	<u>35,176,704</u>	<u>27,170,820</u>	<u>8,005,884</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,131,278)</u>	<u>12,422,281</u>	<u>16,553,559</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,822,718	17,307	(9,805,411)
Transfers (out)	<u>(23,142,386)</u>	<u>(13,005,458)</u>	<u>10,136,928</u>
	<u>(13,319,668)</u>	<u>(12,988,151)</u>	<u>331,517</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u><u>(\$17,450,946)</u></u>	<u><u>(565,870)</u></u>	<u><u>\$16,885,076</u></u>
Adjustment to budgetary basis:			
Encumbrance adjustments		933,359	
Fund balance - July 1		<u>86,717,329</u>	
Fund balance - June 30		<u><u>\$87,084,818</u></u>	

**CITY OF SOUTH SAN FRANCISCO  
LOW/MOD HOUSING 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, 2010**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	\$400,000	\$907,249	\$507,249
Other		70,199	70,199
	<u>400,000</u>	<u>977,448</u>	<u>577,448</u>
Total Revenues			
EXPENDITURES:			
Current:			
Economic and community development	15,280,183	1,221,142	14,059,041
Capital outlay	5,131,224		5,131,224
	<u>20,411,407</u>	<u>1,221,142</u>	<u>19,190,265</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,011,407)</u>	<u>(243,694)</u>	<u>19,767,713</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	6,550,172	7,495,228	945,056
Transfers (out)	(345,431)	(294,067)	51,364
	<u>6,204,741</u>	<u>7,201,161</u>	<u>996,420</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u>(\$13,806,666)</u>	6,957,467	<u>\$20,764,133</u>
Adjustment to budgetary basis:			
Encumbrance adjustments		62,945	
Fund balance - July 1		<u>31,274,469</u>	
Fund balance - June 30		<u>\$38,294,881</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, 2010**

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	200,000	11,005	(188,995)
Charges for services	25,000	249,718	224,718
	225,000	260,723	35,723
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	225,000	260,723	35,723
OTHER FINANCING SOURCES (USES)			
Transfers in	214,000	169,642	(44,358)
Transfers (out)	(190,233)	(1,248,859)	(1,058,626)
	23,767	(1,079,217)	(1,102,984)
NET CHANGE IN FUND BALANCE	\$248,767	(818,494)	(\$1,067,261)
Fund balance - July 1, as restated (Note 7F)		(835,061)	
Fund balance - June 30		(\$1,653,555)	



**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, 2010**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$255,686	255,686
Other		730,717	730,717
Total Revenues		<u>986,403</u>	<u>986,403</u>
EXPENDITURES:			
Current:			
Public works	\$2,500	2,500	
Total Expenditures	<u>2,500</u>	<u>2,500</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,500)</u>	<u>983,903</u>	<u>986,403</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	(1,789,173)	(306,362)	1,482,811
Total other financing sources (uses)	<u>(1,789,173)</u>	<u>(306,362)</u>	<u>1,482,811</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,791,673)</u>	677,541	<u>\$2,469,214</u>
Fund balance - July 1, as restated (Note 7F)		<u>8,137,777</u>	
Fund balance - June 30		<u><u>\$8,815,318</u></u>	

**CITY OF SOUTH SAN FRANCISCO**  
**OYSTER POINT IMPROVEMENTS 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, 2010**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes			
Interest and rental		\$20,869	\$20,869
Charges for services	\$100,893		(100,893)
Other		630,440	630,440
	<u>100,893</u>	<u>651,309</u>	<u>550,416</u>
Total Revenues			
EXPENDITURES:			
Current:			
Public works	100,893	59,038	41,855
Interest and fiscal charges		574,121	(574,121)
	<u>100,893</u>	<u>633,159</u>	<u>(532,266)</u>
Total Expenditures			
NET CHANGE IN FUND BALANCE		18,150	\$18,150
Adjustment to budgetary basis:			
Encumbrance adjustments		17,308	
Fund balance - July 1, as restated (Note 7F)		<u>(12,118,614)</u>	
Fund balance - June 30		<u>(\$12,083,156)</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, 2010**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$80,778	80,778
Charges for services		74,868	74,868
Total Revenues		<u>155,646</u>	<u>155,646</u>
EXPENDITURES:			
Current:			
Public works		8,249	(8,249)
Total Expenditures		<u>8,249</u>	<u>(8,249)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>147,397</u>	<u>147,397</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	(\$153,757)	(7,914)	145,843
Total other financing sources (uses)	<u>(153,757)</u>	<u>(7,914)</u>	<u>145,843</u>
NET CHANGE IN FUND BALANCE	<u>(\$153,757)</u>	139,483	<u>\$293,240</u>
Fund balance - July 1, as restated (Note 7F)		<u>2,587,786</u>	
Fund balance - June 30		<u>\$2,727,269</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.

**Inter-Agency** - Accounts for joint programs, managed by the City, that are co-sponsored by other government agencies or by community organizations.

**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.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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Debt service funds account for the accumulation of governmental resources used to pay general long-term debt principal and interest, excluding those involving proprietary funds. Debt service funds used at the City of South San Francisco include:

**Other City Obligations** – Accounts for principal and interest on City obligated debt other than those supported by special assessments or the Redevelopment Agency.

**Merged Redevelopment Project Area** - Principal and interest associated with the Redevelopment Agency Bonds, supported by property tax increment in the redevelopment project areas.

**Redevelopment Agency Low Mod Housing** - Principal and interest associated with the 1999 Revenue Bonds and the 2000 Housing and Urban Development Section 108 loans, supported by the Agency's property tax increment allocated for low and moderate income housing purposes.

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.

**Inactive Bonds** – Accounts for bond proceeds remaining from matured assessment debt issues kept in reserves until disposition is determined.

**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.

**Developer Deposit** – accounts for a deposit by a large corporation for various capital projects the developer agreed to fund. Those projects are now complete.

**CITY OF SOUTH SAN FRANCISCO  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

**SPECIAL REVENUE FUNDS**

	<b>Gas Tax</b>	<b>Inter-Agency</b>	<b>Developer Contributions</b>	<b>Federal Aviation Grant</b>	<b>Community Development Block Grant</b>	<b>Miscellaneous Grants</b>
<b>ASSETS</b>						
Cash and investments	\$2,812,053	\$160,375	\$5,544,085	\$3,201,171		\$41,591
Receivables:						
Accounts	164,964		46,972		\$310,794	87,492
Accrued interest	15,846		35,330	20,469		
Due from other governments						
Loans					1,397,319	
Advance to other fund					346,748	
Restricted cash and investments					407,285	
<b>Total Assets</b>	<b>\$2,992,863</b>	<b>\$160,375</b>	<b>\$5,626,387</b>	<b>\$3,221,640</b>	<b>\$2,462,146</b>	<b>\$129,083</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable			\$186,057		\$85,797	
Other payables					\$6,108	
Deposits			988,179			
Deferred revenue				\$3,265,803		\$15,654
Due to other funds					702,745	
<b>Total Liabilities</b>			<b>1,174,236</b>	<b>3,265,803</b>	<b>794,650</b>	<b>15,654</b>
Fund Balances:						
Reserved for:						
Encumbrances			\$355,817	\$3,664	38,769	
Loans receivable					1,397,319	
Advances to other funds					346,748	
Debt service						
Restricted assets					407,285	
Unreserved:						
Designated for:						
City program		\$159,275	325,341			
Capital projects and maintenance	\$1,249,482		3,770,993			
Undesignated	1,743,381	1,100		(47,827)	(522,625)	113,429
<b>Total Fund Balances</b>	<b>2,992,863</b>	<b>160,375</b>	<b>4,452,151</b>	<b>(44,163)</b>	<b>1,667,496</b>	<b>113,429</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,992,863</b>	<b>\$160,375</b>	<b>\$5,626,387</b>	<b>\$3,221,640</b>	<b>\$2,462,146</b>	<b>\$129,083</b>

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS		
Maintenance Districts	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforcement Services	City Programs	Affordable Housing Trust	Other City Obligations	Merged Redevelopment Project Area
\$1,666,853	\$1,834,388	\$808,415	\$640	\$2,649,643	\$776,830	\$121,764	\$117
		14,444	9,893	28			
111,093	9,536			8,783	4,860		
					75,000		
							4,990,362
<u>\$1,777,946</u>	<u>\$1,843,924</u>	<u>\$822,859</u>	<u>\$10,533</u>	<u>\$2,658,454</u>	<u>\$856,690</u>	<u>\$121,764</u>	<u>\$4,990,479</u>
\$672				\$35,863			
				\$226			
111,093				327,219			
			\$11,000				
<u>111,765</u>			<u>11,000</u>	<u>363,308</u>			
		45,656			75,000		
							\$4,990,479
\$731,452	\$1,065,172	34,543		2,295,146	781,690		
934,729	778,752	742,660	(467)			\$121,764	
1,666,181	1,843,924	822,859	(467)	2,295,146	856,690	121,764	4,990,479
<u>\$1,777,946</u>	<u>\$1,843,924</u>	<u>\$822,859</u>	<u>\$10,533</u>	<u>\$2,658,454</u>	<u>\$856,690</u>	<u>\$121,764</u>	<u>\$4,990,479</u>

(Continued)



**CITY OF SOUTH SAN FRANCISCO  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	<b>DEBT SERVICE FUND</b>	<b>CAPITAL PROJECTS FUNDS</b>			<b>Total Nonmajor Governmental Funds</b>	
	<b>Redevelopment Agency Low Mod Housing</b>	<b>Non-obligated Capital Projects</b>	<b>Inactive Bonds</b>	<b>Sewer Capacity Charges</b>		<b>Developer Deposit</b>
<b>ASSETS</b>						
Cash and investments		\$600,674	\$483,904	\$276,382	\$1,988,826	\$22,967,711
Receivables:						
Accounts						634,587
Accrued interest		3,884	1,330	959		100,997
Due from other governments						111,093
Loans						1,472,319
Advance to other fund						346,748
Restricted cash and investments	\$414,768					5,812,415
	<u>\$414,768</u>	<u>\$604,558</u>	<u>\$485,234</u>	<u>\$277,341</u>	<u>\$1,988,826</u>	<u>\$31,445,870</u>
<b>Total Assets</b>						
	<u>\$414,768</u>	<u>\$604,558</u>	<u>\$485,234</u>	<u>\$277,341</u>	<u>\$1,988,826</u>	<u>\$31,445,870</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable						\$308,389
Other payables						6,334
Deposits					\$1,988,826	3,304,224
Deferred revenue						3,392,550
Due to other funds						713,745
						<u>713,745</u>
<b>Total Liabilities</b>					<u>1,988,826</u>	<u>7,725,242</u>
Fund Balances:						
Reserved for:						
Encumbrances						443,906
Loans receivable						1,472,319
Advances to other funds						346,748
Debt service	\$414,768					5,405,247
Restricted assets						407,285
Unreserved:						
Designated for:						
City program						5,392,619
Capital projects and maintenance		\$576,278	\$485,234			6,081,987
Undesignated		28,280		277,341		4,170,517
	<u>414,768</u>	<u>604,558</u>	<u>485,234</u>	<u>277,341</u>		<u>23,720,628</u>
<b>Total Fund Balances</b>						
	<u>414,768</u>	<u>604,558</u>	<u>485,234</u>	<u>\$277,341</u>	<u>\$1,988,826</u>	<u>\$31,445,870</u>
<b>Total Liabilities and Fund Balances</b>						
	<u>\$414,768</u>	<u>\$604,558</u>	<u>\$485,234</u>	<u>\$277,341</u>	<u>\$1,988,826</u>	<u>\$31,445,870</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, 2010**

	<b>SPECIAL REVENUE FUNDS</b>				
	<b>Gas Tax</b>	<b>Inter-Agency</b>	<b>Developer Contributions</b>	<b>Federal Aviation Grants</b>	<b>Community Development Block Grant</b>
<b>REVENUES</b>					
Property taxes					
Other taxes					
Intergovernmental	\$2,400,590			\$196,847	\$726,479
Interest and rentals	77,440	\$8,975	\$173,645	101,031	12,638
Charges for services			1,137,817		
Other		109,946	644		
<b>Total Revenues</b>	<b>2,478,030</b>	<b>118,921</b>	<b>1,312,106</b>	<b>297,878</b>	<b>739,117</b>
<b>EXPENDITURES</b>					
Current:					
Economic and community development			1,224,081	297,879	650,866
Public works			7,709		
Non-departmental		104,989			
Police					
Debt service:					
Principal repayments					
Interest and fiscal charges					
<b>Total Expenditures</b>		<b>104,989</b>	<b>1,231,790</b>	<b>297,879</b>	<b>650,866</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,478,030</b>	<b>13,932</b>	<b>80,316</b>	<b>(1)</b>	<b>88,251</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,000		4,917		
Transfers out	(2,297,310)	(3,306)	(436,376)		(80,402)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,287,310)</b>	<b>(3,306)</b>	<b>(431,459)</b>		<b>(80,402)</b>
<b>Net Change in Fund Balances</b>	<b>190,720</b>	<b>10,626</b>	<b>(351,143)</b>	<b>(1)</b>	<b>7,849</b>
Fund balance - July 1, as restated (Note 7F)	2,802,143	149,749	4,803,294	(44,162)	1,659,647
Fund balance - June 30	\$2,992,863	\$160,375	\$4,452,151	(\$44,163)	\$1,667,496

							DEBT SERVICE FUND
Miscellaneous Grants	Maintenance Districts	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforce- ment Services	City Programs	Affordable Housing Trust	Other City Obligations
	\$1,211,217						
\$125,826	4,135	\$987,709		\$100,114			
280		45,468	\$173,325	(634)	\$32,641	\$14,500	
					778,128		
126,106	1,215,352	1,033,177	173,325	99,480	810,769	14,500	
81,267			74,158				
	1,378,914						
				100,115	407,568		
81,267	1,378,914		74,158	100,115	407,568		
44,839	(163,562)	1,033,177	99,167	(635)	403,201	14,500	
(13,609)	1				9,914	842,190	
	(47,780)	(302,077)	(17,333)		(933,744)		
(13,609)	(47,779)	(302,077)	(17,333)		(923,830)	842,190	
31,230	(211,341)	731,100	81,834	(635)	(520,629)	856,690	
82,199	1,877,522	1,112,824	741,025	168	2,815,775		121,764
\$113,429	\$1,666,181	\$1,843,924	\$822,859	(\$467)	\$2,295,146	\$856,690	\$121,764

**CITY OF SOUTH SAN FRANCISCO  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
	Merged Redevelopment Project Area	Redevelopment Agency Low Mod Housing	Non-obligated Capital Projects	Inactive Bonds	Sewer Capacity Charges	
<b>REVENUES</b>						
Property taxes						\$1,211,217
Other taxes						1,087,823
Intergovernmental					\$2,154	3,456,031
Interest and rentals	\$277,636	\$30,635	\$14,296	\$4,818	2,044	795,133
Charges for services					273,143	1,584,565
Other				6,410		895,128
<b>Total Revenues</b>	<b>277,636</b>	<b>30,635</b>	<b>14,296</b>	<b>11,228</b>	<b>277,341</b>	<b>9,029,897</b>
<b>EXPENDITURES</b>						
Current:						
Economic and community development						2,328,251
Public works						1,386,623
Non-departmental	16,155	10,000				538,712
Police						100,115
Debt service:						
Principal repayments	1,592,000	295,434				1,887,434
Interest and fiscal charges	3,519,449	113,403				3,632,852
<b>Total Expenditures</b>	<b>5,127,604</b>	<b>418,837</b>				<b>9,873,987</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,849,968)</b>	<b>(388,202)</b>	<b>14,296</b>	<b>11,228</b>	<b>277,341</b>	<b>(844,090)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	4,886,765	276,761				6,030,548
Transfers out			(42,229)			(4,174,166)
<b>Total Other Financing Sources (Uses)</b>	<b>4,886,765</b>	<b>276,761</b>	<b>(42,229)</b>			<b>1,856,382</b>
<b>Net Change in Fund Balances</b>	<b>36,797</b>	<b>(111,441)</b>	<b>(27,933)</b>	<b>11,228</b>	<b>277,341</b>	<b>1,012,292</b>
Fund balance - July 1, as restated (Note 7F)	4,953,682	526,209	632,491	474,006		22,708,336
Fund balance - June 30	\$4,990,479	\$414,768	\$604,558	\$485,234	\$277,341	\$23,720,628

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**CITY OF SOUTH SAN FRANCISCO  
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010**

	GAS TAX			INTER-AGENCY		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
Other taxes						
Intergovernmental	\$1,656,000	\$2,400,590	\$744,590	\$29,000		(\$29,000)
Interest and rentals	30,000	77,440	47,440		\$8,975	8,975
Charges for services						
Other				116,500	109,946	(6,554)
Total Revenues	1,686,000	2,478,030	792,030	145,500	118,921	(26,579)
<b>EXPENDITURES</b>						
Current:						
Economic and community development						
Public works						
Human resources				58,000		58,000
Non-departmental				233,000	104,989	128,011
Other						
Police						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures				291,000	104,989	186,011
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,686,000	2,478,030	792,030	(145,500)	13,932	159,432
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in		10,000	10,000			
Transfers out	(3,871,782)	(2,297,310)	1,574,472		(3,306)	(3,306)
Total Other Financing Sources (Uses)	(3,871,782)	(2,287,310)	1,584,472		(3,306)	(3,306)
<b>NET CHANGE IN FUND BALANCES</b>	(2,185,782)	190,720	\$2,376,502	(\$145,500)	10,626	\$156,126
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1, as restated (Note 7F)		2,802,143			149,749	
Fund balance, June 30		\$2,992,863			\$160,375	

DEVELOPER CONTRIBUTIONS			FEDERAL AVIATION GRANT			COMMUNITY DEVELOPMENT BLOCK GRANT		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$173,645	\$173,645		\$196,847	\$196,847	\$868,719	\$726,479	(\$142,240)
	1,137,817	1,137,817		101,031	101,031	6,000	12,638	6,638
	644	644						
	1,312,106	1,312,106		297,878	297,878	874,719	739,117	(135,602)
\$774,176	1,579,898 7,709	(805,722) (7,709)	\$1,838,153	297,879	1,540,274	1,042,337	689,635	352,702
774,176	1,587,607	(813,431)	1,838,153	297,879	1,540,274	1,042,337	689,635	352,702
(774,176)	(275,501)	498,675	(1,838,153)	(1)	1,838,152	(167,618)	49,482	217,100
46,000	4,917	(41,083)				52,800		(52,800)
(2,054,221)	(436,376)	1,617,845				(66,498)	(80,402)	(13,904)
(2,008,221)	(431,459)	1,576,762				(13,698)	(80,402)	(66,704)
<u>(\$2,782,397)</u>	<u>(706,960)</u>	<u>\$2,075,437</u>	<u>(\$1,838,153)</u>	<u>(1)</u>	<u>\$1,838,152</u>	<u>(\$181,316)</u>	<u>(30,920)</u>	<u>\$150,396</u>
	355,817						38,769	
	4,803,294			(44,162)			1,659,647	
	<u>\$4,452,151</u>			<u>(\$44,163)</u>			<u>\$1,667,496</u>	



**CITY OF SOUTH SAN FRANCISCO  
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010**

	MISCELLANEOUS GRANTS			MAINTENANCE DISTRICTS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes				\$1,378,000	\$1,211,217	(\$166,783)
Other taxes						
Intergovernmental	\$2,448,825	\$125,826	(2,322,999)		4,135	4,135
Interest and rentals						
Charges for services		280	280			
Other						
Total Revenues	2,448,825	126,106	(2,322,719)	1,378,000	1,215,352	(162,648)
<b>EXPENDITURES</b>						
Current:						
Economic and community development	636,900	81,267	555,633			
Public works				1,560,332	1,378,914	181,418
Human resources						
Non-departmental						
Other						
Police						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	636,900	81,267	555,633	1,560,332	1,378,914	181,418
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,811,925	44,839	(1,767,086)	(182,332)	(163,562)	18,770
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in					1	1
Transfers out	(26,500)	(13,609)	12,891	(779,230)	(47,780)	731,450
Total Other Financing Sources (Uses)	(26,500)	(13,609)	12,891	(779,230)	(47,779)	731,451
NET CHANGE IN FUND BALANCES	\$1,785,425	31,230	(\$1,754,195)	(\$961,562)	(211,341)	\$750,221
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1, as restated (Note 7F)		82,199			1,877,522	
Fund balance, June 30		\$113,429			\$1,666,181	

(Continued)

TRANSPORTATION SALES TAX			SOLID WASTE REDUCTION			SUPPLEMENTAL LAW ENFORCEMENT SERVICES		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$927,000	\$987,709	\$60,709				\$120,000	\$100,114	(\$19,886)
37,200	45,468	8,268	\$173,325	\$173,325			(634)	(634)
964,200	1,033,177	68,977	173,325	173,325		120,000	99,480	(20,520)
			203,491	119,814	83,677			
						143,252	100,115	43,137
			203,491	119,814	83,677	143,252	100,115	43,137
964,200	1,033,177	68,977	(30,166)	53,511	83,677	(23,252)	(635)	22,617
(1,375,432)	(302,077)	1,073,355	(51,876)	(17,333)	34,543			
(1,375,432)	(302,077)	1,073,355	(51,876)	(17,333)	34,543			
(\$411,232)	731,100	\$1,142,332	(\$82,042)	36,178	\$118,220	(\$23,252)	(635)	\$22,617
				45,656				
	1,112,824			741,025			168	
	\$1,843,924			\$822,859			(\$467)	

**CITY OF SOUTH SAN FRANCISCO  
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>CITY PROGRAMS</u>			<u>AFFORDABLE HOUSING TRUST</u>		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
Other taxes						
Intergovernmental						
Interest and rentals		\$32,641	\$32,641		14,500	14,500
Charges for services						
Other		778,128	778,128			
<b>Total Revenues</b>		<u>810,769</u>	<u>810,769</u>		<u>14,500</u>	<u>14,500</u>
<b>EXPENDITURES</b>						
Current:						
Economic and community development						
Public works						
Human resources						
Non-departmental		407,568	(407,568)			
Other	\$145,500		145,500			
Police						
Debt service:						
Principal repayments						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>145,500</u>	<u>407,568</u>	<u>(262,068)</u>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(145,500)</u>	<u>403,201</u>	<u>548,701</u>		<u>14,500</u>	<u>14,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in		9,914	9,914		842,190	842,190
Transfers out	(186,667)	(933,744)	(747,077)			
<b>Total Other Financing Sources (Uses)</b>	<u>(186,667)</u>	<u>(923,830)</u>	<u>(737,163)</u>		<u>842,190</u>	<u>842,190</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$332,167)</u></u>	<u><u>(520,629)</u></u>	<u><u>(\$188,462)</u></u>		<u><u>856,690</u></u>	<u><u>\$856,690</u></u>
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1, as restated (Note 7F)		<u>2,815,775</u>				
Fund balance, June 30		<u><u>\$2,295,146</u></u>			<u><u>\$856,690</u></u>	

<b>OTHER CITY OBLIGATIONS</b>			<b>MERGED REDEVELOPMENT PROJECT AREA DEBT SERVICE</b>			<b>REDEVELOPMENT AGENCY LOW MOD HOUSING DEBT SERVICE</b>		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
				\$277,636	\$277,636		\$30,635	\$30,635
				277,636	277,636		30,635	30,635
\$10,400		\$10,400		16,155	(16,155)		10,000	(10,000)
			\$1,862,224	1,592,000	270,224		295,434	(295,434)
			3,594,656	3,519,449	75,207		113,403	(113,403)
10,400		10,400	5,456,880	5,127,604	329,276		418,837	(418,837)
(10,400)		10,400	(5,456,880)	(4,849,968)	606,912		(388,202)	(388,202)
			\$5,456,880	4,886,765	(570,115)		276,761	276,761
			5,456,880	4,886,765	(570,115)		276,761	276,761
(\$10,400)		\$10,400		36,797	\$36,797		(111,441)	(\$111,441)
	\$121,764			4,953,682			526,209	
	\$121,764			\$4,990,479			\$414,768	

**CITY OF SOUTH SAN FRANCISCO  
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2010**

	<b>NONOBLIGATED CAPITAL PROJECTS</b>			<b>SEWER CAPACITY CHARGES</b>		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
Other taxes						
Intergovernmental				\$3,900,225	\$2,154	(\$3,898,071)
Interest and rentals		\$14,296	\$14,296		2,044	2,044
Charges for services					273,143	273,143
Other						
<b>Total Revenues</b>		<u>14,296</u>	<u>14,296</u>	<u>3,900,225</u>	<u>277,341</u>	<u>(3,622,884)</u>
<b>EXPENDITURES</b>						
Current:						
Economic and community development						
Public works						
Human resources						
Non-departmental						
Other						
Police						
Debt service:						
Principal repayments						
Interest and fiscal charges						
<b>Total Expenditures</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>		<u>14,296</u>	<u>14,296</u>	<u>3,900,225</u>	<u>277,341</u>	<u>(3,622,884)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers out	(\$618,507)	(42,229)	576,278			
<b>Total Other Financing Sources (Uses)</b>	<u>(618,507)</u>	<u>(42,229)</u>	<u>576,278</u>			
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$618,507)</u></u>	<u><u>(27,933)</u></u>	<u><u>\$590,574</u></u>	<u><u>\$3,900,225</u></u>	<u><u>277,341</u></u>	<u><u>(\$3,622,884)</u></u>
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1, as restated (Note 7F)		<u>632,491</u>				
Fund balance, June 30		<u><u>\$604,558</u></u>			<u><u>\$277,341</u></u>	

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## 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 of South San Francisco 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 ASSETS  
JUNE 30, 2010**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$1,252,164	\$7,266,382	\$8,143,240	\$2,158,684	\$18,820,470
Receivables:					
Accounts	18,195				18,195
Accrued interest		20,347		17,410	37,757
Due from other governments					
Due from other funds				702,745	702,745
Deposit		125,000	46,010		171,010
	<u>1,270,359</u>	<u>7,411,729</u>	<u>8,189,250</u>	<u>2,878,839</u>	<u>19,750,177</u>
Total current assets					
Noncurrent assets:					
Capital assets:					
Nondepreciable	1,050				1,050
Depreciable, net accumulated depreciation	6,121			3,193,739	3,199,860
	<u>1,277,530</u>	<u>7,411,729</u>	<u>8,189,250</u>	<u>6,072,578</u>	<u>22,951,087</u>
Total Assets					
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	215,342	146,872	108,941	3,586	474,741
Accrued interest payable				16,244	16,244
Other payable			123,285		123,285
Current portion of accrued insurance loss		712,000			712,000
Current portion of compensated absences	62,486		446,433		508,919
Net OPEB obligation			8,154,222		8,154,222
Current portion of long-term debt				217,011	217,011
	<u>277,828</u>	<u>858,872</u>	<u>8,832,881</u>	<u>236,841</u>	<u>10,206,422</u>
Total current liabilities					
Noncurrent liabilities:					
Accrued insurance loss		6,128,000			6,128,000
Compensated absences obligation	74,307		676,948		751,255
Noncurrent portion of long-term debt				744,660	744,660
	<u>74,307</u>	<u>6,128,000</u>	<u>676,948</u>	<u>744,660</u>	<u>7,623,915</u>
Total noncurrent liabilities					
	<u>352,135</u>	<u>6,986,872</u>	<u>9,509,829</u>	<u>981,501</u>	<u>17,830,337</u>
Total Liabilities					
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	7,171			2,232,068	2,239,239
Unrestricted	918,224	424,857	(1,320,579)	2,859,009	2,881,511
	<u>925,395</u>	<u>424,857</u>	<u>(\$1,320,579)</u>	<u>\$5,091,077</u>	<u>\$5,120,750</u>
Total Net Assets (Deficits)					



**CITY OF SOUTH SAN FRANCISCO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$2,711,578	\$3,726,047	\$4,095,531	\$968,274	\$11,501,430
Total Operating Revenues	<u>2,711,578</u>	<u>3,726,047</u>	<u>4,095,531</u>	<u>968,274</u>	<u>11,501,430</u>
<b>OPERATING EXPENSES</b>					
Personnel expenses	1,347,955	533,776	2,824,898		4,706,629
OPEB expenses			4,088,430		4,088,430
Professional services	280,473	63,876	8,200		352,549
Program supplies	646,964			90,850	737,814
Insurance	7,200	902,718	11		909,929
Self-insurance and claims		2,548,088			2,548,088
Repair and maintenance	389,593			91,443	481,036
Utilities	28,708				28,708
Depreciation	1,931			670,650	672,581
Other	20,061		43,508	8,735	72,304
Total Operating Expenses	<u>2,722,885</u>	<u>4,048,458</u>	<u>6,965,047</u>	<u>861,678</u>	<u>14,598,068</u>
Operating Income (Loss)	<u>(11,307)</u>	<u>(322,411)</u>	<u>(2,869,516)</u>	<u>106,596</u>	<u>(3,096,638)</u>
<b>NONOPERATING</b>					
<b>REVENUES (EXPENSES)</b>					
Interest income	(2,727)	94,046		84,723	176,042
Interest expense			(175,000)	26,509	(148,491)
Gain from disposal of capital assets				29,162	29,162
Other	45,806	7			45,813
Total Nonoperating Revenues (Expenses)	<u>43,079</u>	<u>94,053</u>	<u>(175,000)</u>	<u>140,394</u>	<u>102,526</u>
Net income (loss) before transfers	31,772	(228,358)	(3,044,516)	246,990	(2,994,112)
<b>TRANSFERS</b>					
Transfers in	50,251	2,725,000		139,346	2,914,597
Transfers out	(31,100)			(214,876)	(245,976)
Change in Net Assets	50,923	2,496,642	(3,044,516)	171,460	(325,491)
Net Assets - (deficits) July 1	<u>874,472</u>	<u>(2,071,785)</u>	<u>1,723,937</u>	<u>4,919,617</u>	<u>5,446,241</u>
Net Assets - (deficits) June 30	<u>\$925,395</u>	<u>\$424,857</u>	<u>(\$1,320,579)</u>	<u>\$5,091,077</u>	<u>\$5,120,750</u>

**CITY OF SOUTH SAN FRANCISCO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>City Service</b>	<b>Self Insurance</b>	<b>Health and Retirement Benefits</b>	<b>Equipment Replacement</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from interfund service provided	\$2,693,655	\$3,726,047	\$4,095,531	\$968,274	\$11,483,507
Cash payment to suppliers for goods and services	(1,327,193)	(966,587)	(47,487)	(188,066)	(2,529,333)
Cash payment to employees for services	(1,638,751)	(450,409)	(2,652,816)		(4,741,976)
Cash payment for judgments and claims		(1,046,088)			(1,046,088)
Net Cash Provided by Operating Activities	(272,289)	1,262,963	1,395,228	780,208	3,166,110
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Repayments to other funds				(412,745)	(412,745)
Interest payments			(175,000)	(10,265)	(185,265)
Cash payment from(to) other governments		570,859			570,859
Transfers in	50,251	2,725,000		139,346	2,914,597
Transfers out	(31,100)			(214,876)	(245,976)
Net Cash Provided by Noncapital Financing Activities	19,151	3,295,859	(175,000)	(498,540)	2,641,470
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on capital lease				(253,967)	(253,967)
Proceeds from sale of capital assets				92,381	92,381
Capital assets acquisitions				(268,376)	(268,376)
Net Cash Used in Capital and Related Financing Activities				(429,962)	(429,962)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	(3,310)	89,692		84,269	170,651
Net Cash Provided by Investing Activities	(3,310)	89,692		84,269	170,651
Net Increase (Decrease) in cash and cash equivalents	(256,448)	4,648,514	1,220,228	(64,025)	5,548,269
Cash and cash equivalents, beginning	1,508,612	2,617,868	6,923,012	2,222,709	13,272,201
Cash and cash equivalents, ending	\$1,252,164	\$7,266,382	\$8,143,240	\$2,158,684	\$18,820,470
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	(\$11,307)	(\$322,411)	(\$2,869,516)	\$106,596	(\$3,096,638)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,931			670,650	672,581
Other non-operating revenue	45,806	7			45,813
Net change in assets and liabilities:					
Accounts and lease receivables	(17,923)				(17,923)
Prepaid items					
Accounts payable	(290,303)	83,367	8,338	2,962	(195,636)
Other payable			4,232		4,232
Accrued insurance losses		1,502,000			1,502,000
OPEB obligations			4,263,430		4,263,430
Compensated absence obligations	(493)		(11,256)		(11,749)
Net Cash Provided by (Used in) Operating Activities	(\$272,289)	\$1,262,963	\$1,395,228	\$780,208	\$3,166,110

<b>AGENCY FUND</b>
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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:

**Non-obligated Assessment Districts** – To account for the collection of assessments and related repayments of special assessment bonds: the 1989 El Camino Plaza Assessment District Series 89A & 89B and the 1990 Pointe Grand Business Park Assessment District Series 90A.

**CITY OF SOUTH SAN FRANCISCO  
 AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Nonobligated Assessment Districts</u>			
	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	
ASSETS				
Accrued interest	\$8,984	\$7,296	\$8,984	\$7,296
Restricted cash and investments	1,143,293		(37,024)	1,106,269
Total Assets	<u>\$1,152,277</u>	<u>\$7,296</u>	<u>(\$28,040)</u>	<u>\$1,113,565</u>
LIABILITIES				
Accounts payable	\$2,060		\$2,060	
Deferred contributions from property owners	\$1,150,217	1,113,565	\$1,150,217	1,113,565
Total Liabilities	<u>\$1,152,277</u>	<u>\$1,113,565</u>	<u>\$1,150,217</u>	<u>\$1,113,565</u>

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## STATISTICAL SECTION

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

### **Financial Trends**

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

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value 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

<b>STATISTICAL SECTION - (Continued)</b>
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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

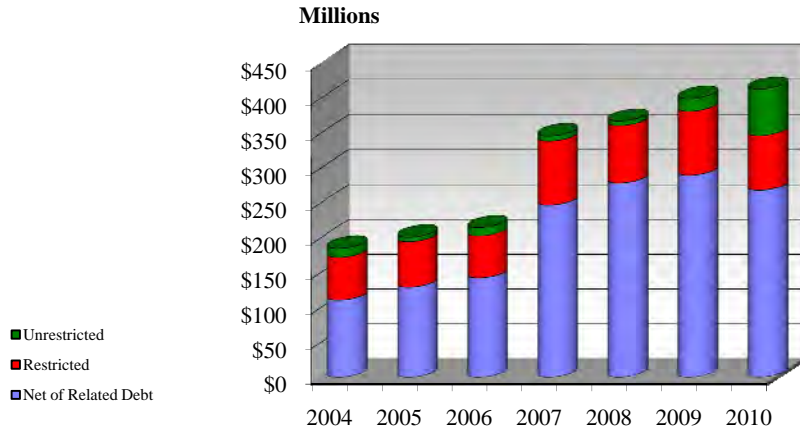
**Miscellaneous Information**

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 Assets by Component**  
**Last Seven Fiscal Years**  
**(accrual basis of accounting)**



	<b>For The Fiscal Year Ended June 30,</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$88,960,212	\$100,135,849	\$110,328,726	\$212,273,574	\$233,230,681
Restricted	59,937,123	63,029,154	58,015,343	89,194,344	80,346,634
Unrestricted	8,873,832	9,528,256	11,886,141	3,306,910	9,205,150
<b>Total governmental activities net assets</b>	<b>\$157,771,167</b>	<b>\$172,693,259</b>	<b>\$180,230,210</b>	<b>\$304,774,828</b>	<b>\$322,782,465</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$21,541,521	\$29,419,584	\$32,352,591	\$34,640,593	\$45,635,119
Restricted	1,935,907	1,935,907	2,059,070	2,806,562	1,480,000
Unrestricted	3,805,406	(3,294,378)	(44,279)	3,951,703	(2,674,600)
<b>Total business-type activities net assets</b>	<b>\$27,282,834</b>	<b>\$28,061,113</b>	<b>\$34,367,382</b>	<b>\$41,398,858</b>	<b>\$44,440,519</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$110,501,733	\$129,555,433	\$142,681,317	\$246,914,167	\$278,865,800
Restricted	61,873,030	64,965,061	60,074,413	92,000,906	81,826,634
Unrestricted	12,679,238	6,233,878	11,841,862	7,258,613	6,530,550
<b>Total primary government net assets</b>	<b>\$185,054,001</b>	<b>\$200,754,372</b>	<b>\$214,597,592</b>	<b>\$346,173,686</b>	<b>\$367,222,984</b>
	<b>2009</b>	<b>2010</b>			
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$237,441,155	\$209,507,012			
Restricted	86,962,890	78,625,094			
Unrestricted	21,455,067	65,537,953			
<b>Total governmental activities net assets</b>	<b>\$345,859,112</b>	<b>\$353,670,059</b>			
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$52,347,955	58,522,676			
Restricted	4,971,538	0			
Unrestricted	(3,496,600)	792,921			
<b>Total business-type activities net assets</b>	<b>\$53,822,893</b>	<b>\$59,315,597</b>			
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$289,789,110	\$268,029,688			
Restricted	91,934,428	78,625,094			
Unrestricted	17,958,467	66,330,874			
<b>Total primary government net assets</b>	<b>\$399,682,005</b>	<b>\$412,985,656</b>			

Source: City of South San Francisco, Department of Finance



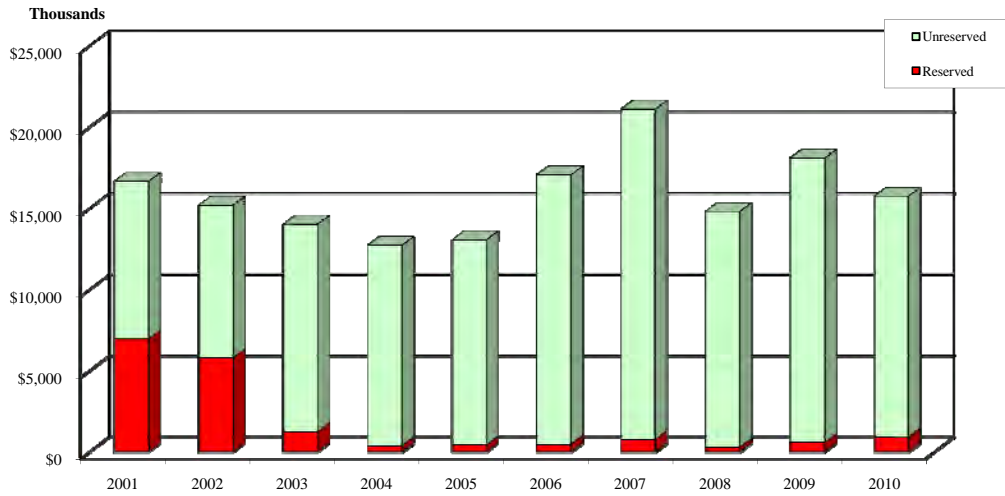
**CITY OF SOUTH SAN FRANCISCO**  
**Changes in Net Assets**  
**Last Seven Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>							
Governmental Activities:							
General Government	\$6,992,700	\$6,157,772	\$5,825,030	\$6,278,669	\$7,435,350	\$7,140,676	\$6,538,052
Fire Department	13,722,509	14,285,287	14,891,017	14,960,270	17,147,670	19,047,877	17,868,050
Police Department	13,944,144	15,543,813	16,582,172	17,951,508	18,959,373	21,051,263	20,352,570
Public Works	2,392,790	7,925,565	10,595,999	13,472,084	16,286,592	20,924,132	15,873,783
Park, Recreation and Maintenance Services	12,159,195	5,744,073	5,163,333	4,989,601	11,233,170	11,574,808	10,411,821
Library	4,662,937	4,628,578	4,104,854	4,432,731	4,719,233	4,959,138	4,616,658
Economic and Community Development	7,515,708	8,451,212	18,431,929	16,158,998	4,712,239	15,886,834	23,147,877
Interest on Long-Term Debt	3,235,435	3,284,503	2,171,325	4,883,053	5,694,097	5,289,818	5,035,780
Total Governmental Activities Expenses	<u>64,625,418</u>	<u>66,020,803</u>	<u>77,765,659</u>	<u>83,126,914</u>	<u>86,187,723</u>	<u>105,874,546</u>	<u>103,844,591</u>
Business-Type Activities:							
Sewer Rental	13,807,258	14,479,633	14,880,113	14,705,709	16,340,344	17,549,690	18,944,267
Parking District	290,314	229,087	303,712	352,629	363,878	341,100	338,995
Storm Water	401,315	565,827	675,773	683,458	705,099	746,316	722,232
Total Business-Type Activities Expenses	<u>14,498,887</u>	<u>15,274,547</u>	<u>15,859,598</u>	<u>15,741,796</u>	<u>17,409,321</u>	<u>18,637,106</u>	<u>20,005,494</u>
Total Primary Government Expenses	<u>\$79,124,305</u>	<u>\$81,295,350</u>	<u>\$93,625,257</u>	<u>\$98,868,710</u>	<u>\$103,597,044</u>	<u>\$124,511,652</u>	<u>\$123,850,085</u>
<b>Program Revenues</b>							
Governmental Activities:							
Charges for Services:							
General Government	\$2,140,949	\$2,159,550	\$2,093,574	\$2,403,697	\$2,578,384	\$2,689,370	\$2,539,316
Fire Department	1,562,388	1,634,048	2,339,139	2,699,426	2,425,673	2,415,617	2,851,984
Police Department	1,861,660	1,613,103	1,539,685	1,765,507	1,685,514	1,650,620	1,479,104
Public Works	175,712	192,960	460,184	164,846	2,973,297	2,462,538	4,412,581
Park, Recreation and Maintenance Services	3,209,976	2,554,380	2,738,378	2,757,513	3,755,368	4,872,718	3,032,399
Library	154,795	172,309	240,238	192,445	233,753	240,542	187,380
Economic and Community Development	4,225,062	3,406,430	6,039,752	10,041,002	4,483,292	4,868,445	4,652,031
Operating Grants and Contributions	4,818,988	4,139,354	4,789,269	5,719,440	6,840,628	13,388,016	5,786,227
Capital Grants and Contributions	11,628,116	5,914,588	5,468,406	8,433,785	3,113,674	182,462	217,877
Total Government Activities Program Revenues	<u>29,777,646</u>	<u>21,786,722</u>	<u>25,708,625</u>	<u>34,177,661</u>	<u>28,089,583</u>	<u>32,770,328</u>	<u>25,158,899</u>
Business-Type Activities:							
Charges for Services:							
Sewer Rental	8,820,583	10,784,174	12,116,388	12,568,533	14,112,051	15,770,470	17,486,418
Parking District	312,875	401,131	447,431	449,945	553,317	606,847	616,578
Storm Water	405,578	401,484	410,175	413,087	421,727	419,446	422,467
Operating Grants and Contributions	3,524,006	3,606,243	7,185,612	5,709,258	4,951,013	10,392,219	5,679,902
Capital Grants and Contributions	1,581,840	893,318	1,452,115	3,096,728	173,767	162,599	24,720
Total Business-Type Activities Program Revenue	<u>14,644,882</u>	<u>16,086,350</u>	<u>21,611,721</u>	<u>22,237,551</u>	<u>20,211,875</u>	<u>27,351,581</u>	<u>24,230,085</u>
Total Primary Government Program Revenues	<u>\$44,422,528</u>	<u>\$37,873,072</u>	<u>\$47,320,346</u>	<u>\$56,415,212</u>	<u>\$48,301,458</u>	<u>\$60,121,909</u>	<u>\$49,388,984</u>
<b>Net (Expense)/Revenue</b>							
Governmental Activities	(\$34,847,772)	(\$44,234,081)	(\$52,057,034)	(\$48,949,253)	(\$58,098,140)	(\$73,104,218)	(\$78,685,692)
Business-Type Activities	145,995	811,803	5,752,123	6,495,755	2,802,554	8,714,475	4,224,591
Total Primary Government Net Expense	<u>(\$34,701,777)</u>	<u>(\$43,422,278)</u>	<u>(\$46,304,911)</u>	<u>(\$42,453,498)</u>	<u>(\$55,295,586)</u>	<u>(\$64,389,743)</u>	<u>(\$74,461,101)</u>

**CITY OF SOUTH SAN FRANCISCO**  
**Changes in Net Assets**  
**(continued)**  
**Last Seven Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental Activities:							
Taxes:							
Property Taxes	\$28,798,270	\$30,669,363	\$33,504,624	\$41,469,349	\$44,165,490	\$59,369,550	\$55,014,367
Sales Taxes	10,990,867	10,676,202	11,944,496	12,446,921	12,180,885	11,752,776	9,146,620
Transient Occupancy Tax	3,945,974	4,518,293	5,469,708	5,959,034	7,098,284	6,178,391	5,820,675
Other Taxes	4,664,923	5,057,871	5,076,182	5,369,868	6,083,162	6,870,791	6,768,753
Motor Vehicle In-Lieu	2,782,118	2,979,413	4,463,069	411,098	267,061	183,193	192,035
Property taxes in lieu of vehicle license fees				4,206,799	4,608,649	5,563,165	5,224,547
Interest Earnings	660,704	1,855,742	3,627,834	6,924,292	8,994,203	4,760,345	5,127,255
Other	3,771,293	3,332,974	3,170,305	4,551,050	1,417,773	1,925,666	1,496,744
Transfers	6,938	66,315	(474,027)	(176,680)	(169,330)	(423,012)	(1,459,296)
Special item - Property taxes refund					(8,540,400)		
Cumulative effect from change in accounting method			(7,188,206)				
Total Government Activities	<u>55,621,087</u>	<u>59,156,173</u>	<u>59,593,985</u>	<u>81,161,731</u>	<u>76,105,777</u>	<u>96,180,865</u>	<u>87,331,700</u>
Business-Type Activities:							
Interest Earnings	55,196	32,791	80,119	359,041	69,777	244,887	175,188
Transfers	(6,938)	(66,315)	474,027	176,680	169,330	423,012	1,459,296
Total Business-Type Activities	<u>48,258</u>	<u>(33,524)</u>	<u>554,146</u>	<u>535,721</u>	<u>239,107</u>	<u>667,899</u>	<u>1,634,484</u>
Total Primary Government	<u>\$55,669,345</u>	<u>\$59,122,649</u>	<u>\$60,148,131</u>	<u>\$81,697,452</u>	<u>\$76,344,884</u>	<u>\$96,848,764</u>	<u>\$88,966,184</u>
<b>Change in Net Assets</b>							
Governmental Activities	\$20,773,315	\$14,922,092	\$7,536,951	\$32,212,478	\$18,007,637	\$23,076,647	\$8,646,008
Business-Type Activities	194,253	778,279	6,306,269	7,031,476	3,041,661	9,382,374	5,859,075
Total Primary Government	<u>\$20,967,568</u>	<u>\$15,700,371</u>	<u>\$13,843,220</u>	<u>\$39,243,954</u>	<u>\$21,049,298</u>	<u>\$32,459,021</u>	<u>\$14,505,083</u>

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



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>										
Reserved	\$6,943,337	\$5,789,525	\$1,234,937	\$364,447	\$421,700	\$453,567	\$732,903	\$283,435	\$554,692	\$889,186
Unreserved	9,697,808	9,372,791	12,758,028	12,341,191	12,612,724	16,586,724	20,359,471	14,503,263	17,509,823	14,841,958
<b>Total General Fund</b>	<b>\$16,641,145</b>	<b>\$15,162,316</b>	<b>\$13,992,965</b>	<b>\$12,705,638</b>	<b>\$13,034,424</b>	<b>\$17,040,291</b>	<b>\$21,092,374</b>	<b>\$14,786,698</b>	<b>\$18,064,515</b>	<b>\$15,731,144</b>
<b>All Other Governmental Funds</b>										
Reserved	\$42,258,973	\$66,992,594	\$62,742,223	\$54,265,765	\$46,097,870	\$79,859,526	\$84,748,754	\$70,194,663	\$65,117,971	\$64,163,373
Unreserved, reported in:										
Special revenue funds	7,585,790	7,730,590	4,375,178	9,114,088	10,906,232	13,559,250	17,973,390	21,286,431	23,826,184	11,079,390
Debt service funds				9,186	121,702	126,691	124,003	119,525	121,764	3,198,600
Capital project funds	(6,002,159)	(14,377,889)	3,678,565	7,660,327	25,305,608	21,945,889	29,928,573	3,578,595	51,589,538	69,286,211
<b>Total all other governmental funds</b>	<b>\$43,842,604</b>	<b>\$60,345,295</b>	<b>\$70,795,966</b>	<b>\$71,049,366</b>	<b>\$82,431,412</b>	<b>\$115,491,356</b>	<b>\$132,774,720</b>	<b>\$95,179,214</b>	<b>\$140,655,457</b>	<b>\$147,727,574</b>

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

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

	For The Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
<b>Revenues</b>					
Property Taxes	\$15,153,405	\$27,006,989	\$26,924,977	\$28,798,270	\$30,669,363
Other Taxes	24,844,805	21,523,851	19,291,374	19,227,646	19,804,438
Intergovernmental revenues	8,468,984	13,779,307	16,529,017	17,187,983	8,067,360
Special Assessments	66,528	161,471	43,214	472	
Interest and Rents	8,111,976	5,000,690	6,294,552	3,330,413	4,882,565
Licenses and permits	4,151,300	4,177,528	3,933,562	4,039,527	4,286,728
Charges for services	7,791,794	11,590,371	11,091,039	10,186,710	10,340,529
Fines and forfeitures	932,545	915,270	907,768	1,061,231	971,050
Other	3,022,679	6,182,454	1,474,351	1,537,775	1,609,388
<b>Total Revenues</b>	<b>72,544,016</b>	<b>90,337,931</b>	<b>86,489,854</b>	<b>85,370,027</b>	<b>80,631,421</b>
<b>Expenditures</b>					
Current:					
General government	5,812,209	6,595,273	5,789,321	4,282,592	4,428,283
Fire Department	11,610,379	12,338,436	11,398,309	13,427,723	13,867,143
Police Department	11,937,095	12,246,038	12,604,652	13,864,371	15,238,191
Public works	10,174,412	19,692,262	23,148,810	20,978,181	16,493,303
Recreation and Community Services	10,841,193	11,166,142	11,242,386	11,594,180	5,076,651
Library	3,371,278	3,828,969	4,151,880	4,469,947	4,413,828
Economic and Community Development	4,553,763	5,005,099	7,185,798	6,816,036	8,323,198
Other	664,360	629,612	1,517,998	2,132,294	1,115,641
Capital outlay	9,501,839	903,766	755,651	5,724,786	1,688,984
Debt service:					
Principal repayment	752,386	1,055,439	1,157,612	1,557,174	1,559,200
Interest and fiscal charges	2,963,348	2,725,146	2,682,359	2,629,544	2,438,467
<b>Total Expenditures</b>	<b>72,182,262</b>	<b>76,186,182</b>	<b>81,634,776</b>	<b>87,476,828</b>	<b>74,642,889</b>
Excess (deficiency) of revenues over (under) expenditures	361,754	14,151,749	4,855,078	(2,106,801)	5,988,532
<b>Other Financing Sources (Uses)</b>					
Transfers in	32,950,911	16,815,948	16,886,496	22,927,167	21,080,897
Transfers (out)	(32,272,073)	(16,228,024)	(17,057,396)	(23,160,229)	(19,833,372)
Refunding tax allocation bonds					
Tax allocation bonds issued					
Premium on bonds					
Payments to refunded bond escrow					
Other debt proceeds	750,000	284,188	2,001,962	1,100,926	4,378,275
Sale of capital assets				205,482	96,500
<b>Total other financing sources (uses)</b>	<b>1,428,838</b>	<b>872,112</b>	<b>1,831,062</b>	<b>1,073,346</b>	<b>5,722,300</b>
<b>Net Change in fund balances</b>	<b>\$1,790,592</b>	<b>\$15,023,861</b>	<b>\$6,686,140</b>	<b>(\$1,033,455)</b>	<b>\$11,710,832</b>
Debt service as a percentage of noncapital expenditures					
	(a)	(a)	(a)	3.8%	4.7%

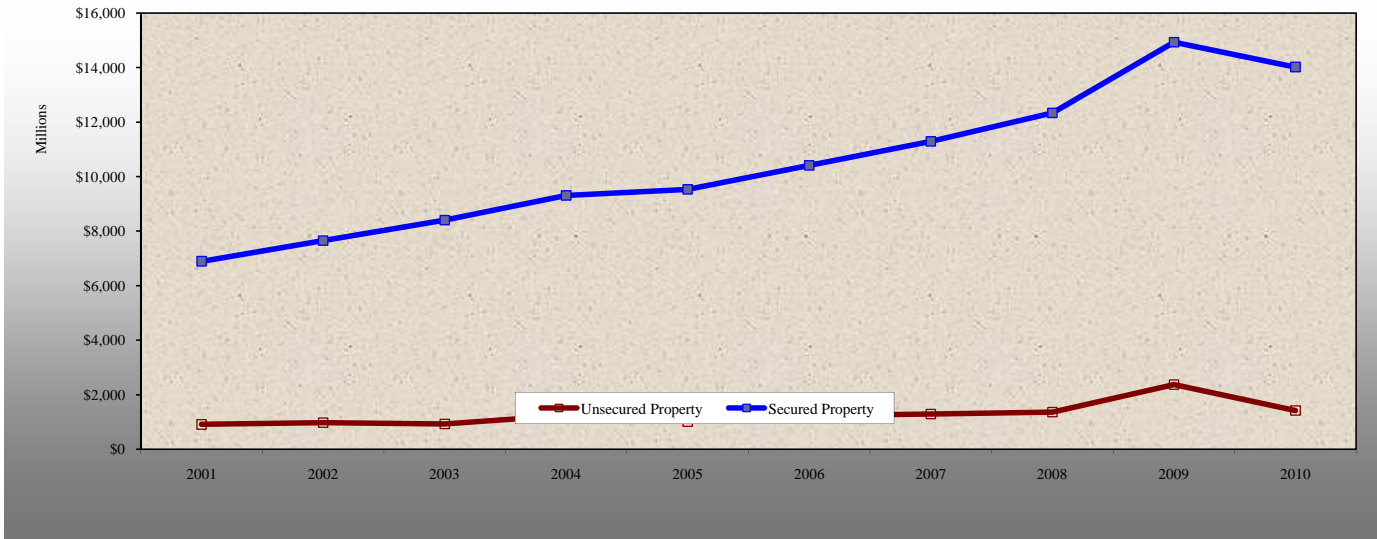
NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for fiscal years subsequent to that date.

**For The Fiscal Year Ended June 30,**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$33,504,626	\$41,469,349	\$44,165,490	\$59,369,550	\$54,718,916
22,157,878	23,505,138	24,313,543	22,755,561	19,771,310
11,495,084	9,103,859	13,219,053	15,088,171	10,609,605
6,807,538	10,691,238	12,318,594	7,625,428	7,680,293
5,342,009	6,729,772	5,716,017	5,957,815	7,270,081
10,533,289	17,083,402	10,792,043	13,644,314	9,986,352
889,085	1,043,528	1,073,603	1,013,434	1,054,549
2,065,054	5,557,296	1,091,514	3,722,979	2,542,492
92,794,563	115,183,582	112,689,857	129,177,252	113,633,598
4,211,157	4,451,564	5,897,066	5,752,948	5,916,364
14,713,658	14,972,467	16,875,311	17,724,990	16,790,834
16,425,238	18,040,508	18,757,394	19,989,136	19,359,770
16,722,028	15,038,206	14,910,401	12,360,989	8,416,242
4,631,328	4,927,687	10,826,041	10,700,332	9,960,090
4,064,649	4,399,017	4,766,821	4,679,270	4,342,662
18,344,116	15,675,694	13,848,049	19,554,780	26,279,406
1,169,699	633,060	1,023,435	474,805	
2,429,448	844,744	36,544,741	4,247,021	6,724,022
23,094,686	8,610,556	1,692,296	1,755,426	1,887,434
2,393,177	5,500,469	5,441,036	4,571,150	4,255,050
108,199,184	93,093,972	130,582,591	101,810,847	103,931,874
(15,404,621)	22,089,610	(17,892,734)	27,366,405	9,701,724
20,973,246	14,505,346	20,182,014	18,754,214	18,047,351
(20,890,788)	(14,351,319)	(24,253,621)	(19,330,934)	(22,175,268)
70,675,000				
2,005,535				
(13,118,105)				
13,750	13,750	13,750	13,784	
59,658,638	167,777	(4,057,857)	(562,936)	(4,127,917)
\$44,254,017	\$22,257,387	(\$21,950,591)	\$26,803,469	\$5,573,807
21.6%	13.9%	8.9%	6.8%	6.6%

**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					
2001	2,915,748,893	750,165,108	1,846,168,942	472,449,902	5,984,532,845	910,307,591	6,894,840,436	6,894,840,436	0.24074%
2002	3,257,637,619	629,404,257	1,940,005,169	853,973,220	6,681,020,265	972,206,231	7,653,226,496	7,653,226,496	0.27525%
2003	3,467,880,775	623,496,816	2,070,006,204	1,319,909,273	7,481,293,068	925,633,109	8,406,926,177	8,406,926,177	0.30254%
2004	3,720,977,032	630,629,338	2,319,546,992	1,388,466,651	8,059,620,013	1,244,331,375	9,303,951,388	9,303,951,388	0.29935%
2005	4,180,939,020	759,135,638	2,605,709,981	968,695,644	8,514,480,283	1,015,822,692	9,530,302,975	9,530,302,975	0.30211%
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%

Source: HdL Coren & Cone, San Mateo County Assessor 2009/10 Combined Tax Rolls (NC609051509) & San Mateo County Auditor

- (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  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>City</u>	<u>County (1)</u>	<u>School Districts</u>	<u>Misc. Special Districts</u>	<u>Total</u>
2001	0.000	1.000	0.0241	0.0000	1.0248 (1,7)
2002	0.000	1.000	0.0223	0.0000	1.0224 (1,8)
2003	0.000	1.000	0.0278	0.0000	1.0282 (1,9)
2004	0.000	1.000	0.0262	0.0000	1.0265 (1,10)
2005	0.000	1.000	0.0271	0.0000	1.0291 (1,11)
2006	0.000	1.000	-1.0000	0.0000	1.0267 (1,12)
2007	0.000	1.000	0.0379	0.0000	1.0396 (1,13)
2008	0.000	1.000	0.0360	0.0000	1.0386 (1,14)
2009	0.000	1.000	0.0327	0.0000	1.0355 (1,15)
2010	0.000	1.000	0.0377	0.0000	1.0401 (1,16)

**Notes:**

- (1) Like other cities, South San Francisco includes several property tax rate areas with different rates. A mean average is indicated.
- (7) Of the 60 tax rate areas in the City, 55 have a tax rate of 1.0241 percent, which includes South San Francisco Unified School District bonds, 3 have a rate of 1.037, which includes Jefferson Union High School bonds, one has a rate of 1.0353, which includes San Bruno Park bonds, and one at a tax rate of 1.0184 percent, for Series 99 SSFUSD bonds.
- (8) Of the 62 tax rate areas in the City, 57 have a tax rate of 1.0223 percent, which includes South San Francisco Unified School District bonds, 3 have a rate of 1.0181, which includes Jefferson Union High School bonds, one has a rate of 1.0434, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0172 percent, for Series 99 SSFUSD bonds.
- (9) Of the 62 tax rate areas in the City, 57 have a tax rate of 1.0278 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0194, which includes Jefferson Union High School bonds, one has a rate of 1.0591, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0234 percent, for Series 99 SSFUSD bonds.
- (10) Of the 63 tax rate areas in the City, 57 have a tax rate of 1.0262 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 4 have a rate of 1.0187, which includes Jefferson Union High School bonds, one has a rate of 1.0514, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0220 percent, for Series 99 SSFUSD bonds.
- (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 percent, 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.

Source: San Mateo County Controllers Office, Schedule of Tax and Valuation of Taxable Property.



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

Taxpayer	2009-10			2000-01		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$2,198,149,937	1	15.7%	\$687,312,369	1	10.1%
Slough BTC LLC	546,250,000	2	3.9%	--	--	--
Slough SSF LLC De	465,349,000	3	3.3%	--	--	--
United Airlines Inc	289,968,749	4	2.1%	295,898,570	2	4.4%
Britannia Pointe Grand LP	273,564,000	5	2.0%			
ARE San Francisco	255,371,399	6	1.8%	--	--	--
ASN Solaire LLC	143,578,457	7	1.0%	--	--	--
Myers Peninsula Venture	143,394,742	8	1.0%	--	--	--
Gateway Center LLC	131,945,178	9	0.9%	119,100,000	3	1.8%
Oyster Point LLC	84,000,000	10	0.6%	--	--	
BNP Leasing Corporation	--	--	--	79,243,158	4	1.2%
Britannia Pointe Grand LP	--	--	--	79,201,807	5	1.2%
HMS Gateway Office	--	--	--	64,969,789	6	1.0%
Britannia Biotech Gateway LLP	--	--	--	53,562,670	7	0.8%
Federal Express Corporation	--	--	--	51,733,052	8	0.8%
Courtyard Management Corporation	--	--	--	49,977,000	9	0.7%
Costco	--	--	--	48,981,005	10	0.7%
Subtotal	<u>\$4,531,571,462</u>		<u>32.3%</u>	<u>\$1,529,979,420</u>		<u>22.5%</u>

Total Net Assessed Valuation:

Fiscal Year 2009-2010	\$14,017,972,358
Fiscal Year 2000-2001	\$6,786,742,142

Source: HdL Coren & Cone, 2000-01 & 2009-10 Top Ten Property Taxpayers (Net Values)

San Mateo County Assesor 2000-01 & 2009-10 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, 2010**

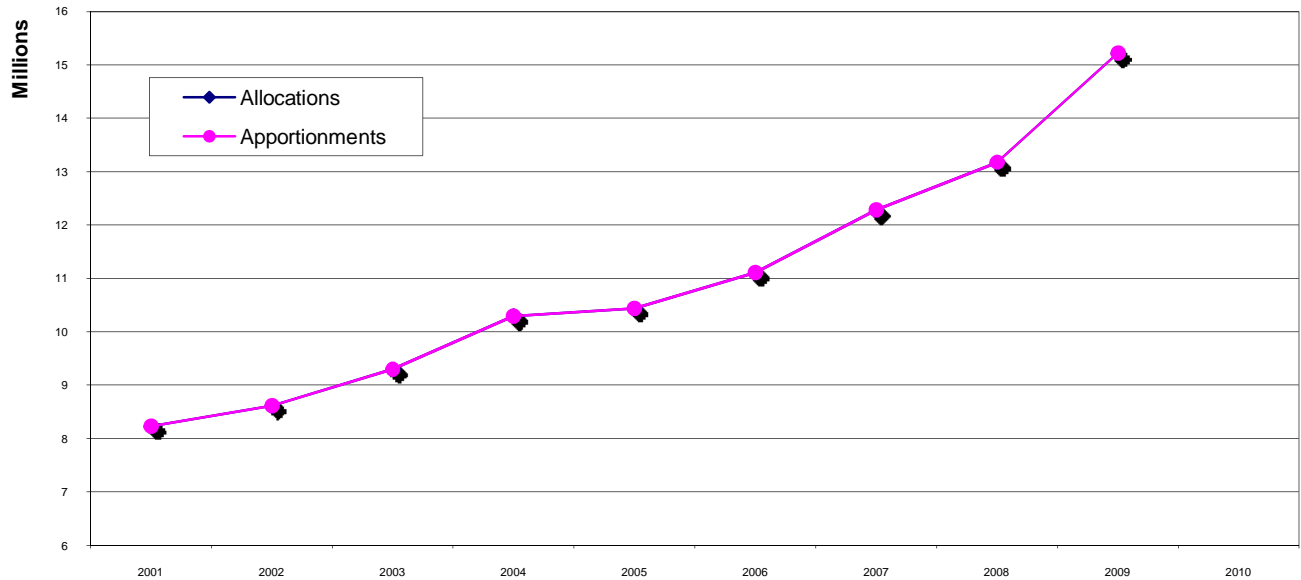
<b>Property Tax Payer</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Total Assessed Value</b>	<b>% of Total AV in Project Area</b>	<b>Land Use</b>
Slough	\$887,629,000		\$887,629,000	21.9%	Industrial
Genentech	332,726,956	216,944,384	\$549,671,340	13.6%	Industrial, Office, R&D
Britannia Pointe Grand LP	402,798,000		\$402,798,000	9.9%	Industrial
ARE San Francisco	162,892,995		\$162,892,995	4.0%	Industrial, Commercial
ASN Solaire LLC	143,578,457		\$143,578,457	3.5%	Residential
Gateway Center LLC DE	132,866,685		\$132,866,685	3.3%	Commercial
Costco Wholesale Corp	38,441,351	31,103,271	\$69,544,622	1.7%	Commercial
Amgen SF LLC		58,098,626	\$58,098,626	1.4%	Industrial
Gateway Boulevard LLC	56,212,193		\$56,212,193	1.4%	Industrial
Broadway 801 Gateway Fee LLC	55,973,520		\$55,973,520	1.4%	Commercial
BP Gateway Center LLC	54,476,832		\$54,476,832	1.3%	Commercial
Exelixis Inc.		51,058,751	\$51,058,751	1.3%	Industrial
Elan Pharmaceuticals Inc.	\$0	51,040,640	\$51,040,640	1.3%	Industrial
Chamberlin Properties	\$49,461,565		\$49,461,565	1.2%	Commercial
Theravance Inc.		46,515,264	\$46,515,264	1.2%	Industrial, Office, R&D
Broadway 701 Gateway Fee LLC	41,500,000		\$41,500,000	1.0%	Commercial
HPTMI II Properties Trust	41,290,000		\$41,290,000	1.0%	Residential, Commercial
Oik Sierra Point LLC	40,315,500		\$40,315,500	1.0%	Commercial
Blue Line Transfer Inc.	38,711,117	1,242,333	\$39,953,450	1.0%	Industrial
Rouse Assoc	38,257,372		\$38,257,372	0.9%	Industrial
<b>Total Top Twenty</b>	<b>2,517,131,543</b>	<b>456,003,269</b>	<b>2,973,134,812</b>	<b>73.3%</b>	
<b>Percent of AV</b>	<b>84.7%</b>	<b>15.3%</b>		<b>73.3%</b>	

(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 2009 Tax Rolls

Source: Muni Services

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



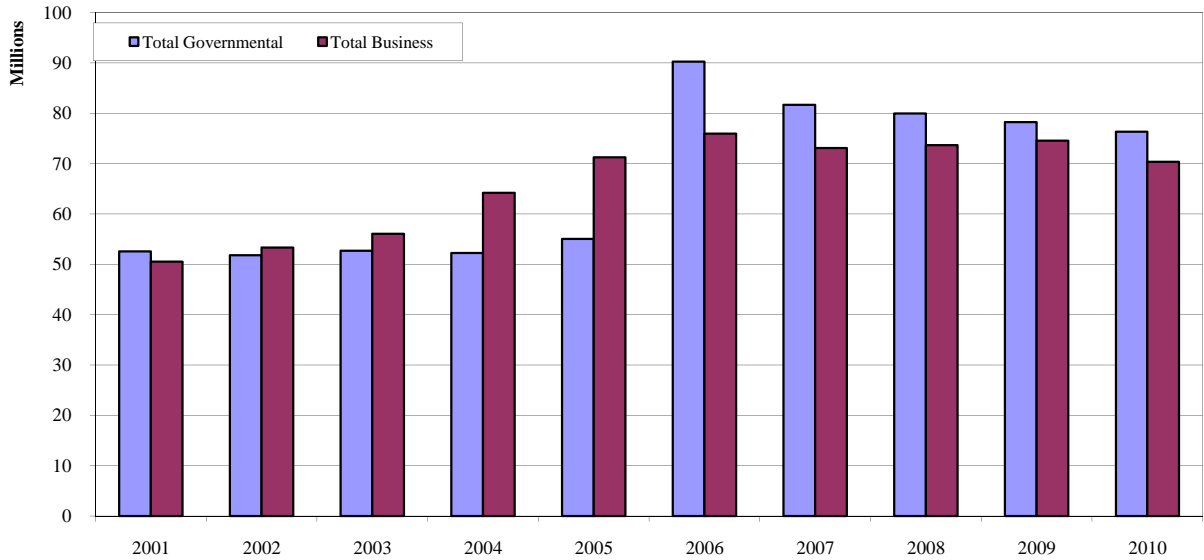
Fiscal Year	Rate (2)	Levies (3)	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
2001	1.00	(4)	8,228,319	(4)	8,228,319	(4)	0.0%
2002	1.00	(4)	8,614,725	(4)	8,614,725	(4)	0.0%
2003	1.00	(4)	9,300,314	(4)	9,300,314	(4)	0.0%
2004	1.00	(4)	10,296,831	(4)	10,296,831	(4)	0.0%
2005	1.00	(4)	10,438,333	(4)	10,438,333	(4)	0.0%
2006	1.00	(4)	11,112,993	(4)	11,112,993	(4)	0.0%
2007	1.00	(4)	12,281,105	(4)	12,281,105	(4)	0.0%
2008	1.00	(4)	13,177,156	(4)	13,177,156	(4)	0.0%
2009	1.00	(4)	15,221,633	(4)	15,221,633	(4)	0.0%
2010		(5)		(5)			

**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) Fiscal Year 2009-10 information will not be available until early next year- San Mateo County Controllers Office.

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	Lease	Certificates	Special	Loans	Total
	Allocation	Revenue	of	Assessment		
	Bonds	Bonds	Participation	Debt		
2001	42,480,000	381,787	5,935,000	231,000	3,523,144	52,550,931
2002	41,700,000	356,057	5,825,000	160,000	3,771,269	51,812,326
2003	40,785,000	328,330	5,710,000	85,000	5,771,962	52,680,292
2004	39,475,000	298,449	5,590,000		6,872,888	52,236,337
2005	38,085,000	266,249	5,465,000		11,239,163	55,055,412
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

**Business-Type Activities**

Fiscal Year	Sewer	Certificates	State Water	Total	Total	Percentage	Per
	Revenue	of	Resources				
	Bonds	Participation	Loans		Primary	of Personal	Capita (a)
					Government	Income (a)	
2001			50,540,198	50,540,198	103,091,129	3.06%	1,694.52
2002			53,314,447	53,314,447	105,126,773	3.25%	1,731.39
2003			56,090,490	56,090,490	108,770,782	3.38%	1,790.17
2004			64,195,566	64,195,566	116,431,903	3.44%	1,910.25
2005			71,251,939	71,251,939	126,307,351	3.26%	2,048.42
2006	\$6,000,000		69,978,799	75,978,799	166,267,511	3.91%	2,689.37
2007	6,000,000		67,133,165	73,133,165	154,811,321	3.33%	2,472.47
2008	\$5,790,000		67,878,194	73,668,194	153,654,054	3.26%	2,410.49
2009	5,575,000		69,025,322	74,600,322	152,830,756	NA	2,350.52
2010	\$5,350,000		65,028,410	70,378,410	146,721,410	NA	2,227.37

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, 2010**

2009-10 Assessed Valuation:	\$14,017,972,358
Redevelopment Incremental Valuation:	<u>(3,725,048,528)</u>
Adjusted Assessed Valuation:	\$10,292,923,830

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2010	% Applicable (1)	City's Share of Debt 6/30/10
San Mateo Community College District	\$624,979,994	7.946%	\$49,660,910
Jefferson Union High School District	101,208,937	1.883	1,905,764
South San Francisco Unified School District	34,975,043	86.661	30,309,722
Brisbane School District	7,505,437	14.014	1,051,812
City of Brisbane Marina Boulevard and Lagoon Road Reassessment District	5,675,000	95.186	5,401,806
City of South San Francisco 1915 Act Bonds	455,000	100.000	<u>455,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$88,785,014
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$349,089,816	7.946%	\$27,738,677
San Mateo County Board of Education Certificates of Participation	12,885,000	7.946	1,023,842
San Mateo County Flood Control District Certificates of Participation	23,365,000	55.949	13,072,484
City of South San Francisco Certificates of Participation	4,765,000	100.000	4,765,000
South San Francisco Unified School District Certificates of Participation	2,675,000	86.661	2,318,182
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$48,918,185
COMBINED TOTAL DEBT			\$137,703,199 (2)

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

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

<u>Ratios to 2008-09 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	0.64%

<u>Ratios to Adjusted Assessed Valuation:</u>	
Combined Direct Debt (\$4,915,000)	0.04%
Combined Total Debt	1.32%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: California Municipal Statistics, Inc.  
510-658-2640 Austin Busch

**CITY OF SOUTH SAN FRANCISCO  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2010**

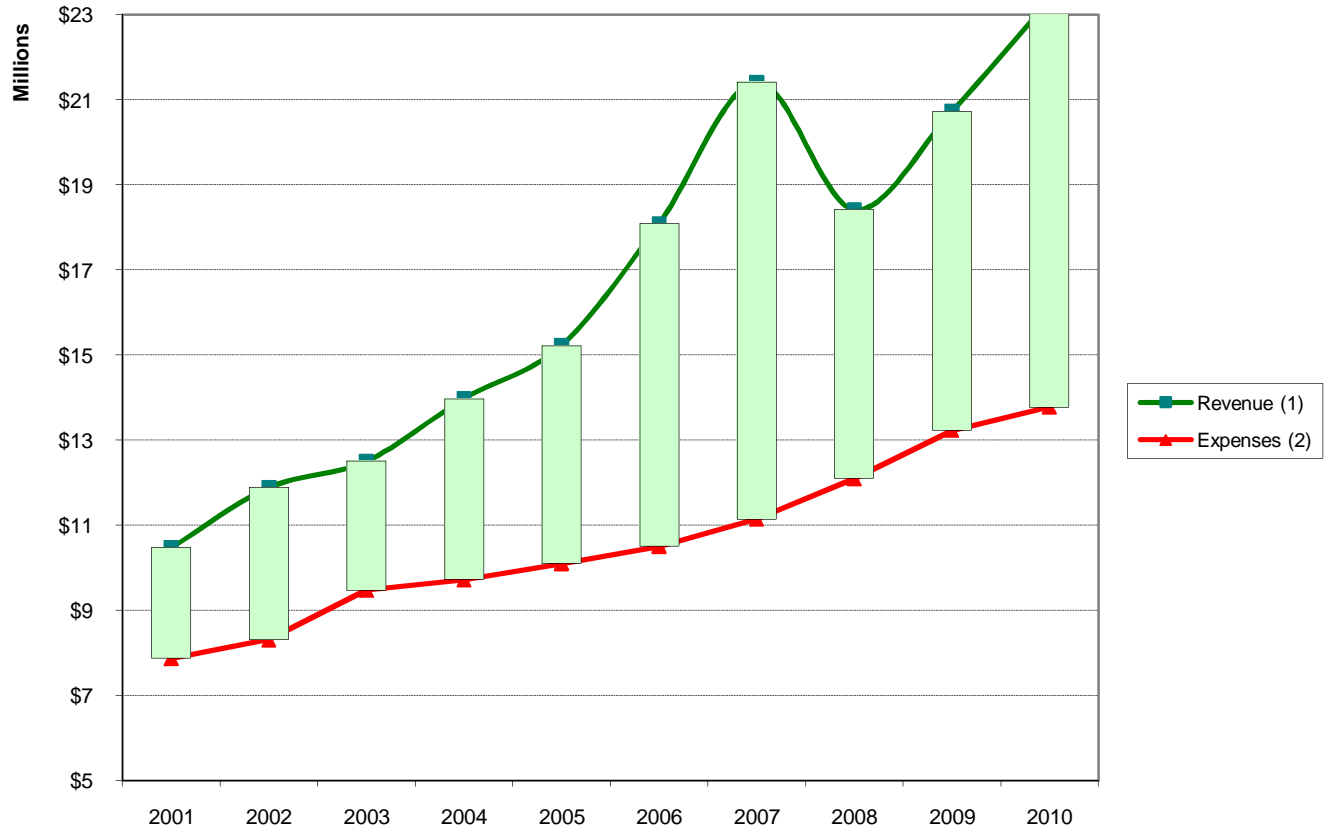
ASSESSED VALUATION:	\$14,017,972,358
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	525,673,963
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$525,673,963

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
2001	258,556,516	0	258,556,516	0.00%
2002	286,995,994	0	286,995,994	0.00%
2003	315,259,732	0	315,259,732	0.00%
2004	348,898,177	0	348,898,177	0.00%
2005	357,386,362	0	357,386,362	0.00%
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%

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 - 2009/10 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	
2001	10,475,263	7,875,181	2,600,082				N/A
2002	11,886,357	8,314,101	3,572,256				N/A
2003	12,504,872	9,473,780	3,031,092				N/A
2004	13,974,242	9,725,289	4,248,953				N/A
2005	15,222,308	10,101,969	5,120,339				N/A
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

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

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

	<b>Fiscal Year</b>				
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Revenues					
Service Charges	\$12,116,388 (4)	\$12,568,533 (4)	\$13,455,322 (4)	\$15,770,470	\$17,486,418
Connection and Other Fees	603,814	1,664,813	340,945	162,599	24,720
Interest Income	46,225	307,051	20,977	231,431	162,621
Developer Fees	848,301	1,431,915	4,027,128	(44,468)	
Other Cities' Participation (1)	4,513,484	5,436,743	4,777,947	4,602,746	5,647,823
Total Revenues	<u>\$18,128,212</u>	<u>\$21,409,055</u>	<u>\$22,622,319</u>	<u>\$20,722,778</u>	<u>\$23,321,582</u>
Operating Expenses (2)	<u>\$10,012,867</u>	<u>\$11,170,190</u>	<u>\$12,219,926</u>	<u>\$13,228,883</u>	<u>\$13,228,883</u>
Wastewater System Net Revenues	<u>\$8,115,345</u>	<u>\$10,238,865</u>	<u>\$10,402,393</u>	<u>\$7,493,895</u>	<u>\$10,092,699</u>
Parity Debt Service (3)					
State Water Resources Control Board Loans	\$4,319,226	\$4,486,205	\$5,421,540	\$5,507,077	\$5,875,977
CSCDA Series 2005D Revenue Bonds	156,165	248,914	241,846	235,897	229,276
Total Parity Debt	<u>\$4,475,391</u>	<u>\$4,735,119</u>	<u>\$5,663,386</u>	<u>\$5,742,974</u>	<u>\$6,105,253</u>
Total Parity Debt Service Coverage	<u>1.81</u>	<u>2.16</u>	<u>1.84</u>	<u>1.30</u>	<u>1.65</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 FIVE FISCAL YEARS**

**2006 RDA Revenue Bonds**

Funding Source: RDA tax increment revenues

**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	Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total				Principal	Interest	Total	
2006	\$14,482,352	(1)	(1)	0	NA	2006	7,959,687	1,245,000	1,290,695	2,535,695	3.14
2007	21,181,402	930,000	2,760,969	3,690,969	5.74	2007	3,164,321	165,000	133,170	298,170	10.61
2008	\$21,801,839	1,230,000	3,296,069	4,526,069	4.82	2008	3,881,026	170,000	124,328	294,328	13.19
2009	32,246,342	1,275,000	3,245,969	4,520,969	7.13	2009	6,353,579	180,000	115,145	295,145	21.53
2010	35,871,577	1,330,000	3,193,869	4,523,869	7.93	2010	5,798,618	185,000	107,205	292,205	19.84

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

**1999 Certificates of Participation**

Funding Source: RDA tax increment revenues

**1989 Cal Health Facilities Financing Authority Revenue Bonds**

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage	Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total				Principal	Interest	Total	
2006	14,482,352	130,000	267,483	397,483	36.44	2006	14,482,352	34,700	18,040	52,740	274.60
2007	21,181,402	135,000	262,283	397,283	53.32	2007	21,181,402	37,393	15,454	52,847	400.81
2008	21,801,839	140,000	256,748	396,748	54.95	2008	21,801,839	40,296	10,681	50,977	427.68
2009	32,246,342	145,000	250,938	395,938	81.44	2009	32,246,342	43,426	9,664	53,090	607.39
2010	35,871,577	150,000	244,775	394,775	90.87	2010	35,871,577	110,434	6,428	116,862	306.96

**RDA All Non-housing (A)**

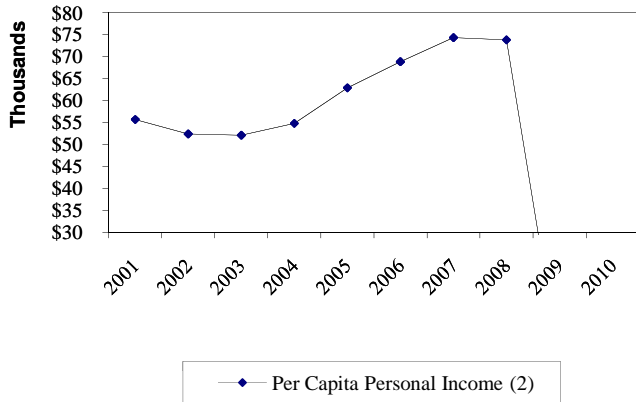
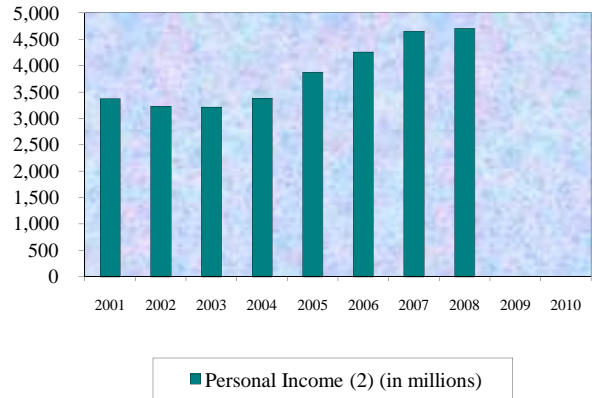
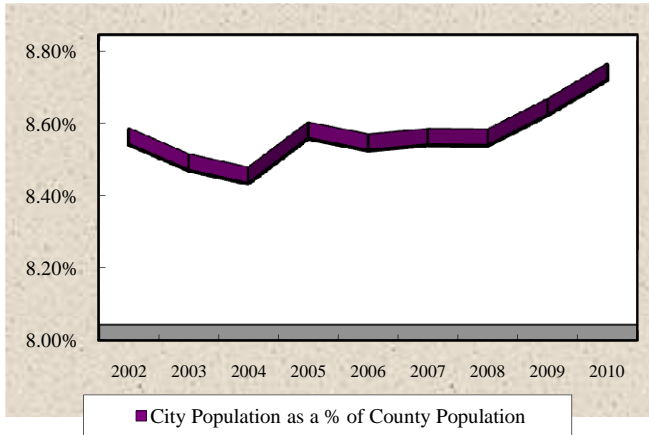
Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2006	14,482,352	1,254,699	1,439,522	2,694,221	5.38
2007	21,181,402	1,102,393	3,038,706	4,141,099	5.11
2008	21,801,839	1,410,296	3,563,498	4,973,794	4.38
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

(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 FISCAL YEARS**



Fiscal Year	City Population (1)	Personal Income (2) (in millions)	Per Capita Personal Income (2)	Average Unemployment Rate (3)	San Mateo County Population	City Population % of County
2001	60,838	3,373	55,700	2.98%	712,400	8.54%
2002	60,718	3,234	52,390	5.06%	717,000	8.47%
2003	60,760	3,216	52,100	5.98%	720,630	8.43%
2004	60,951	3,383	54,800	5.53%	712,400	8.56%
2005	61,661	3,880	62,917	4.55%	723,453	8.52%
2006	61,824	4,256	68,843	4.02%	724,104	8.54%
2007	62,614	4,655	74,343	3.63%	733,496	8.54%
2008	63,744	4,707	73,839	4.24%	739,469	8.62%
2009	65,020	NA	NA	7.06%	745,858	8.72%
2010	65,872	NA	NA	9.21%	754,285	8.73%

(1) State of California, Department of Finance - Demographic Research Unit. The data represents the City's population as of July 1, of each year.

(2) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

Source: CA30 Regional Economic profiles. 2009 and 2010 information not available yet.

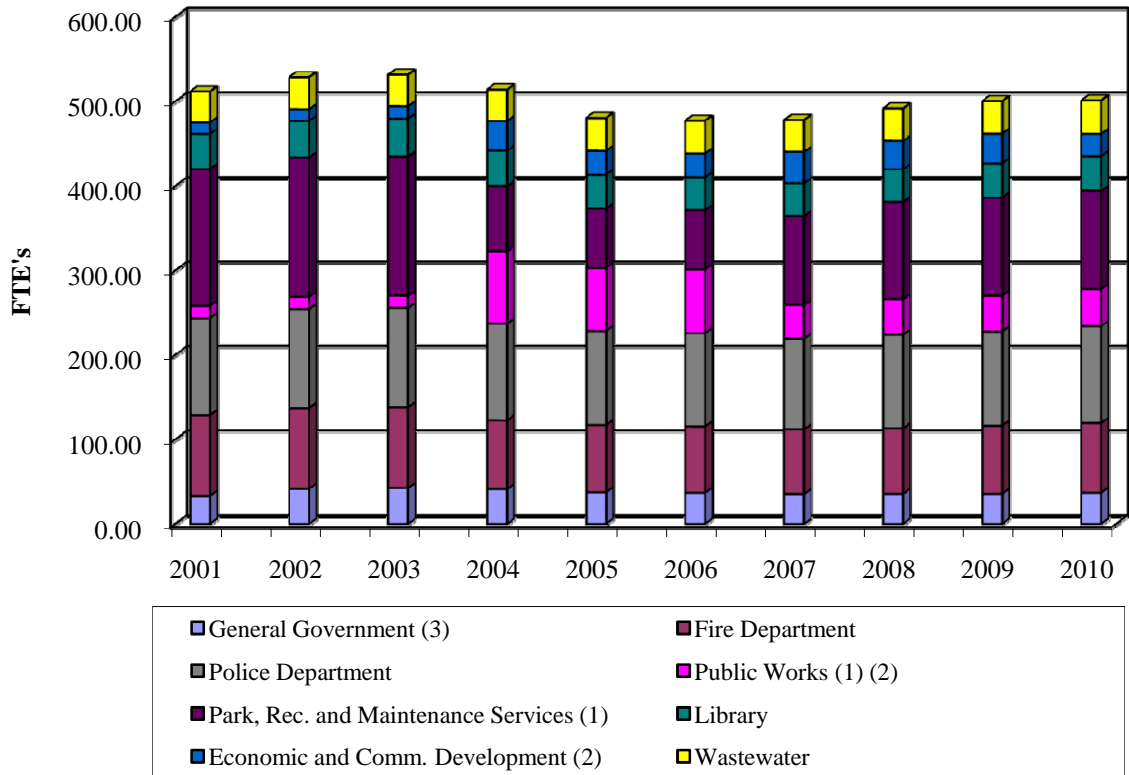
(3) Employment Development Department, Labor Market Information Division. Data represents San Mateo county-wide rate only and is not seasonally adjusted. Information changes slightly as its being adjusted.

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

<u>Employer</u>	<u>2009-10</u>			<u>1997-98</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	8,552	1	13.0%	3,200	1	5.3%
Amgen	751	2	1.1%			
Costo (2 stores)	403	3	0.6%			
American Etc Inc/ Royal Laundry	307	4	0.5%			
Oroweat/Entenmanns	300	5	0.5%			
Guckenheimer Enterprises Inc	200	6	0.3%			
Columbus Manufacturing Inc	191	7	0.3%			
Matagrano Inc.	183	8	0.3%			
Actelion Pharmaceuticals US Inc	176	9	0.3%			
Nippon Express USA, Inc	174	10	0.3%	201	5	0.3%
Aesculap, Inc.				250	2	0.4%
Elan Pharmaceuticals				225	3	0.4%
AXYS Pharmaceuticals				210	4	0.3%
Cor Therapeutics				186	6	0.3%
Imatron, Inc.				175	7	0.3%
Tularik Inc.				170	8	0.3%
Fibrogen, Inc.				111	9	0.2%
Coulter Pharmaceutical				70	10	0.1%
Subtotal	<u>11,237</u>		<u>17.1%</u>	<u>4,798</u>		<u>7.9%</u>
Total City Day Population	<u>65,872</u>			<u>60,938</u>		

Source: South San Francisco fast facts (2008-09). 1998-1999, 1999-2000 information not available.  
Business Licenses Database  
(1) Source: SSF Business License 2009-10

**CITY OF SOUTH SAN FRANCISCO**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**



**Function**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government (3)	33.20	41.70	42.70	41.30	37.50	36.88	35.48	35.67	35.60	37.00
Fire Department	95.48	95.48	95.48	81.48	79.48	78.48	76.48	77.48	80.48	82.48
Police Department	114.74	116.99	117.45	114.45	111.45	110.45	107.45	110.85	111.65	114.65
Public Works (1) (2)	14.48	14.48	14.48	85.37	74.37	75.37	39.76	42.00	42.10	43.85
Park, Rec. and Maintenance Services (1)	162.08	165.15	164.77	77.47	70.42	70.23	105.49	115.15	116.37	116.34
Library	41.55	43.05	44.89	41.69	40.09	39.15	38.54	38.68	40.21	40.81
Economic and Comm. Development (2)	13.55	14.05	14.75	35.23	28.25	27.75	37.21	33.35	35.35	26.45
Wastewater	36.67	37.67	37.19	37.19	38.75	38.74	37.59	38.59	38.59	39.54
<b>Total</b>	<b>511.75</b>	<b>528.57</b>	<b>531.71</b>	<b>514.18</b>	<b>480.31</b>	<b>477.05</b>	<b>478.00</b>	<b>491.77</b>	<b>500.35</b>	<b>501.12</b>

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 2009-10.

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

<b>Function/Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Public safety:</b>					
Fire:					
Inspection permit issued	1,599	1,185	1,278	2,012	2,425
Police:					
Police calls for service	0	30,626	32,100	33,749	32,953
Law violations:					
Part I crimes	NA	1,948	2,165	2,206	2,195
Physical arrests (adult and juvenile)	NA	1,983	1,969	1,795	1,867
Traffic violations	NA	4,597	4,863	5,271	4,731
Parking violations	NA (1)	25,062	22,787	23,038	14,999
<b>Public works</b>					
Street resurfacing (miles) (Eng Div)	2.01	NA	8.50	0.80	2.0
Potholes repaired (square miles)	NA	NA	0.25	0.25	0.50
Asphalt used for street repairs (tons)	NA	NA	463	463	656
<b>Culture and recreation:</b>					
Recreation class participants	25,675	23,567	24,011	24,976	21,602
<b>Library:</b>					
Total items borrowed	503,000	503,000	686,733	759,925	(3) 560,186
Items in collection	212,349	195,820	197,817	194,098	(3) 191,455
<b>Wastewater</b>					
Residential connections	16,268	16,274	16,274	16,637	16,698
Commercial connections	1,557	1,405	1,481	1,582	1,585
Other connections	168	133	133	136	136
Average daily sewage treatment (millions of gallons)	10.04	9.00	9.40	9.2	8.92

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.

Note: Full 10 years of statistical data not available.

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

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

(1) Source: [ssf.net/depts/rcs](http://ssf.net/depts/rcs); Director of Rec & Comm Services; Superintendent of parks & Maintenance (M.Bates)

(2) Police patrol units consists of 35 marked/unmarked cars, 6 motorcycles, 1 SWAT and 3ushman.

(3) Year 2009, the 3 units added are not new. These are units that was not included on the previous Fleet count.

(4) Year 2010, Skate park and dog park was added on the list.

**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 \***

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Transient Occupancy Tax Detail			
8% TOT collected	\$ 6,309,586	\$ 5,491,903	5,173,933
1% Measure I Special Tax	<u>788,698</u>	<u>686,488</u>	<u>646,742</u>
Total TOT Collection	<u><u>7,098,285</u></u>	<u><u>6,178,391</u></u>	<u><u>5,820,675</u></u>
1% Measure I Special Tax Use			
Police	157,740	137,298	129,348
Fire	157,740	137,298	129,348
Library	157,740	137,298	129,348
Parks	157,740	137,298	129,348
Recreation	<u>157,740</u>	<u>137,298</u>	<u>129,348</u>
Total 1% Measure I Special Tax	<u><u>788,698</u></u>	<u><u>686,488</u></u>	<u><u>646,742</u></u>

\* 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.



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