

THE CITY OF SOUTH SAN FRANCISCO, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2011

CITY OF SOUTH SAN FRANCISCO, CALIFORNIA



Comprehensive Annual Financial Report

For the Year Ended June 30, 2011

Prepared by:

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

Original Cover Photo by Dan Kauffold with Rudolph and Sletten

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CITY COUNCIL 2011

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

BARRY M. NAGEL, CITY MANAGER

OFFICE OF THE CITY MANAGER

December 5, 2011

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, 2011, 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, 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, 2011, 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)	\$ 39,058	20.7%
U.S. Agency Securities	\$ 104,913	55.6%
San Mateo County Investment Pool	\$ 676	0.4%
U.S. Treasury Securities	\$ 25,068	13.3%
FDIC Insured Corporate Notes	\$ 13,120	6.9%
Cash in Bank	\$ 5,895	3.1%
Money Market Mutual Funds	<u>\$ 95</u>	<u>0.1%</u>
	<u>\$ 188,825</u>	<u>100.0%</u>

As of June 30, 2011 the City's investments earned an average market yield (yield to maturity) of .61%. The average maturity of the portfolio was 1.6 years at June 30, 2011.

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 2010-11 is in the Financial Section of this report.

Award

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, 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.

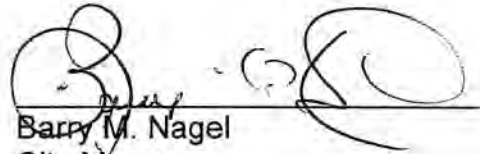
Acknowledgments

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, 2010

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.



Linda C. Danison

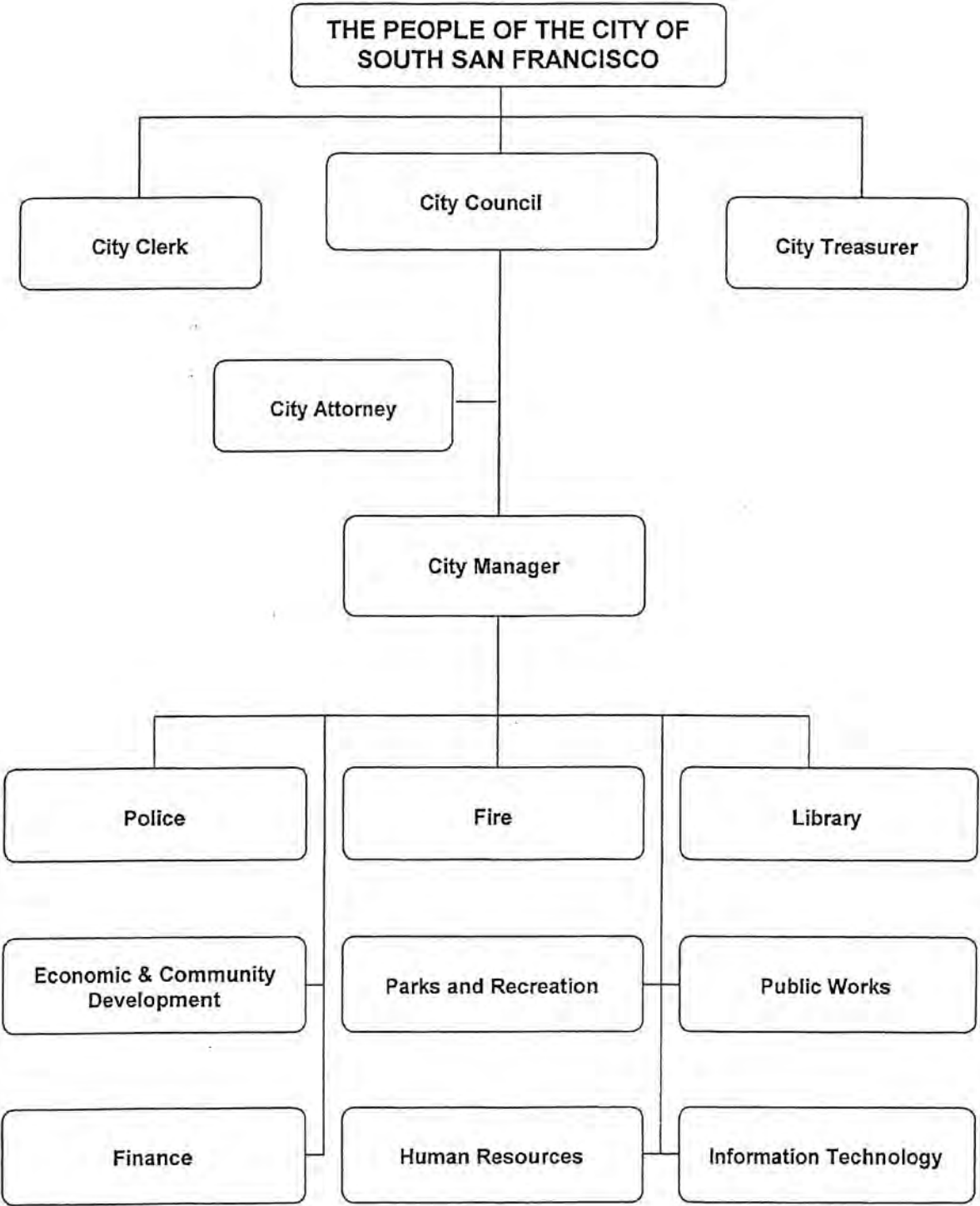
President

Jeffrey R. Egan

Executive Director

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ORGANIZATION CHART



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

CITY COUNCIL*

**KEVIN MULLIN
MAYOR**

**RICHARD A. GARBARINO
VICE MAYOR**

**MARK N. ADDIEGO
COUNCIL MEMBER**

**KARYL MATSUMOTO
COUNCIL MEMBER**

**PEDRO GONZALEZ
COUNCIL MEMBER**

CITY OFFICIALS

**BARRY M. NAGEL
CITY MANAGER**

**KRISTA MARTINELLI-LARSON
CITY CLERK**

**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, 2011

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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maze@mazeassociates.com
www.mazeassociates.com

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, 2011, 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, 2011 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 disclosed in Note 16, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Redevelopment Agency of the City of South San Francisco, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Redevelopment Agency of the City of South San Francisco will continue as a going concern. The activities of the Redevelopment Agency of the City of South San Francisco are included in the Merged Redevelopment Project Area Fund and Redevelopment Agency Low Mod Housing Fund of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

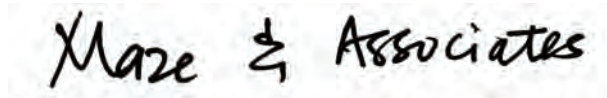
As of July 1, 2010, the City adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 7 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

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 7, 2011, 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.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, slightly slanted style. The ampersand is clearly visible between the words.

December 7, 2011

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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 2010-11 FINANCIAL HIGHLIGHTS

Summary:

The local economy began showing signs of gradual recovery in the latter half of FY 2010-11, as was evident by sizeable increases in several of the City's ongoing revenue sources. Year-over-year Transient Occupancy Tax (TOT) increased 24%, and while some of this was due to a full year of the voter-approved 1% increase to the TOT rate, much of the growth came from increased occupancy and room rates. Sales Tax revenue went up 22% over the prior year, and while much of the increase reflected higher fuel prices, which peaked at around \$4.00 per gallon in May, overall sales trends as reported by our sales tax consultants, Muni Services, show that Coastal California is slowly pulling out of the recession.

- In March 2011, the City Council and Redevelopment Agency Board approved the transfer of \$67.7 million from the Merged Redevelopment Project Area to a new Public Improvement Agreement Fund, along with the responsibility to carry out several large improvement projects.
- The Redevelopment Agency's property tax increment revenue dropped \$241,000, or 0.6%, from 2009-10, reflecting the decline in value of properties due to the recession. Accordingly, transfers to the Housing Fund and pass-through payments to other agencies dropped slightly. The Agency funded \$2.2 million in capital improvements in 2010-11, including the 418 Linden Avenue Housing Development, City Building Improvements, and the RDA Area Improvement Project. In addition, the Agency purchased property at 207 Grand Avenue and 217-219 Grand Avenue.
- Unrestricted net assets in the Sewer Fund increased by \$3.2 million due in part to the second year of a planned rate increase; funds will support Treatment Plant reliability improvements over the next several years.
- Construction of the Miller Avenue Parking Garage, undertaken in 2009-10, was completed in 2010-11, and the garage opened to the public in February 2011. This project was initially funded through an advance from the Redevelopment Agency, and the advance was forgiven by the Redevelopment Agency Board and City Council in March 2011.

Financial highlights of the year include the following:

- Net assets in governmental activities increased from \$354 million to \$359 million as of June 30, 2011, primarily as a result of the completion of several streets and traffic related capital projects, including: the Grand Avenue Street Resurfacing Project, the Gateway Assessment

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

District Pavement Improvement, the Haskins Way Bay Trail Improvement, and various traffic signal improvements.

- Governmental program revenues increased from \$25.2 million in fiscal 2009-10 to \$27.8 million in 2010-11, primarily due to large increases in Sales Tax and Transient Occupancy Tax, as well as a spike in revenue related to code enforcement collection on foreclosed properties. In addition, there were some large, non-recurring grant receipts during 2010-11 for capital improvement projects, including the Centennial Way Trail and the Street Resurfacing Program.
- Governmental program expenses decreased from \$103.8 million to \$101.7 million, reflecting primarily a large decrease in expenditures in the Economic and Community Development Department, as the State take-away of redevelopment funds went from \$8.5 million in 2009-10 to \$1.8 million in 2010-11.
- Revenues generated from business-type activities increased from \$24.2 million in 2009-10 to \$24.8 million in 2010-11, due primarily to an additional \$601,000 in Sewer Fund charges. FY 2010-11 was the second year in a planned five-year rate plan; though rates increased 10%, revenue rose only 3.4%, illustrating the effect of the declining economy and resulting business downsizing and economizing on service charge revenue.
- The City transferred \$250,000 to the Storm Water Fund in FY 2010-11 to supplement the funding of costs related to increased storm water guidelines. With the current long-term cost estimates, the General Fund will contribute \$775,000 annually for this purpose by 2013-14. Net transfers out of governmental activities decreased, however, as there was a \$2.7 million non-recurring transfer out of the General Fund in 2009-10 to fund an actuarial estimated worker's compensation liability.
- The overall General Fund balance increased from \$15.7 million to \$16.2 million as of June 30, 2011, due to the contribution to the Storm Water Fund 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.

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

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 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

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

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.
- ***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.

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

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

Fiduciary Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net 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 2009-10 and 2010-11.

Governmental Activities

Governmental Net Assets

Table 1
Governmental Net Assets at June 30, 2011
(In Millions)

	2011	2010
Cash and investments	\$190.4	\$175.3
Other assets	21.5	27.2
Capital assets	291.0	286.8
Total assets	502.9	489.3
Long-term debt outstanding	74.6	75.2
Other liabilities	69.7	60.3
Total liabilities	144.3	135.5
Net assets:		
Invested in capital assets, net of debt	214.2	209.5
Restricted	163.7	78.6
Unrestricted	(19.3)	65.6
Total net assets	\$358.6	\$353.7

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

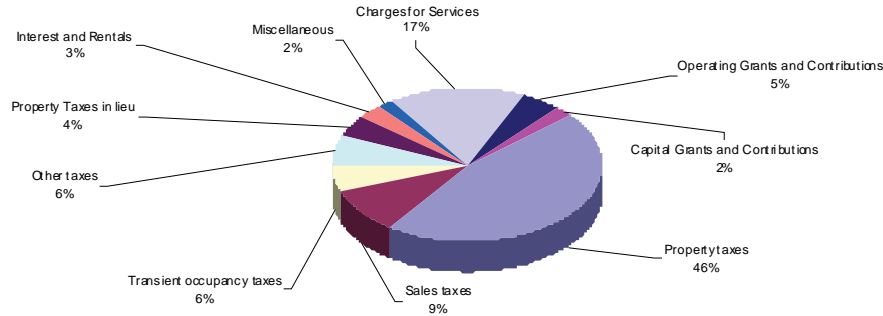
The City's net assets from governmental activities (including Redevelopment) increased \$4.9 million to \$358.6 million at June 30, 2011. Overall expenses were lower, due primarily to a large State take-away of redevelopment funds in 2009-10 (shown under Economic and Community Development in Table 2 below); revenues came in higher as a result of some large capital grants and gains in Sales Tax, Transient Occupancy Tax, and code enforcement collections. This can also be seen in Table 2. The \$11.7 million in transfers consists primarily of the large transfer from the Merged Redevelopment Project Fund to the Parking District to cover the construction of the Miller Avenue Parking Garage.

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

	2010-11	2009-10
Expenses		
General government	\$7.7	\$6.5
Fire department	20.0	17.9
Police department	22.4	20.4
Public works department	17.1	15.9
Recreation and community services	10.9	10.4
Library	4.7	4.6
Economic and community development	15.0	23.1
Interest on long-term debt	4.2	5.0
Total expenses	<u>\$102.0</u>	<u>\$103.8</u>
Revenues		
Program revenues:		
Charges for services	\$19.6	\$19.2
Operating grants and contributions	5.5	5.8
Capital grants and contributions	2.7	0.2
Total program revenues	<u>\$27.8</u>	<u>\$25.2</u>
General revenues:		
Taxes:		
Property taxes	\$54.3	\$55.0
Sales taxes	11.2	9.1
Transient occupancy taxes	7.2	5.8
Other taxes	7.0	6.8
Motor vehicle in lieu	0.2	0.2
Property taxes in lieu	5.1	5.2
Investment earnings	3.9	5.1
Miscellaneous	1.9	1.6
Total general revenues	<u>\$90.8</u>	<u>\$88.8</u>
Excess (deficiency) before transfers	<u>\$16.6</u>	<u>\$10.2</u>
Transfers	<u>(11.7)</u>	<u>(1.5)</u>
Change in net assets	4.9	8.7
Net assets - beginning	353.7	345.0
Net assets - ending	<u><u>\$358.6</u></u>	<u><u>\$353.7</u></u>

CITY OF SOUTH SAN FRANCISCO
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Chart 1
Revenues by Source - Governmental Activities 2010-11



While total program revenue increased 10% to \$28 million in 2010-11 (Table 2 above), revenues by source, as shown in Chart 1, were essentially consistent with the previous year, with the exception of the gains discussed above: Transient Occupancy Tax, Sales Tax, and Capital Grants increased 1%, 1%, and 2%, respectively. Property Tax revenue came in slightly lower due to the economic downturn; this category decreased 3% as a relative share of total revenues.

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

As expected, net expenses rose in all but three departments: this is due to large increases in PERS, health rates, and other miscellaneous benefits, in addition to a 2% wage increase city-wide. The Fire and Police Departments also had significant increases in worker's compensation charges to fund an adequate level of liabilities as updated by our actuary, and added key positions to their staff in 2010-11. The Library and Public Works Departments, which typically have large grants funding their services, had consistent net expenses and lower net expenses, respectively, as compared to 2009-10. Economic and Community Development net expenses declined significantly, as the State took \$6.7 million less in redevelopment property taxes in 2010-11 to balance its budget.

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

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

	<u>2010-11</u>	<u>2009-10</u>
General government	(\$5.0)	(\$4.0)
Fire department	(16.7)	(15.0)
Police department	(20.0)	(18.2)
Public works department	(8.3)	(8.9)
Recreation and community services	(7.0)	(6.4)
Library	(3.3)	(3.3)
Economic and community development	(9.7)	(17.8)
Interest on long-term debt	<u>(4.2)</u>	<u>(5.1)</u>
Total	<u>(\$74.2)</u>	<u>(\$78.7)</u>

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

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

	2011	2010
Cash and investments	\$12.8	\$9.9
Other assets	(0.9)	(5.6)
Capital assets	132.1	128.9
Total assets	144.0	133.2
Long-term debt outstanding	61.4	66.0
Other liabilities	7.2	7.9
Total liabilities	68.6	73.9
Net assets:		
Invested in capital assets, net of debt	66.1	58.5
Restricted		
Unrestricted	9.3	0.8
Total net assets	\$75.4	\$59.3

Cash increased, primarily because of the 10% rate increase in the Sewer Fund, which will fund Plant reliability improvements over the next several years. Net assets increased, due to the completion of the Miller Avenue Parking Garage, the Water Quality Control Plant Outfall Repair Project, and the major sewer improvements under the Wet Weather Phase II project. Other liabilities decreased as the Redevelopment Agency forgave an \$8.8 million loan to the Parking District Fund for the construction of the parking garage. Unrestricted net assets rose \$8.5 million from 2009-10.

CITY OF SOUTH SAN FRANCISCO
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Table 5
Change in Business-type Net Assets
(in Millions)

	2010-11	2009-10
Expenses		
Sewer Enterprise	19.28	18.94
Parking District	0.57	0.34
Storm Water	0.71	0.72
Total expenses	20.56	20.00
Revenues		
Program revenues		
Charge for Services	19.22	18.53
Operating grants and contributions	5.50	5.68
Capital grants and contributions	0.03	0.02
Total program revenues	24.75	24.23
General revenues		
Investment earnings	0.12	0.18
Total general revenues	0.12	0.18
Excess (deficiency) before transfers	4.31	4.41
Transfers	11.77	1.45
Change in net assets	16.08	5.86
Net assets - beginning (as restated)	59.32	53.46
Net assets - ending	75.40	59.32

The increase in the Sewer Fund's operating expenditures is primarily due to personnel costs, corresponding to the higher city-wide health benefit and PERS rates, and higher Treatment Plant operating supply costs. Sewer program revenues reflect the 10% rate increase, and the large increase to transfers occurred with the Redevelopment Agency's funding of the Miller Avenue parking garage.

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.

CITY OF SOUTH SAN FRANCISCO
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At June 30, 2011, the City's governmental funds reported combined fund balances of \$168.1 million, an increase of 4.6 million (2.8%) compared with prior year. The primary increase was in the General Fund, which had some gains in ongoing revenue and a spike in non-recurring collection revenue, and which had a \$2.7 million one-time transfer in 2009-10 to cover estimated worker's compensation liability in the Self Insurance Fund. Fund balance also increased in the Capital Improvement Fund, which received some large capital grant reimbursements for the Centennial Way Trail and the Street Resurfacing Program.

Total governmental fund revenues increased \$4.0 million or 3.5% this year to \$117.6 million, while expenditures decreased \$2.0 million, or -1.9%. The driving factor of this decrease occurred in the Redevelopment Agency, which paid \$6.7 million less to the State in the second year of tax increment takeaways.

Comparison of Final Budgets to Original Adopted Budget

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

CITY OF SOUTH SAN FRANCISCO
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	In \$ 000's				Pct Change	Discussion: (Items of more than 5% and \$50,000 variance)
	Original Budget	Final Budget	Change			
Revenues:						
Property taxes	14,668	15,526	858	5.8%		The budget was increased to account for supplemental property tax revenues, which come in during the year after the tax roll is set.
Sales taxes	10,277	11,295	1,018	9.9%		The final triple flip number was higher than was estimated for the adopted budget; general sales tax receipts showed improvement, with new business activity in cellular equipment warehouse sales.
Transient occupancy taxes	6,180	6,480	300	4.9%		Average room rates increased faster than anticipated; the budget was also amended at mid-year for a 7.9% increase in occupancy rates in December 2010 compared to December 2009.
Other taxes	3,551	3,515	(36)	-1.0%		
Intergovernmental	6,402	7,278	876	13.7%		The Library often receives State grants after the year starts.
Interest and rentals	3,261	3,036	(225)	-6.9%		Continued lowering of interest rates.
Licenses and permits	6,641	6,670	29	0.4%		
Charges for services	8,099	8,114	15	0.2%		
Fines and forfeitures	1,283	1,808	525	40.9%		Revenue and expenses related to the City's Red Light Cameras were added mid-year; code enforcement collections went up due to activity on a number of foreclosed properties in the City.
Other	329	367	38	11.6%		
Expenditures:						
City Council	194	184	(10)	-5.2%		
City Clerk	389	330	(59)	-15.2%		The adopted budget included funds for election costs, which were not ultimately incurred.
City Treasurer	55	156	101	183.6%		Reflects the addition of funding for outside investment advisor services.
City Attorney	746	621	(125)	-16.8%		The adopted budget included funds for litigation, which were not ultimately incurred.
City Manager	743	780	37	5.0%		
Finance	1,596	1,684	88	5.5%		Reflects carryovers of prior year purchase orders for financial consulting.
Non-departmental	734	766	32	4.4%		
Human Resources	970	1,053	83	8.6%		Reflects vacation and sick payouts, and part-time staffing costs.
Fire	16,981	18,533	1,552	9.1%		Reflects increases for reimbursable activities, including San Bruno fire response, health and safety services, and inspection services. Also includes new grant amendments and carryovers of prior year grants. Includes additional \$400,000 for anticipated worker's compensation charges.
Police	18,951	20,402	1,451	7.7%		Reflects increases for reimbursable activities, including San Bruno fire response, and grant-related expenses, as well as an additional \$400,000 for anticipated worker's compensation charges. The mid-year budget added four new Police Officer positions; the final budget also includes Red Light Camera expenses, which are covered by revenue.
Public Works	3,218	3,597	379	11.8%		Reflects carryover of prior year purchase orders for unfinished geotechnical studies, maintenance services, and surveying services; also includes increases for signal maintenance work provided to other cities (covered by revenue)
Parks and Recreation	9,856	10,199	343	3.5%		
Library	4,153	4,324	171	4.1%		
Economic and Community Development	2,606	3,245	639	24.5%		Reflects budget increases for inspection costs that are covered by revenues; and carryover of prior year purchase orders for the zoning ordinance and development consulting services.

CITY OF SOUTH SAN FRANCISCO
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Analysis of Major Governmental Funds

General Fund

Total year-over-year revenue showed significant overall improvement, as the General Fund gained \$3.1 million, or 5%, over FY 2009-10, a positive indicator of the City's gradual economic recovery from the recession. The largest gains occurred in the following categories:

- ⇒ *Sales Taxes* increased \$2.1 million, reflecting higher fuel prices in the latter half of the year, as well as some overall improvement in the General Retail and Transportation sectors.
- ⇒ *Transient Occupancy Tax (TOT)* came in \$1.4 million higher than the prior year, reflecting the first whole year of the 1% TOT increase that went into effect January 1, 2010. Much of the gain, however, can be attributed to the rebounding of the Bay Area's travel industry: occupancy and average room rates in the City increased 4.8% and 5.1%, respectively, over the prior year.
- ⇒ *Commercial Parking Tax* came in \$132,000 higher than FY 2009-10, corresponding with reported increased passenger traffic at the San Francisco International Airport, and trending with the increase in TOT occupancy rates.
- ⇒ *Fines* increased \$1.1 million over the prior year, due primarily to code enforcement collections on foreclosed properties. This is related to the downturn in the housing market, and should not therefore be counted on as ongoing revenue, since code enforcement activity will normalize as the housing inventory begins to move.

Several ongoing revenue categories are recovering more slowly from the FY 2009-10 downturn: Property Tax and Building and Fire Permits both came in over budget but were down 3% and 12%, respectively, from last fiscal year. Interest Earnings, which were already budgeted considerably lower than in previous years, came in 70% lower than actual earnings in FY 2009-10, reflecting continued low interest rates.

General Fund expenditures increased \$2.7 million or 4.3% from last year, reflecting some large cost factors related to personnel. While department reductions saved roughly \$636,000, and the first year of a modified benefits package was in place, increases in PERS rates, health rates, and other miscellaneous benefits amounted to roughly \$730,000. A further \$800,000 was charged to the Fire and Police Departments to cover anticipated worker's compensation costs. Additionally, the City adopted a 2% wage increase across the board, and added mid-year funding for the Deputy Fire Chief position and four new Police Officers as part of the Neighborhood Response Team.

The City is also covering increased costs for storm drain maintenance due to new mandates guiding storm water operations: costs include the purchase of related equipment and other supplies, and the addition of staff. In FY 2010-11 Council approved the transfer of \$250,000 from the General Fund to the Storm Water Fund for this purpose; this will be an annual budget item, and the current plan is to increase the General Fund supplement to \$775,000 by 2013-14.

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After transfers out to the Storm Water Fund and to the Capital Improvement Fund, the net impact on General Fund reserves in FY 2010-11 was a deficit of \$213,000.

As of June 30, 2011, the General Fund balance consisted of \$3.4 million in unreserved, undesignated dollars, \$6.0 million for emergencies and economic contingencies, and \$5.3 million for future capital projects and economic development. All of these reserves total \$16.3 million and are now shown in the Comprehensive Annual Financial Report as Unassigned Fund Balance, consistent with the new Government Accounting Standards Board (GASB) Statement 54.

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.

Merged Project Redevelopment Capital Project Fund

Redevelopment property tax increment revenue continued to decline, through less dramatically than was originally budgeted. In FY 2010-11 tax increment came in \$240,000 lower than in the prior year, a decline of 0.6%. In addition, the State of California balanced its budget in part by requiring payments from Redevelopment Agencies for the second year in a row, taking \$1.8 million from the South San Francisco RDA in FY 2010-11.

On March 2 and March 9, 2011, the City Council and the Redevelopment Agency Board both approved actions that resulted in a transfer of \$67.7 million to a new Public Improvement Agreement Fund to facilitate the acquisition and completion of various improvement projects. With that transfer of funds came a transfer of responsibility from the Redevelopment Agency to the City of South San Francisco to complete these projects. The projects include \$12.5 million for Oak Avenue improvements, \$9 million for the acquisition of the former Ford Motors sites, \$2.9 million for Miller Avenue Parking Structure phases 1 & 2, \$2.5 million for Harbor District Improvements, and \$18 million Oyster Point Improvements related to a developer agreement with SKS Properties.

After this transfer, and after meeting all of its operating and debt service obligations, the Agency had \$8.2 million in remaining bond funds at year end 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.

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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 \$7.4 million in such revenues (of transfers in), slightly less than in the prior year. The Housing Fund also funded the purchase of land at 636 El Camino Real, to be used for an affordable housing development: this was originally planned as a loan to the developer.

Merged Redevelopment Project Area Debt Service Fund

Activity in 2010-11 was similar to that in 2009-10, 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 required by bond covenants.

East of 101 Sewer Impact Fee Fund

The fund has a negative fund balance of \$1.6 million as of June 30, 2011 due to a prepayment of \$1.7 million of impact fees by a large biotech firm to front fund a now completed project. The \$1.7 million prepayment of impact fees will not be recognized as revenue until the biotech firm is issued building permits for future planned projects it has planned for a 10 year expansion project. No new significant fee revenue was received during 2011, and no significant expenditures were incurred for improvements.

East of 101 Traffic Impact Fee Fund

\$.16 million in fees were collected during 2011, and \$.3 million in traffic projects were funded. The fund has a balance of \$8.7 million as of June 30, 2011.

Oyster Point Improvements Impact Fee Fund

The City contributed funding, along with the County Transportation Agency, to pay for the Oyster Point Flyover and Hookramps (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 2011, \$12.7 million in impact fees will need to be collected from future development to pay the Agency back.

Child Care Impact Fee Fund

During 2010, \$.06 million in new child care impact fees were received. The fund has a balance of \$3.0 million as of June 30, 2011.

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New Major Funds Reported On:

Public Improvement Agreement Fund

As mentioned above, in FY 2010-11 the City Council and Redevelopment Agency Board approved the transfer of \$67.7 million to a new Public Improvement Agreement Fund for the acquisition and completion of various improvement projects. These projects include \$12.5 million for Oak Avenue improvements, \$9 million for the acquisition of the Airport Avenue sites at the former South San Francisco Ford dealership, \$2.9 million for Miller Avenue Parking Structure phases 1 & 2, \$2.5 million for Harbor District Improvements, and \$18 million for Oyster Point Improvements. The Oyster Point Improvements will consist of the City partnering with SKS Development as it develops vacant and underutilized Oyster Point parcels for a new bio-technology campus. As the funds transfer occurred in the last months of the fiscal year, the new fund did not incur any project expenses; therefore, fund balance was \$68.0 million as of June 30, 2011.

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 \$6.7 million in 2010-11. Operating revenues increased \$0.4 million or 1.7% from the previous year to \$23.6 million, due to the second year of a sewer rate plan increase needed to fund the multi-year Treatment Plant reliability improvements. Operating expenses increased \$0.3 million this year or 1.8% from 2009-10, reflecting higher health and benefit costs. Net assets increased \$4.6 million to end the year at \$61.1 million.

Parking District Fund

Net assets increased \$11.4 million to \$14.3 million due to almost entirely to the forgiving of the loan from the Redevelopment Agency, and subsequent transfer in of \$11.2 million in 2010-11, to fund the construction of the Miller Avenue Parking Garage.

Storm Water Fund

As in prior years, the Gas Tax Fund transferred \$0.45 million to the Storm Water Fund to supplement lagging ongoing revenue needed to cover storm water improvement costs. In addition, the General Fund began to transfer in funds annually to cover the cost of increased regulations governing storm drain systems: in 2010-11 the General Fund contributed \$0.25

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million for this purpose, and under the current scenario this annual contribution will increase to \$0.75 million by 2013-14. The City's share of Measure M Funds, which are revenues from a county-wide \$10 vehicle registration fee, will add another \$0.23 million per year to the Storm Water Fund, beginning in 2011-12. The Storm Water Fund had \$0.7 million in net assets as of June 30, 2011.

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, 2011, the City had \$423 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:

CITY OF SOUTH SAN FRANCISCO
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Table 7
Capital Assets
(in Millions) at June 30

	2011	2010
<i>Governmental Activities:</i>		
Land	\$92.1	\$85.9
Buildings and improvements	80.3	80.1
Equipment and vehicles	16.7	15.8
Furniture and fixtures	1.5	1.5
Infrastructure – streets*	175.1	170.4
Infrastructure – traffic control devices*	5.0	4.8
Infrastructure – storm drains*	8.6	8.6
Construction in progress	14.5	14.3
Less accumulated depreciation	(102.8)	(94.6)
Totals	\$291.0	\$286.8
* Additions during the fiscal year only		
<i>Business-type Activities</i>		
Land	\$1.3	\$1.3
Clean water facilities and transmission lines	79.2	69.7
Buildings and improvements	63.8	51.8
Equipment and vehicles	9.7	9.7
Infrastructure – streets	5.7	1.4
Construction in progress	7.7	26.8
Less accumulated depreciation	(35.3)	(31.8)
Totals	\$132.1	\$128.9
Total City	\$423.1	\$415.7

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DEBT ADMINISTRATION

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

Table 8
Outstanding Debt
(in Millions) at June 30

<i>Governmental activities</i>	2011	2010
Tax allocation, revenue bonds, and loans (issued and incurred - The Redevelopment Agency)	\$67.6	\$69.3
Certificates of participation	4.6	4.8
Notes payable	2.3	2.3
Capital leases	2.3	0.9
	<u>\$76.8</u>	<u>\$77.3</u>
<i>Business-type Activities</i>		
State Water Resources Board loans	\$60.8	\$65.0
2005 Sewer Bonds	5.1	5.4
	<u>\$65.9</u>	<u>\$70.4</u>

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 four current loans outstanding have fixed interest of 3.0%, 2.6%, 2.5% and 2.4% are due in 2013, 2022, 2026 and 2028. Because of the regional benefits and equity interest in these projects, the City of San Bruno shares in the loan repayments for the first three of the four current loans.
- In 2010-11, the Redevelopment Agency used proceeds of the 2006 bond sale to pay for the construction of the Miller Avenue Parking Garage, as well as for the purchase of property at 217-219 Grand Avenue and 207 Grand Avenue. Smaller bond-funded expenses were incurred for train station improvements, redevelopment area improvements, and the renovation of the Police Department's evidence room.

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Debt Without City Commitment

The last of the City's existing Assessment District (Point Grande) bonds were paid off early during 2010-11 from bond reserve funds. As of June 30, 2011, there are no longer any funds to report under Debt Without City Commitment.

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.

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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, 2011

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and investments	\$173,362,106	\$12,784,533	\$186,146,639	\$1,714,029
Receivables:				
Accounts	4,692,055	1,723,879	6,415,934	333,930
Accrued interest	933,390	36,764	970,154	
Due from other governments	111,093		111,093	
Due from Conference Center	111,205		111,205	
Loans	10,742,663		10,742,663	
Deposit	171,010		171,010	
Prepays				
Inventory	67,129		67,129	
Bond issuance costs		104,910	104,910	97,509
Restricted cash and investments	17,052,124		17,052,124	502,381
Internal balances	2,685,765	(2,685,765)		
Land held for redevelopment	1,900,000		1,900,000	
Capital assets:				
Nondepreciable	106,615,090	8,937,368	115,552,458	
Depreciable, net accumulated depreciation	184,475,363	123,127,266	307,602,629	4,847,459
Total Assets	<u>502,918,993</u>	<u>144,028,955</u>	<u>646,947,948</u>	<u>7,495,308</u>
LIABILITIES				
Accounts payable	17,799,865	911,384	18,711,249	225,235
Accrued salaries and benefits	1,267,461		1,267,461	61,082
Accrued interest payable	9,183,823	1,157,107	10,340,930	37,767
Other payable	106,127	1,518	107,645	111,205
Deposits	2,885,504	50,000	2,935,504	178,536
Unearned revenue	5,807,885		5,807,885	
Accrued insurance losses:				
Due within one year	712,000		712,000	
Due in more than one year	7,348,000		7,348,000	
Compensated absences obligation:				
Due within one year	3,472,219	276,513	3,748,732	
Due in more than one year	2,155,613	275,610	2,431,223	
Debt and capital lease obligations:				
Due within one year	2,191,459	4,535,092	6,726,551	360,000
Due in more than one year	74,652,433	61,415,946	136,068,379	2,706,606
OPEB obligations - due in more than one year	16,150,700		16,150,700	
Pollution remediation - due in more than one year	537,000		537,000	
Total Liabilities	<u>144,270,089</u>	<u>68,623,170</u>	<u>212,893,259</u>	<u>3,680,431</u>
NET ASSETS				
Invested in capital assets, net of related debt	214,246,561	66,113,596	280,360,157	1,780,853
Restricted for:				
Debt service	5,400,479		5,400,479	502,381
Special revenue projects	16,784,516		16,784,516	
Capital projects	141,484,358		141,484,358	
Total Restricted Net Assets	<u>163,669,353</u>	<u>163,669,353</u>	<u>163,669,353</u>	<u>502,381</u>
Unrestricted (deficit)	<u>(19,267,010)</u>	<u>9,292,189</u>	<u>(9,974,821)</u>	<u>1,531,643</u>
Total Net Assets	<u><u>\$358,648,904</u></u>	<u><u>\$75,405,785</u></u>	<u><u>\$434,054,689</u></u>	<u><u>\$3,814,877</u></u>

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$7,711,156	\$2,688,990	\$55,931	
Fire	20,032,141	3,221,837	87,206	
Police	22,429,782	1,815,405	631,832	
Public Works	17,127,086	3,805,824	2,304,710	\$2,728,543
Parks and Recreation	10,866,568	3,004,435	892,291	
Library	4,664,490	168,505	1,176,288	
Economic and Community Development	15,018,495	4,944,328	401,453	
Interest on Long-Term Debt	4,249,454			
Total Governmental Activities	<u>102,099,172</u>	<u>19,649,324</u>	<u>5,549,711</u>	<u>2,728,543</u>
Business-type Activities				
Sewer	19,277,959	18,087,695	5,509,874	31,670
Parking District	571,261	722,807		
Storm Water	710,903	406,589		
Total Business-type Activities	<u>20,560,123</u>	<u>19,217,091</u>	<u>5,509,874</u>	<u>31,670</u>
Total Primary Government	<u>\$122,659,295</u>	<u>\$38,866,415</u>	<u>\$11,059,585</u>	<u>\$2,760,213</u>
Component Unit				
Conference Center	<u>\$3,160,219</u>	<u>\$1,256,023</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

Net Assets - Ending

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
(\$4,966,235)		(\$4,966,235)	
(16,723,098)		(16,723,098)	
(19,982,545)		(19,982,545)	
(8,288,009)		(8,288,009)	
(6,969,842)		(6,969,842)	
(3,319,697)		(3,319,697)	
(9,672,714)		(9,672,714)	
(4,249,454)		(4,249,454)	
<u>(74,171,594)</u>		<u>(74,171,594)</u>	
	\$4,351,280	4,351,280	
	151,546	151,546	
	(304,314)	(304,314)	
	<u>4,198,512</u>	<u>4,198,512</u>	
<u>(74,171,594)</u>	<u>4,198,512</u>	<u>(69,973,082)</u>	
			<u>(\$1,904,196)</u>
54,323,420		54,323,420	
11,199,175		11,199,175	
7,191,938		7,191,938	1,970,232
7,071,446		7,071,446	
211,503		211,503	
5,086,144		5,086,144	
3,944,785	122,283	4,067,068	28,287
1,891,421		1,891,421	
(11,769,393)	11,769,393		
<u>79,150,439</u>	<u>11,891,676</u>	<u>91,042,115</u>	<u>1,998,519</u>
4,978,845	16,090,188	21,069,033	94,323
<u>353,670,059</u>	<u>59,315,597</u>	<u>412,985,656</u>	<u>3,720,554</u>
<u>\$358,648,904</u>	<u>\$75,405,785</u>	<u>\$434,054,689</u>	<u>\$3,814,877</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 2011. 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.

PUBLIC IMPROVEMENT AGREEMENT FUND

This fund was created by joint action of the City Council and the Redevelopment Agency to set aside dollars to fund critical regional capital improvements over the next several years. The capital projects will foster economic growth, affordable housing, employment, transit oriented development, and traffic improvements in several areas of the City.

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**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	Capital Projects Funds				
	General Fund	Capital Improvement	Merged Redevelopment Project Area	Redevelopment Agency Low Mod Housing	East of 101 Sewer Impact Fees
ASSETS					
Cash and investments	\$14,190,814	\$3,062,118	\$4,982,681	\$27,962,924	\$85,954
Receivables:					
Accounts	4,089,616	76,667	50,413	9,000	
Accrued interest	60,995	5,136	166,229	137,310	(301)
Due from other governments					
Due from other funds	12,000				
Due from Conference Center	111,205				
Loans			1,651,536	5,090,617	
Advance to other fund			14,690,839		
Inventory	67,129				
Restricted cash and investments			8,212,243	2,341,167	
Land held for redevelopment				1,900,000	
Total Assets	\$18,531,759	\$3,143,921	\$29,753,941	\$37,441,018	\$85,653
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$375,626	\$753,017	\$6,730,106	\$4,106	
Accrued salaries and benefits	1,267,461				
Other payable	11,702		53,203		
Deposits	347,389		500	27,055	
Deferred revenue	239,638			50,000	\$1,733,089
Due to other funds					
Advance from other fund					
Total Liabilities	2,241,816	753,017	6,783,809	81,161	1,733,089
Fund Balances:					
Nonspendable	67,129				
Restricted			22,970,132	37,359,857	
Committed	401,797				
Assigned	771,849	2,390,904			
Unassigned	15,049,168				(1,647,436)
Total Fund Balances (Deficits)	16,289,943	2,390,904	22,970,132	37,359,857	(1,647,436)
Total Liabilities and Fund Balances	\$18,531,759	\$3,143,921	\$29,753,941	\$37,441,018	\$85,653

See accompanying notes to basic financial statements

East of 101 Traffic Impact Fees	Oyster Point Improvements Impact Fees	Child Care Impact Fees	Public Improvement Agreement Fund	Other Governmental Funds	Total Governmental Funds
\$8,629,405	\$85,748	\$2,937,884	\$67,162,101	\$22,143,636	\$151,243,265
				309,843	4,535,539
40,823	280	14,087	257,862	161,841	844,262
				111,093	111,093
					12,000
					111,205
			2,109,059	1,891,451	10,742,663
					14,690,839
					67,129
				5,806,658	16,360,068
					1,900,000
\$8,670,228	\$86,028	\$2,951,971	\$69,529,022	\$30,424,522	\$200,618,063
			\$1,566,950	\$179,319	\$9,609,124
					1,267,461
				7,392	72,297
				2,510,560	2,885,504
				3,785,158	5,807,885
				187,000	187,000
	\$12,734,101				12,734,101
	12,734,101		1,566,950	6,669,429	32,563,372
\$8,670,228	13,580	\$2,951,971	\$67,962,072	23,799,256	67,129
					163,727,096
					401,797
					3,162,753
	(12,661,653)			(44,163)	695,916
8,670,228	(12,648,073)	2,951,971	67,962,072	23,755,093	168,054,691
\$8,670,228	\$86,028	\$2,951,971	\$69,529,022	\$30,424,522	\$200,618,063

**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2011**

Total fund balances reported on the governmental funds balance sheet	\$168,054,691
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.	286,461,722
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.	(399,217)
Tax refund payable - Property tax refund	(7,037,827)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.	(9,167,579)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(74,501,000)
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	
Non-current portion of compensated absences	<u>(4,335,979)</u>
Net assets of governmental activities	<u><u>\$358,648,904</u></u>

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, 2011**

	Capital Projects Funds				
	General Fund	Capital Improvement	Merged Redevelopment Project Area	Redevelopment Agency Low Mod Housing	East of 101 Sewer Impact Fees
REVENUES					
Property taxes	\$15,579,451		\$37,234,939		
Sales taxes	11,203,247				
Transient occupancy taxes	7,191,938				
Other taxes	3,831,754				
Intergovernmental	7,144,150	\$1,669,862	1,500		
Interest and rentals	2,874,998	20,112	1,967,623	\$846,015	(\$1,200)
Licenses and permits	7,004,603				
Charges for services	8,010,000	2,250	565		11,715
Fines and forfeitures	2,133,677				
Other	111,728		506,576	100	
Total Revenues	65,085,546	1,692,224	39,711,203	846,115	10,515
EXPENDITURES					
Current:					
City council	137,834				
City clerk	294,701				
City treasurer	131,648				
City attorney	599,426				
City manager	716,487				
Finance	1,566,873				
Non-departmental	687,807		94,573		2,500
Human Resources	975,773				
Fire	18,140,954				
Police	20,174,527				
Public works	3,442,879	5,088,473			
Parks and Recreation	10,168,425				
Library	4,231,762				
Economic and community development	3,128,567		14,166,015	367,103	
Capital outlay	304,788	12,000	2,168,464	4,481,300	
Debt service:					
Principal repayments					
Interest and fiscal charges	122,916		31,333		
Total Expenditures	64,825,367	5,100,473	16,460,385	4,848,403	2,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	260,179	(3,408,249)	23,250,818	(4,002,288)	8,015
OTHER FINANCING SOURCES (USES)					
Transfers in	840,263	5,661,476	40,420	7,446,987	
Transfers out	(541,643)	(683,694)	(87,405,924)	(4,379,723)	(1,896)
Total Other Financing Sources (Uses)	298,620	4,977,782	(87,365,504)	3,067,264	(1,896)
Net Change in Fund Balances (Deficits)	558,799	1,569,533	(64,114,686)	(935,024)	6,119
Fund balances (deficits) - July 1	15,731,144	821,371	87,084,818	38,294,881	(1,653,555)
Fund balances (deficits) - June 30	\$16,289,943	\$2,390,904	\$22,970,132	\$37,359,857	(\$1,647,436)

See accompanying notes to financial statements

East of 101 Traffic Impact Fees	Oyster Point Improvements Impact Fees	Child Care Impact Fees	Public Improvement Agreement Fund	Other Governmental Funds	Total Governmental Funds
				\$1,314,608	\$54,128,998
					11,203,247
					7,191,938
				1,186,053	5,017,807
				3,045,146	11,860,658
\$163,356	\$1,130	\$56,342	\$276,951	1,406,896	7,612,223
					7,004,603
				1,986,011	10,010,541
					2,133,677
				1,642,843	2,261,247
<u>163,356</u>	<u>1,130</u>	<u>56,342</u>	<u>276,951</u>	<u>10,581,557</u>	<u>118,424,939</u>
					137,834
					294,701
					131,648
					599,426
					716,487
					1,566,873
	2,500	2,500		1,194,472	1,984,352
					975,773
					18,140,954
				98,157	20,272,684
2,500	5,285			1,317,064	9,856,201
					10,168,425
					4,231,762
				2,233,007	19,894,692
				2,500	6,969,052
				1,842,000	1,842,000
	558,262			3,561,659	4,274,170
<u>2,500</u>	<u>566,047</u>	<u>2,500</u>		<u>10,248,859</u>	<u>102,057,034</u>
<u>160,856</u>	<u>(564,917)</u>	<u>53,842</u>	<u>276,951</u>	<u>332,698</u>	<u>16,367,905</u>
		300,000	67,705,459	6,181,277	88,175,882
(305,946)		(129,140)	(20,338)	(6,479,510)	(99,947,814)
<u>(305,946)</u>		<u>170,860</u>	<u>67,685,121</u>	<u>(298,233)</u>	<u>(11,771,932)</u>
<u>(145,090)</u>	<u>(564,917)</u>	<u>224,702</u>	<u>67,962,072</u>	<u>34,465</u>	<u>4,595,973</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>
<u>\$8,670,228</u>	<u>(\$12,648,073)</u>	<u>\$2,951,971</u>	<u>\$67,962,072</u>	<u>\$23,755,093</u>	<u>\$168,054,691</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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$4,595,973

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	10,794,716
Retirement of capital assets	(10,881)
Current year depreciation	(7,932,886)

Long Term Debt Proceeds and Payments

Repayment of debt principal is added back to fund balance	1,842,000
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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	24,716
Accrued insurance losses	144,000
Compensated absences	(90,392)
Genentech payable	1,502,573

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.

(5,890,974)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$4,978,845

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (inflows):				
Property taxes	\$14,668,639	\$15,525,586	\$15,579,451	\$53,865
Sales taxes	10,070,731	11,088,509	11,203,247	114,738
Transient occupancy taxes	6,180,400	6,480,400	7,191,938	711,538
Other taxes	3,976,275	3,681,000	3,831,754	150,754
Intergovernmental	6,343,832	7,317,852	7,144,150	(173,702)
Interest and rentals	3,260,710	3,035,710	2,874,998	(160,712)
Licenses and permits	6,422,099	6,750,149	7,004,603	254,454
Charges for services	8,098,801	8,167,009	8,010,000	(157,009)
Fines and forfeitures	1,283,000	1,808,000	2,133,677	325,677
Other	329,000	234,500	111,728	(122,772)
	<u>60,633,487</u>	<u>64,088,715</u>	<u>65,085,546</u>	<u>996,831</u>
Amounts available for appropriation				
	<u>60,633,487</u>	<u>64,088,715</u>	<u>65,085,546</u>	<u>996,831</u>
Charges to appropriations (outflows)				
City Council	194,229	183,729	157,334	26,395
City Clerk	389,503	330,419	301,496	28,923
City Treasurer	54,674	155,711	132,895	22,816
City Attorney	745,868	620,868	599,426	21,442
City Manager	743,035	780,063	764,091	15,972
Finance	1,595,835	1,683,854	1,744,482	(60,628)
Non-Departmental	734,177	770,978	687,807	83,171
Human Resources	970,220	1,052,713	1,040,567	12,146
Fire	16,980,888	18,159,328	18,165,863	(6,535)
Police	18,950,625	20,337,074	20,336,578	496
Public Works	3,218,347	3,565,635	3,560,200	5,435
Parks and Recreation	9,856,455	10,199,509	10,196,497	3,012
Library	4,152,803	4,323,903	4,255,155	68,748
Economic and Community Development	2,605,799	3,245,446	3,227,121	18,325
Capital Outlay		346,860	304,788	42,072
Principal repayments		117,520	117,520	
Interest and fiscal charges		5,396	5,396	
	<u>61,192,458</u>	<u>65,879,006</u>	<u>65,597,216</u>	<u>281,790</u>
Total charges to appropriations				
	<u>61,192,458</u>	<u>65,879,006</u>	<u>65,597,216</u>	<u>281,790</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	742,249	884,310	840,263	(44,047)
Transfers out	(608,000)	(907,872)	(541,643)	366,229
	<u>134,249</u>	<u>(23,562)</u>	<u>298,620</u>	<u>322,182</u>
Total Other Financing Sources (Uses)				
	<u>134,249</u>	<u>(23,562)</u>	<u>298,620</u>	<u>322,182</u>
NET CHANGE IN FUND BALANCES	<u>(\$424,722)</u>	<u>(\$1,813,853)</u>	<u>(213,050)</u>	<u>\$1,600,803</u>
Fund Balance - July 1			15,731,144	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>771,849</u>	
Fund Balance - June 30			<u>\$16,289,943</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, 2011**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$9,988,064	\$2,127,627	\$668,842	\$12,784,533	\$22,118,841
Receivables:					
Accounts	1,691,453		32,426	1,723,879	45,423
Accrued interest	31,705	3,445	1,614	36,764	89,128
Due from other funds					175,000
Deposit					171,010
Restricted cash and investments					692,056
Total current assets	<u>11,711,222</u>	<u>2,131,072</u>	<u>702,882</u>	<u>14,545,176</u>	<u>23,291,458</u>
Noncurrent assets:					
Cost of issuance	104,910			104,910	
Capital assets:					
Nondepreciable	7,914,048	1,023,320		8,937,368	1,103,478
Depreciable, net accumulated depreciation	<u>111,157,479</u>	<u>11,947,826</u>	<u>21,961</u>	<u>123,127,266</u>	<u>3,525,253</u>
Total non-current assets	<u>119,176,437</u>	<u>12,971,146</u>	<u>21,961</u>	<u>132,169,544</u>	<u>4,628,731</u>
Total Assets	<u>130,887,659</u>	<u>15,102,218</u>	<u>724,843</u>	<u>146,714,720</u>	<u>27,920,189</u>
LIABILITIES					
Current liabilities:					
Accounts payable	148,583	756,129	6,672	911,384	1,152,914
Accrued interest payable	1,157,107			1,157,107	16,244
Other payable	1,151	72	295	1,518	33,830
Deposits	50,000			50,000	
Accrued insurance loss					712,000
Compensated absences obligation	265,789	9,886	838	276,513	372,170
Current portion of long-term debt	<u>4,535,092</u>			<u>4,535,092</u>	<u>274,459</u>
Total current liabilities	<u>6,157,722</u>	<u>766,087</u>	<u>7,805</u>	<u>6,931,614</u>	<u>2,561,617</u>
Noncurrent liabilities:					
Accrued insurance losses					7,348,000
Advances from other funds	1,956,738			1,956,738	
Compensated absences obligation	239,364	22,479	13,767	275,610	919,683
Net OPEB obligation					16,150,700
Noncurrent portion of long-term debt	<u>61,415,946</u>			<u>61,415,946</u>	<u>2,068,433</u>
Total noncurrent liabilities	<u>63,612,048</u>	<u>22,479</u>	<u>13,767</u>	<u>63,648,294</u>	<u>26,486,816</u>
Total Liabilities	<u>69,769,770</u>	<u>788,566</u>	<u>21,572</u>	<u>70,579,908</u>	<u>29,048,433</u>
NET ASSETS:					
Invested in capital assets, net of related debt	53,120,489	12,971,146	21,961	66,113,596	2,285,839
Unrestricted (deficit)	<u>7,997,400</u>	<u>1,342,506</u>	<u>681,310</u>	<u>10,021,216</u>	<u>(3,414,083)</u>
Total Net Assets (Deficit)	<u>\$61,117,889</u>	<u>\$14,313,652</u>	<u>\$703,271</u>	<u>\$76,134,812</u>	<u>(\$1,128,244)</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

(729,027)

\$75,405,785

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, 2011**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$18,087,695		\$406,389	\$18,494,084	\$12,601,594
Other cities' participation	5,509,874			5,509,874	
Other fees	31,670			31,670	
Parking fees		\$722,807		722,807	
Total Operating Revenues	23,629,239	722,807	406,389	24,758,435	12,601,594
OPERATING EXPENSES					
Personnel expenses	6,144,359	291,288	500,850	6,936,497	5,081,299
Professional services	1,567,751	(85,743)	47,400	1,529,408	390,292
OPEB expenses					7,996,478
Program supplies	1,302,047	19,382	37,998	1,359,427	826,708
Insurance	418,925	3,592	7,347	429,864	879,528
Self-insurance and claims					2,720,208
Repair and maintenance	259,074		9,352	268,426	567,886
Rents and leases	1,515,218			1,515,218	
Utilities	1,190,974	13,697	11,055	1,215,726	28,667
Administration	1,087,491	101,883	58,031	1,247,405	
Depreciation	3,372,851	214,304	4,199	3,591,354	671,622
Other	41,705		1,525	43,230	207,908
Total Operating Expenses	16,900,395	558,403	677,757	18,136,555	19,370,596
Operating Income (Loss)	6,728,844	164,404	(271,368)	6,621,880	(6,769,002)
NONOPERATING REVENUES (EXPENSES)					
Interest income	106,230	11,317	4,736	122,283	351,152
Gain on dispositions of capital assets					71,319
Interest expense	(2,065,548)			(2,065,548)	(32,130)
Other			200	200	127,128
Total Nonoperating Revenues (Expenses)	(1,959,318)	11,317	4,936	(1,943,065)	517,469
Income (loss) before transfers	4,769,526	175,721	(266,432)	4,678,815	(6,251,533)
TRANSFERS					
Transfers in	1,896	11,221,170	695,000	11,918,066	3,674
Transfers out	(148,673)			(148,673)	(1,135)
Change in Net Assets	4,622,749	11,396,891	428,568	16,448,208	(6,248,994)
Net Assets - July 1	56,495,140	2,916,761	274,703	59,686,604	5,120,750
Net Assets - June 30	\$61,117,889	\$14,313,652	\$703,271	\$76,134,812	(\$1,128,244)
			Change in net assets	\$16,448,208	
			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	(358,020)	
			Change in net assets of business-type activities	\$16,090,188	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Enterprise	Parking District	Storm Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$23,083,352	\$722,807	\$374,163	\$24,180,322	
Cash payment to suppliers for goods and services	(7,556,134)	(126,049)	(172,904)	(7,855,087)	(\$2,863,860)
Cash payment to employees for services	(6,125,221)	(280,611)	(500,759)	(6,906,591)	(5,048,507)
Cash received from interfund service provided					12,574,366
Cash payment for judgments and claims	(500,000)			(500,000)	(1,500,208)
Other receipts (payments)					677,604
Net Cash Provided by (Used in) Operating Activities	8,901,997	316,147	(299,500)	8,918,644	3,839,395
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipt from other funds	256,738	(4,830,523)		(4,573,785)	
Cash payments from(to) other governments					
Advances to other funds					527,745
Transfers in	1,896	11,221,170	695,000	11,918,066	3,674
Transfers out	(148,673)			(148,673)	(1,135)
Net Cash Provided by Noncapital Financing Activities	109,961	6,390,647	695,000	7,195,608	530,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(4,427,373)			(4,427,373)	(298,779)
Proceeds from long-term debt					1,680,000
Interest paid on long-term debt	(2,130,363)			(2,130,363)	(32,130)
Acquisition of capital assets, net	(342,764)	(6,390,647)	(21,490)	(6,754,901)	(2,028,124)
Net Cash Used in Capital and Related Financing Activities	(6,900,500)	(6,390,647)	(21,490)	(13,312,637)	(679,033)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	102,163	8,707	4,014	114,884	299,781
Net Cash Provided by Investing Activities	102,163	8,707	4,014	114,884	299,781
Net Increase (Decrease) in cash and cash equivalents	2,213,621	324,854	378,024	2,916,499	3,990,427
Cash and cash equivalents, beginning	7,774,443	1,802,773	290,818	9,868,034	18,820,470
Cash and cash equivalents, ending	\$9,988,064	\$2,127,627	\$668,842	\$12,784,533	\$22,810,897
Reconciliation to Statement of Net Assets					
Cash and investments	\$9,988,064	\$2,127,627	\$668,842	\$12,784,533	\$22,118,841
Restricted cash and investments					692,056
Total cash and investments	\$9,988,064	\$2,127,627	\$668,842	\$12,784,533	\$22,810,897
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$6,728,844	\$164,404	(\$271,368)	\$6,621,880	(\$6,769,002)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	3,372,851	214,304	4,199	3,591,354	671,622
Other non-operating revenue (expenses)			200	200	127,128
Net change in assets and liabilities:					
Accounts and lease receivables	(545,887)		(32,426)	(578,313)	(27,228)
Accounts payable	(174,100)	(73,310)	(491)	(247,901)	678,173
Other payable	1,151	72	295	1,518	(89,455)
Accrued insurance losses					1,220,000
Pollution remediation	(500,000)			(500,000)	
OPEB obligations					7,996,478
Compensated absence obligations	19,138	10,677	91	29,906	31,679
Net Cash Provided by (Used in) Operating Activities	\$8,901,997	\$316,147	(\$299,500)	\$8,918,644	\$3,839,395
Non-cash transaction:					
Issuance cost amortization	\$7,277			7,277	

See accompanying notes to basic financial statements

FIDUCIARY FUND

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

NON-OBLIGATED ASSESSMENT DISTRICTS AGENCY FUND

This fund accounts for the collection of assessments and related repayments of special assessment bonds. The City's final assessment district bonds were paid off in fiscal 2010-11.

**CITY OF SOUTH SAN FRANCISCO
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2011**

	Agency Fund Non- Obligated Assessment Districts
ASSETS	
Accrued interest receivable	
Restricted cash and investments	
Total Assets	
LIABILITIES	
Accounts payable	
Deferred contributions from property owners	
Total Liabilities	

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.

Public Improvement Agreement Fund -This fund was created by joint action of the City Council and the Redevelopment Agency to set aside dollars to fund critical regional capital improvements over the next ten years. The capital project will foster economic growth, affordable housing, employment, transit oriented development, and traffic improvements in several areas of 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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Special Revenue fund and Developer Deposits Special Revenue 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, 2011.

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, 2011, the following funds incurred expenditures in excess of its budget:

	Expenditures in Excess of Budget (Non GAAP Legal Basis)
Oyster Point Improvements Impact Fees Capital Projects Fund	\$517,954
Inter-Agency Special Revenue Fund	22,092
Solid Waste Reduction Special Revenue Fund	2,913
City Programs Special Revenue Fund	43,942

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.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The capitalization level is \$20,000 for vehicles, and \$100,000 for all else, including all other equipment that is not a vehicle.

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

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

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$5,505,761	\$522,217	6,027,978
Additions	3,526,104	284,958	3,811,062
Payments	(3,404,033)	(255,052)	(3,659,085)
Ending Balance	\$5,627,832	\$552,123	\$6,179,955
Current Portion	\$3,472,219	\$276,513	\$3,748,732

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. *New Funds*

During fiscal year 2010-2011, the City established the *Public Improvement Capital Projects Agreement Fund*, created by joint action of the City Council and the Redevelopment Agency to set aside dollars to fund critical regional capital improvements over the next ten years. The capital project will foster economic growth, affordable housing, employment, transit oriented development, and traffic improvements in several areas of the City.

**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, 2011 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	\$186,146,639
Restricted cash and investments	17,052,124
Total Primary Government cash and investments	203,198,763
Conference Center:	
Cash and investments available for operations	1,714,029
Restricted cash and investments	502,381
Total South San Francisco	2,216,410
Conference Center cash and investments	2,216,410
Total cash and investments	\$205,415,173

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	25%
Banker's Acceptances	180 days	N/A	40%	No Limit
Commercial Paper	270 days	A1,P1	10%	5%
Negotiable Certificates of Deposit	5 years	N/A	30%	\$5 million
Repurchase Agreements	90 days	AA	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	\$1 million	No Limit
		Highest Rating		
Mutual Funds	N/A	Category	20%	10%
FDIC Insured Corporate Notes	5 years	N/A	No Limit	25%

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>Credit Quality</u>	<u>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		\$10,646,840		\$10,646,840
Non-callable	\$14,882,345	82,417,522		97,299,867
Corporate Notes (backed by U.S. Government)	13,120,173			13,120,173
U.S. Treasury Notes	9,160,344	15,908,056		25,068,400
California Asset Management Pool	407,963			407,963
Local Agency Investment Fund	39,119,334			39,119,334
San Mateo County Investment Fund	676,368			676,368
Money Market Funds	6,545,258			6,545,258
Collateralized Investment Agreements			3,497,250	3,497,250
Cash in Banks	6,808,040			6,808,040
Cash on Hand	9,270			9,270
<i>South San Francisco Conference Center:</i>				
Local Agency Investment Fund	1,492,469			1,492,469
U.S. Agency Securities		495,850		495,850
Money Market Fund		6,531		6,531
Cash in Banks	221,461			221,461
Cash on Hand	99			99
Total Cash and Investments	\$92,443,124	\$109,474,799	\$3,497,250	\$205,415,173

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, 2011, these investments have an average maturity of 237 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, 2011, these investments matured in an average of 52 days.

**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, 2011, 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	Not Rated	Total
<i>City:</i>			
U.S. Government-Sponsored Enterprise Agencies			
Non-callable	\$97,299,867		\$97,299,867
Callable	10,646,840		10,646,840
Corporate Notes (backed by U.S. Government)	13,120,173		13,120,173
Money Market Funds	6,545,258		6,545,258
	<u>127,612,138</u>		<u>127,612,138</u>
<i>Not rated:</i>			
Collateralized Investment Agreements		\$3,497,250	3,497,250
U.S. Treasury Notes		25,068,400	25,068,400
San Mateo County Investment Fund		\$676,368	676,368
California Asset Management Pool		407,963	407,963
Local Agency Investment Fund		39,119,334	39,119,334
Cash in Banks		6,808,040	6,808,040
Cash on Hand		9,270	9,270
<i>South San Francisco Conference Center:</i>			
U.S. Agency Securities	495,850		495,850
Money Market Fund	6,531		6,531
<i>Not rated:</i>			
California Local Agency Investment Fund	1,492,469		1,492,469
Cash in Banks	221,461		221,461
Cash on Hand	99		99
	<u>\$129,828,548</u>	<u>\$75,586,625</u>	<u>\$205,415,173</u>
Total Cash and Investments			

G. U.S. Credit Downgrade

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+. As of June 30, 2011, the City's investments in these agencies that were subject to the downgrade were as follows: FHLB \$26,120,108, FFCB \$24,875,797, FNMA \$23,889,607, Tennessee Valley Authority \$4,135,855 and FHLMC \$25,892,059.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

On August 8, 2011, S&P also lowered the ratings on 126 Federal Deposit Insurance Corporation-guaranteed debt issues from thirty financial institutions that are under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) from AAA to AA+. As of June 30, 2011, the City's investments in these institutions that were subject to the downgrade were as follows: JP Morgan \$2,718,823, Goldman Sachs \$1,989,302, Wells Fargo \$2,715,206, Bank of America \$2,704,208 and General Electric \$2,992,634.

H. 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, 2011:

Issuer	Investment Type	Amount
Federal National Mortgage Association	Federal agency securities	\$23,889,607
Federal Home Loan Bank	Federal agency securities	26,120,108
Federal Home Loan Mortgage Corporation	Federal agency securities	25,892,059
Federal Farm Credit Bank	Federal agency securities	24,875,797

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Governmental activities					
Capital assets not being depreciated:					
Land	\$85,871,786	\$4,470,000		\$1,781,205	\$92,122,991
Construction in Progress	14,337,757	5,990,092		(6,939,228)	13,388,621
Total capital assets not being depreciated	100,209,543	10,460,092		(5,158,023)	105,511,612
Capital assets being depreciated:					
Buildings and Improvements	80,120,178			225,156	80,345,334
Infrastructure - Streets	170,411,637			4,698,622	175,110,259
Infrastructure - Storm Drains	8,634,623				8,634,623
Infrastructure - Traffic Control Devices	4,802,926			234,245	5,037,171
Equipment & Vehicle	6,425,819	334,624	(\$80,463)		6,679,980
Furniture and Fixtures	1,490,528				1,490,528
Total capital assets being depreciated	271,885,711	334,624	(80,463)	5,158,023	277,297,895
Less accumulated depreciation for:					
Buildings and Improvements	(20,524,732)	(2,011,442)			(22,536,174)
Infrastructure - Streets	(59,037,411)	(5,073,423)			(64,110,834)
Infrastructure - Storm Drains	(1,739,348)	(198,642)			(1,937,990)
Infrastructure - Traffic Control Devices	(1,498,030)	(173,977)			(1,672,007)
Equipment & Vehicle	(4,668,134)	(386,149)	69,582		(4,984,701)
Furniture and Fixtures	(1,016,826)	(89,253)			(1,106,079)
Total accumulated depreciation	(88,484,481)	(7,932,886)	69,582		(96,347,785)
Net Governmental Fund Program					
Capital Assets Being Depreciated	183,401,230	(7,598,262)	(10,881)	5,158,023	180,950,110
Internal Service Fund Capital Assets					
Capital assets not being depreciated:					
Construction in Progress	1,050	1,102,428			1,103,478
Total capital assets not being depreciated	1,050	1,102,428			1,103,478
Capital assets being depreciated:					
Equipment & Vehicle	9,394,948	998,814	(342,987)		10,050,775
Accumulated depreciation	(6,195,088)	(671,623)	341,189		(6,525,522)
Net Internal Service Capital Assets Being Depreciated	3,199,860	327,191	(1,798)		3,525,253
Governmental activity capital assets, net	\$286,811,683	\$4,291,449	(\$12,679)		\$291,090,453

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

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Business-type activities					
Capital assets, not being depreciated:					
Land	\$1,252,141				\$1,252,141
Construction in Progress	26,814,554	6,711,923		(\$25,841,250)	7,685,227
Total capital assets not being depreciated	28,066,695	6,711,923		(25,841,250)	8,937,368
Capital assets, being depreciated:					
Buildings and Improvements	51,797,965			11,995,391	63,793,356
Clean Water Facilities & Lines	69,728,030			9,484,094	79,212,124
Infrastructure - Streets	1,385,399			4,361,765	5,747,164
Equipment & Vehicle	9,656,611	42,978	(29,486)		9,670,103
Furniture and Fixtures	31,154				31,154
Total capital assets being depreciated	132,599,159	42,978	(29,486)	25,841,250	158,453,901
Less accumulated depreciation for:					
Buildings and Improvements	(5,463,579)	(1,489,621)			(6,953,200)
Clean Water Facilities & Lines	(16,970,348)	(1,861,751)			(18,832,099)
Infrastructure - Streets	(300,170)	(100,702)			(400,872)
Equipment & Vehicle	(9,002,181)	(137,640)	29,486		(9,110,335)
Furniture and Fixtures	(28,489)	(1,640)			(30,129)
Total accumulated depreciation	(31,764,767)	(3,591,354)	29,486		(35,326,635)
Net capital assets being depreciated	100,834,392	(3,548,376)		25,841,250	123,127,266
Business-type activity capital assets, net	\$128,901,087	3,163,547			\$132,064,634

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Component Unit:				
South San Francisco Conference Center				
Buildings and Improvements	\$10,382,172	\$37,152	(\$242,385)	\$10,176,939
Furniture and Fixtures	824,157	16,702	(201,783)	639,076
Machinery and equipment	348,741	13,311	(98,856)	263,196
Total:	11,555,070	67,165	(543,024)	11,079,211
Less accumulated depreciation	6,303,724	471,052	(543,024)	6,231,752
Component unit, net	\$5,251,346	\$403,887		\$4,847,459

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:

	2011
Governmental Activities	
Governmental Fund Programs	
General government	\$804,435
Fire	278,948
Police	85,898
Public works	6,276,324
Parks and recreation	339,357
Library	78,943
Economic and community development	68,981
Internal Service Funds	671,623
Total Governmental Activities	\$8,604,509
 Business-Type Activities	
Sewer Enterprise	\$3,372,851
Parking	214,304
Storm Water	4,199
Total Business-Type Activities	\$3,591,354

In March 2011, the Agency made required findings in accordance with Health and Safety Code Sections 33430 and 33432 to allow the conveyance of twenty-five parcels that had been recorded as capital assets with a book value of \$46,079,994 to the City.

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	\$12,000
Equipment Replacement Internal Service Fund	Community Development Block Grant Special Revenue Fund	175,000
		\$187,000

As of June 30, 2011, the South San Francisco Conference Center owed the City General Fund \$111,205 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.

In fiscal 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. As of June 30, 2011, the Advance was paid off.

As of June 30, 2011, the Oyster Point Improvements Impact Fund owed the Merged Redevelopment Project Area Capital Project Fund for developer fees in the amount of \$12,734,101 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 infrastructure in the amount of \$1,956,738. The advance bears 4.585% interest and the outstanding balance will be paid off from future sewer fees.

In February 2011, the Agency forgave the outstanding balance of the advance from the Redevelopment Project Area Capital Projects Funds to the City Parking District Enterprise Fund. The outstanding balance was in the amount of \$4,470,000.

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, 2011 were as follows:

FROM FUND (OUT)	TO FUND (IN)	AMOUNT
General Fund	Capital Improvement Fund	\$256,074
	Storm Water Fund	250,000
	Non-Major Governmental Funds	35,569
Capital Project Funds:		
Capital Improvement	Non-Major Governmental Funds	683,694
Merged Redevelopment Project Area	Capital Improvement Capital Projects Fund	235,081
	RDA Low Mod Housing Capital Projects Fund	7,446,987
	Public Improvement Agreement Fund	63,604,046
	Redevelopment Debt Service Funds	4,898,640
	Parking District Fund	11,221,170
RDA Low Mod Housing	Public Improvement Agreement Fund	4,101,413
	Redevelopment Debt Service Funds	278,310
East of 101 Sewer Impact Fees	Sewer Enterprise Fund	1,896
East of 101 Traffic Impact Fees	Capital Improvement Capital Project Fund	305,946
Child Care Impact Fees	Capital Improvement Capital Projects Fund	129,140
Public Improvement Fund	Capital Improvement Capital Projects Fund	20,338
Non-major Governmental Funds	General Fund	816,877
	Capital Improvement Capital Project Fund	4,592,149
	Merged Redevelopment Project Area	40,420
	Child Care Impact Fees Capital Projects Fund	300,000
	Non-Major Governmental Funds	285,064
	Storm Water Enterprise Fund	445,000
Sewer Enterprise Fund	General Fund	23,386
	Capital Improvement Capital Projects Fund	121,613
	City Service Internal Service Fund	3,674
Internal Service Funds		
Equipment Replacement	Capital Improvement Capital Project Fund	1,135
	Total	\$100,097,622

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, 2011, follows:

	Authorized and Issued	Balance at June 30, 2010	Additions	Retirement	Balance at June 30, 2011	Current Portion
Governmental Activities:						
Redevelopment Agency (1):						
2006 Revenue Bonds, 3.75 to 5.13%, due 9/1/35 (2)	\$70,675,000	\$65,910,000		\$1,380,000	\$64,530,000	\$1,435,000
2000 HUD Section 108, 4.4 to 6.6%, due 8/1/23 (3)	1,750,000	1,278,000		112,000	1,166,000	112,000
1999 Revenue Bonds, 3.3 to 5.0%, due 9/1/18 (4)	31,720,000	2,120,000		195,000	1,925,000	205,000
1999 Certificates of Participation, 3.2 to 5.0%, due 4/1/29 (5)	6,145,000	4,765,000		155,000	4,610,000	165,000
Total Redevelopment Agency	110,290,000	74,073,000		1,842,000	72,231,000	1,917,000
1988 Costco (Price Club) Notes, 8.5%, due 12/6/13 (6)	2,270,000	2,270,000			2,270,000	
Total Other Bonds and Notes	2,270,000	2,270,000			2,270,000	
Total Governmental Activities Debt	112,560,000	76,343,000		1,842,000	74,501,000	1,917,000
Capital Leases (7):						
2000 Fire Truck, 5.72%, due 7/14/10		19,865		19,865		
2005 ALS Ambulance & Fire truck		57,968		22,509	35,459	23,407
2006 Ambulance & Sweeper		65,660		65,660		
2006 EMS Computer System		29,351		29,351		
2008 Two Fire Trucks		788,827		79,626	709,201	82,840
2010 Two Ambulances			560,000	35,558	524,442	73,035
2010 Two Fire Trucks			1,120,000	46,210	1,073,790	95,177
Total Capital Leases		961,671	1,680,000	298,779	2,342,892	274,459
Compensated Absences		5,505,761	\$3,526,104	3,404,033	5,627,832	3,472,219
Net Governmental Long-Term Obligations		\$82,810,432	\$5,206,104	\$5,544,812	\$82,471,724	\$5,663,678
Business-Type Activities:						
1993 State Water Resources Loan, 3.0%, due 10/8/13 (8)	\$7,899,017	\$2,224,286		\$531,664	\$1,692,622	\$547,614
1999 State Water Resources Loan, 2.6%, due 8/1/22 (8)	47,721,252	35,720,266		2,344,694	33,375,572	2,405,656
2004 State Water Resources Loan, 2.5%, due 1/1/27 (8)	21,258,529	18,303,788		944,457	17,359,331	968,068
2008 State Water Resources Loan, 2.4%, (9)	9,164,505	8,780,071		376,558	8,403,513	378,753
2005 Sewer Revenue Bonds, 2.75 to 5.0%, due 04/30/26 (10)	6,000,000	5,350,000		230,000	5,120,000	235,000
Total Long-Term Debt	92,043,303	70,378,411		4,427,373	65,951,038	4,535,091
Compensated Absences		522,217	284,958	255,052	552,123	276,513
Total Enterprise Fund Long-Term Obligations	92,043,303	\$70,900,628	\$284,958	\$4,682,425	\$66,503,161	\$4,811,604
Component Unit - Conference Center:						
2003 Revenue Bonds, 2.25% to 4.0%, due 9/1/18 (11)	\$5,865,000	\$3,600,000		\$350,000	\$3,250,000	\$360,000
Unamortized refunding loss on 2003 bonds		(209,909)		(26,515)	(183,394)	
Total Conference Center		\$3,390,091		\$323,485	\$3,066,606	\$360,000

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, 2011, \$8,535,000 and \$17,035,000 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 \$112,147,279 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 2011, the merged Redevelopment Project Area Capital Project Fund tax increment revenue of \$37,234,939; less \$7,446,987 of 20% set-aside, amounted to \$29,787,952 which represented coverage of 3.9 over the \$7.7 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, 2011, the Housing Set-Aside's portion of the bonds outstanding was \$1,925,000.

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, 2011, \$5,560,000 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 2011, the merged Redevelopment Project Area Capital Project Fund tax increment revenue of \$37,234,939; less \$7,446,987 of 20% set-aside, amounted to \$29,787,952 which represented coverage of 76 over the \$393,250 in debt service.

(6) **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.

(7) 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.

(8) 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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

(9) **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, 2011, the outstanding balance of the loan was \$8,403,513.

(10) 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 \$7,209,043 in remaining debt service on the bonds which is scheduled to occur in 2026. For fiscal year 2011, Sewer Enterprise Fund revenues including operating revenues, non-operating interest earnings, and transfers in amounted to \$23.7 million. Operating costs included operating expenses, but not interest, depreciation or amortizations and amounted to \$13.5 million. Net Revenues available for debt service amounted to \$10.0 million which represented coverage of 22.2 over the \$453,972 in debt service.

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

The 2003 revenue bonds were issued for the purpose of refunding 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. 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*. As of June 30, 2011, approximately \$3,250,000 principal remained outstanding on the 1993 revenue bonds.

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

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

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, 2011, 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
2012	\$2,191,459	\$3,563,596	\$4,535,092	\$1,686,677	\$360,000	\$113,300
2013	4,524,881	3,471,902	4,657,359	1,570,155	370,000	103,400
2014	2,327,989	3,377,342	4,782,568	1,450,197	385,000	92,300
2015	2,418,544	3,273,033	4,312,405	1,326,640	395,000	308,994
2016	2,529,512	3,164,168	4,420,780	1,217,363	410,000	80,269
2017-2021	13,040,507	14,019,154	23,924,437	4,332,780	1,330,000	172,069
2022-2026	13,626,000	10,841,875	17,222,442	1,319,502		
2027-2031	16,495,000	7,042,484	2,095,955	57,753		
2032-2036	19,690,000	2,557,000				
Totals	\$76,843,892	\$51,310,554	\$65,951,038	\$12,961,067	\$3,250,000	\$870,332

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	<u>\$3,889,175</u>

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

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, 2010	Repayments	Balance at June 30, 2011
1990 Pointe Grand Business Park Assessment District Series 90A, 7.0 to 7.75%, due 9/2/11	\$455,000	\$455,000	
1987 Magnolia Plaza Senior Apartments variable interest rates, due 5/1/17	6,100,000		\$6,100,000
Total	\$6,555,000	\$455,000	\$6,100,000

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.

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

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

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

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

NOTE 7 – NET ASSETS AND FUND BALANCE (Continued)

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

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

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

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

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

NOTE 7 – NET ASSETS AND FUND BALANCE (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2011, are below:

Fund Balance Classifications	General Fund	Capital Project Funds			
		Capital Improvement	Merged Redevelopment Project Area	Redevelopment Agency Low Mod Housing	East of 101 Sewer Impact Fees
Nonspendables:					
Items not in spendable form:					
Inventories	\$67,129				
Total Nonspendable Fund Balances	67,129				
Restricted for:					
Redevelopment projects			\$22,970,132		
Low and moderate housing projects				\$37,359,857	
Total Restricted Fund Balances			22,970,132	37,359,857	
Committed for:					
Capital projects	401,797				
Total Committed Fund Balances	401,797				
Assigned to:					
Encumbrances	771,849				
Capital Projects		\$2,390,904			
Total Assigned Fund Balances	771,849	2,390,904			
Unassigned:					
General fund	15,049,168				
Other governmental fund deficit residuals					(\$1,647,436)
Total Unassigned Fund Balances	15,049,168				(1,647,436)
Total Fund Balances	\$16,289,943	\$2,390,904	\$22,970,132	\$37,359,857	(\$1,647,436)

(next page)

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

NOTE 7 – NET ASSETS AND FUND BALANCE (Continued)

Fund Balance Classifications (continued)	Capital Project Funds				Other Governmental Funds
	East of 101 Traffic Impact Fees	Oyster Point Improvements Impact Fees	Child Care Impact Fees	Public Improvement Agreement Fund	
Restricted for:					
Traffic impact fees	\$8,670,228				
Oyster Point improvement impact fees		\$13,580			
Child Care impact fees			\$2,951,971		
Public improvement projects				\$67,962,072	
Gas Tax projects					\$1,837,849
Developer Contributions projects					4,870,776
Community Development Block Grant projects					1,511,634
Maintenance Districts projects					1,711,184
Transportation Sales Tax projects					2,347,976
City Programs projects					2,571,841
Other Special Revenues projects					1,977,419
Debt Service projects					5,400,479
Capital Projects activities					1,570,098
Total Restricted Fund Balances	8,670,228	13,580	2,951,971	67,962,072	23,799,256
Unassigned:					
Other governmental fund deficit residuals		(12,661,653)			(44,163)
Total Unassigned Fund Balances		(12,661,653)			(44,163)
Total Fund Balances	\$8,670,228	(\$12,648,073)	\$2,951,971	\$67,962,072	\$23,755,093

Amount Includes Fund Encumbrances

C. Net Deficit

The East of 101 Sewer Impact Fees Capital Projects Fund and the Oyster Point Improvement Impact Fees Capital Projects Fund had net deficits in the amounts of \$1,647,436 and \$12,648,073, respectively, at June 30, 2011. 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.

The Federal Aviation Grant Special Revenue Fund and the Health and Retirement Benefits Internal Service Fund had net deficits in the amount of \$39,879 and \$7,265,701, respectively, at June 30, 2011. The latter is attributable to the Net OPEB Obligation described in Footnote 10.

**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, 2011, are summarized as follows:

	<u>Safety (Police & 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	31.004	17.205%

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, 2011 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>Safety Plan</i>			
June 30, 2009	\$4,902,787	100%	\$0
June 30, 2010	5,027,090	100%	0
June 30, 2011	5,229,756	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2009	\$3,334,512	100%	\$0
June 30, 2010	3,430,786	100%	0
June 30, 2011	3,790,929	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
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%
2009	144,802,862	113,310,741	31,492,121	78.3%	20,598,735	152.9%

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
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%
2009	205,831,438	166,040,563	39,790,875	80.7%	15,931,112	249.8%

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

NOTE 9 - DEFERRED COMPENSATION PLAN

A. *Deferred Compensation Plan*

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

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

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

NOTE 10 – 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, 2011. 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, 2011 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, 2011, approximately 297 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	* Hired < 4/25/2010 * Age 50 and 5 years City service or disability at any age
Medical Benefit	* City pays single premium up to largest HMO single premium. Cap for 2010/11: - \$957.75/month pre-65 (Blue Shield) - \$466.29/month post-65 Medical eligible (Blue Shield) - \$1,260.53/ month post-65 not Medicare eligible (Kaiser)
Surviving Spouse Benefit	* Participation with premium payment * AFSCME, Local 1569, Mid-Management, IAFF surviving spouses covered 2 months following death of
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 10 – 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
2011	actual 2010/2011	premiums
2012	9.50%	10.00%
2013	9.00%	9.40%
↓	↓	↓
2012+	5.00%	5.00%

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 10 – 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 2011, the City made contribution less than the ARC as presented below:

Annual required contribution (ARC)	\$10,358,000
Interest on net OPEB Obligation	367,000
Adjustment to annual required contribution	<u>(759,000)</u>
 Annual OPEB cost	 9,966,000
 Contributions made:	
Premium paid	<u>1,969,522</u>
 Total contributions	 <u>1,969,522</u>
 Change in net OPEB Asset / (Obligation)	 (7,996,478)
 Net OPEB Obligation at June 30, 2010	 <u>(8,154,222)</u>
 Net OPEB Asset (Obligation) at June 30, 2011	 <u><u>(\$16,150,700)</u></u>

The Plan's annual required contributions and actual contributions for the year ended June 30, 2011 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
6/30/2011	9,966,000	1,969,522	20%	16,150,700

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

NOTE 10 – 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%)
6/30/2011	0	82,184	(82,184)	0%	33,739	(243.6%)

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, 2011, \$8,885,000 in cash and investments in the Health and Benefits Internal Service Fund has been set-aside by the City Council for OPEB.

NOTE 11 – 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 11 – 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 90th Street, Daly City, CA 94015.

C. *City/County Association of Governments*

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

NOTE 12 - 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, 2010, 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 per occurrence or wrongful act or employee benefit wrongful act up to \$10,000,000 with two retained limits of 5,000,000. A boiler and machinery policy insures up to a combined limit of \$100,000,000 with various deductibles. For pollution, the City purchased separate insurance which insures up to \$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, 2011, the City paid ABAG Plan \$704,731 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 four fiscal years, general liability and worker compensation settlements did not exceed insurance coverage.

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

NOTE 12 - RISK MANAGEMENT

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, 2011			Fiscal
	Workers' Compensation	General Liability	Total	2009-2010 Total
Balance, beginning of year	\$6,090,000	\$894,000	\$6,984,000	\$5,338,000
Current year claims and changes in estimates	3,620,684	(134,476)	3,486,208	4,350,883
Claims Paid	(2,400,684)	(9,524)	(2,410,208)	(2,704,883)
Balance, end of year	<u>\$7,310,000</u>	<u>\$750,000</u>	<u>\$8,060,000</u>	<u>\$6,984,000</u>
Current portion	<u>\$562,000</u>	<u>\$150,000</u>	<u>\$712,000</u>	<u>\$712,000</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

The City participates in Federal and State grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the Federal Single Audit Act 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 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 2010-2011, the Agency calculated and remitted \$6,945,738 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**

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

B. 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 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.” Since 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 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.

Two of the parcels impacted by the April ruling are in the Downtown Redevelopment Project Area, and the County has since estimated that the agency will have a total of \$7.04 million deducted from its property tax payments in the future. The Agency has set those dollars aside. In March 2011, the Agency and the City Council moved that liability and the funding associated with that liability, to a new City Governmental Fund, the Public Improvement Agreement Capital Project Fund.

C. Rental Revenues From Use of City Property

The Conference Center Authority, a discrete component unit, leases land from the City under an operating lease commencing on January 1, 1999, with a 30-year term from February 1, 1999, to January 31, 2029. The rent amount is subject to re-negotiation at the option of either party between January 1 and February 28, 2009 and 2019. These leases are considered for accounting purposes to be operating leases. Property lease revenue from the Conference Center Authority during the year fiscal year ended June 30, 2011, 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
2012	\$420,000
2013	420,000
2014	420,000
2015	420,000
2016	420,000
2017-2021	2,100,000
2022-2026	2,100,000
2027-2029	1,260,000
Total	\$7,560,000

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

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 2011 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 2011, 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 2011 lease receipts were \$73,500.

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

Year ending June 30:	Costco	Magnolia Plaza	Sitike	Total
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		51,800		51,800
2017-2019		155,400		155,400
2020-2024		259,000		259,000
2025-2029		259,000		259,000
2030-2034		259,000		259,000
2035-2039		259,000		259,000
2040-2044		259,000		259,000
2045-2049		259,000		259,000
2050-2053		259,000		259,000
2055-2059		259,000		259,000
2060-2061		103,600		103,600
	\$400,000	\$2,590,000	\$82,593	\$3,072,593

NOTE 14 – 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 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 second payment in the amount of \$1,755,786 in fiscal year 2010-11.

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

NOTE 15 – POLLUTION REMEDIATION

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.

NOTE 16 – SUBSEQUENT EVENT

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of AB1x 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of AB1x 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 24, 2011.

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

NOTE 16 – SUBSEQUENT EVENT (Continued)

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both AB1x 26 and AB1x 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. It is anticipated that the City's annual remittances would be reimbursed by the Agency from tax increment revenues generated in the Merged Project Areas. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$15,547,791.
2. If the Supreme Court determines that both AB1x 26 and AB1x 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that AB1x 26 is valid, but AB1x 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of AB1x 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City including those discussed in Notes 4 and 5, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
3. If the Supreme Court determines that both AB1x 26 and AB1x 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of AB1x 26 and AB1x 27.

As of December 7, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

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Supplementary Information

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

PUBLIC IMPROVEMENT AGREEMENT FUND

This fund was created by joint action of the City Council and the Redevelopment Agency to set aside dollars to fund critical regional capital improvements over the next ten years. The capital project will foster economic growth, affordable housing, employment, transit oriented development, and traffic improvements in several areas of 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, 2011**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$1,579,893	\$1,669,862	\$89,969
Interest and rentals		20,112	20,112
Charges for service		2,250	2,250
	<u>1,579,893</u>	<u>1,692,224</u>	<u>112,331</u>
Total Revenues			
EXPENDITURES:			
Current:			
Public works	51,805,735	7,260,408	44,545,327
Capital outlay	9,000,000	12,000	8,988,000
	<u>60,805,735</u>	<u>7,272,408</u>	<u>53,533,327</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(59,225,842)</u>	<u>(5,580,184)</u>	<u>53,645,658</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	57,803,797	5,661,476	(52,142,321)
Transfers out		(683,694)	(683,694)
	<u>57,803,797</u>	<u>4,977,782</u>	<u>(52,826,015)</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u><u>(\$1,422,045)</u></u>	<u><u>(602,402)</u></u>	<u><u>\$819,643</u></u>
Adjustment to budgetary basis:			
Encumbrance adjustments		2,171,935	
Fund balance - July 1		<u>821,371</u>	
Fund balance - June 30		<u><u>\$2,390,904</u></u>	

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, 2011

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$37,540,000	\$37,234,939	(\$305,061)
Intergovernmental		1,500	1,500
Interest and rental	2,000,000	1,967,623	(32,377)
Charges for services		565	565
Other		506,576	506,576
	<u>39,540,000</u>	<u>39,711,203</u>	<u>171,203</u>
Total Revenues			
EXPENDITURES:			
Current:			
Economic and community development	14,975,562	15,378,482	(402,920)
Non-departmental	58,000	94,573	(36,573)
Capital outlay	12,593,347	2,168,464	10,424,883
Debt services:			
Interest and fiscal charges	30,765	31,333	(568)
	<u>27,657,674</u>	<u>17,672,852</u>	<u>9,984,822</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>11,882,326</u>	<u>22,038,351</u>	<u>10,156,025</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,193,247	40,420	(4,152,827)
Transfers (out)	(81,943,143)	(87,405,924)	(5,462,781)
	<u>(77,749,896)</u>	<u>(87,365,504)</u>	<u>(9,615,608)</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u>(\$65,867,570)</u>	<u>(65,327,153)</u>	<u>\$540,417</u>
Adjustment to budgetary basis:			
Encumbrance adjustments		1,212,467	
Fund balance - July 1		<u>87,084,818</u>	
Fund balance - June 30		<u>\$22,970,132</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, 2011

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	\$400,000	\$846,015	\$446,015
Other		100	100
	<u>400,000</u>	<u>846,115</u>	<u>446,115</u>
Total Revenues			
EXPENDITURES:			
Current:			
Economic and community development	4,255,682	396,597	3,859,085
Capital outlay	7,631,224	4,481,300	3,149,924
	<u>11,886,906</u>	<u>4,877,897</u>	<u>7,009,009</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,486,906)</u>	<u>(4,031,782)</u>	<u>7,455,124</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,808,000	7,446,987	(361,013)
Transfers (out)	(4,448,530)	(4,379,723)	68,807
	<u>3,359,470</u>	<u>3,067,264</u>	<u>(292,206)</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	<u><u>(\$8,127,436)</u></u>	<u><u>(964,518)</u></u>	<u><u>\$7,162,918</u></u>
Adjustment to budgetary basis:			
Encumbrance adjustments		29,494	
Fund balance - July 1		<u>38,294,881</u>	
Fund balance - June 30		<u><u>\$37,359,857</u></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, 2011

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		(\$1,200)	(1,200)
Charges for services	\$75,000	11,715	(63,285)
	75,000	10,515	(64,485)
Total Revenues			
EXPENDITURES:			
Current:			
Non-departmental	2,500	2,500	
	2,500	2,500	
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	72,500	8,015	(64,485)
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	(338,945)	(1,896)	337,049
	(338,945)	(1,896)	337,049
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	(\$266,445)	6,119	\$272,564
Fund balance (deficit) - July 1		(1,653,555)	
Fund balance (deficit) - June 30		(\$1,647,436)	

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, 2011

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$163,356	\$163,356
Total Revenues		163,356	163,356
EXPENDITURES:			
Current:			
Public works	\$2,500	2,500	
Total Expenditures	2,500	2,500	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,500)	160,856	163,356
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(2,602,811)	(305,946)	2,296,865
Total other financing sources (uses)	(2,602,811)	(305,946)	2,296,865
NET CHANGE IN FUND BALANCE	(\$2,605,311)	(145,090)	\$2,460,221
Fund balance - July 1		8,815,318	
Fund balance - June 30		\$8,670,228	

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, 2011

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$1,130	\$1,130
Total Revenues		1,130	1,130
EXPENDITURES:			
Current:			
Public works	\$59,173	18,865	40,308
Non-departmental	2,500	2,500	
Interest and fiscal charges		558,262	(558,262)
Total Expenditures	61,673	579,627	(517,954)
NET CHANGE IN FUND BALANCE	(\$61,673)	(578,497)	(\$516,824)
Adjustment to budgetary basis:			
Encumbrance adjustments		13,580	
Fund balance (deficit) - July 1		(12,083,156)	
Fund balance (deficit) - June 30		(\$12,648,073)	

**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, 2011**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$56,342	\$56,342
Total Revenues		56,342	56,342
EXPENDITURES:			
Current:			
Non-departmental	\$2,500	2,500	
Total Expenditures	2,500	2,500	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,500)	53,842	56,342
OTHER FINANCING SOURCES (USES)			
Transfers in		300,000	300,000
Transfers (out)	(209,757)	(129,140)	80,617
Total other financing sources (uses)	(209,757)	170,860	380,617
NET CHANGE IN FUND BALANCE	<u>(\$212,257)</u>	224,702	<u>\$436,959</u>
Fund balance - July 1		<u>2,727,269</u>	
Fund balance - June 30		<u>\$2,951,971</u>	

**CITY OF SOUTH SAN FRANCISCO
PUBLIC IMPROVEMENT AGREEMENT 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, 2011**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$276,951	\$276,951
Total Revenues		276,951	276,951
EXPENDITURES:			
Current:			
Non-departmental	\$22,489,000	6,627,941	15,861,059
Total Expenditures	22,489,000	6,627,941	15,861,059
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(22,489,000)	(6,350,990)	16,138,010
OTHER FINANCING SOURCES (USES)			
Transfers in	67,705,459	67,705,459	
Transfers (out)	(45,216,459)	(20,338)	45,196,121
Total other financing sources (uses)	22,489,000	67,685,121	45,196,121
NET CHANGE IN FUND BALANCE		61,334,131	\$61,334,131
Adjustment to budgetary basis:			
Encumbrance adjustments		6,627,941	
Fund balance - July 1			
Fund balance - June 30		\$67,962,072	

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

Redevelopment Debt Service Funds – In fiscal year 2011, the City combined the Merged Redevelopment Project Area and the Redevelopment Agency Low Mod Housing funds for presentation purposes. The Merged Redevelopment Project Area accounts for principal and interest associated with the 1999 Revenue Bonds, 1997 Downtown Tax Allocation Bonds, 2007A Tax Allocation Bonds, and 1999 Certificates of Participation. The Redevelopment Agency Low Mod Housing accounts for debt repayments for the 1999 revenue bonds.

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, 2011**

SPECIAL REVENUE FUNDS

	Gas Tax	Inter-Agency	Developer Contributions	Federal Aviation Grant	Community Development Block Grant	Miscellaneous Grants
ASSETS						
Cash and investments	\$1,827,472	\$6,926	\$4,984,991	\$3,050,091		\$136,868
Receivables:						
Accounts			212,031		(\$13,757)	
Accrued interest	10,377		25,804	14,630		
Due from other governments						
Loans					1,316,451	
Restricted cash and investments					407,441	
Total Assets	\$1,837,849	\$6,926	\$5,222,826	\$3,064,721	\$1,710,135	\$136,868
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$5,000	\$17,903	\$1,035	\$23,474	
Other payables					27	
Deposits			334,147			
Deferred revenue				3,103,565		
Due to other funds					175,000	
Total Liabilities		5,000	352,050	3,104,600	198,501	
Fund Balances:						
Restricted	\$1,837,849	1,926	4,870,776	4,284	1,511,634	\$136,868
Unassigned				(44,163)		
Total Fund Balances	1,837,849	1,926	4,870,776	(39,879)	1,511,634	136,868
Total Liabilities and Fund Balances	\$1,837,849	\$6,926	\$5,222,826	\$3,064,721	\$1,710,135	\$136,868

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	Redevelopment Agency
\$1,632,230	\$2,337,916	\$873,202	\$616	\$2,777,586	\$867,768		\$1,262
85,765		14,444	11,357	3			
	10,060		179	13,092	74,275		
111,093					575,000		
							5,399,217
\$1,829,088	\$2,347,976	\$887,646	\$12,152	\$2,790,681	\$1,517,043		\$5,400,479
\$6,811				\$123,887			
				7,365			
				87,588			
111,093					\$570,500		
			\$12,000				
117,904			12,000	218,840	570,500		
1,711,184	2,347,976	887,646	152	2,571,841	946,543		\$5,400,479
1,711,184	2,347,976	887,646	152	2,571,841	946,543		5,400,479
\$1,829,088	\$2,347,976	\$887,646	\$12,152	\$2,790,681	\$1,517,043		\$5,400,479

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

**CAPITAL PROJECTS
FUNDS**

	Non-obligated Capital Projects	Inactive Bonds	Sewer Capacity Charges	Developer Deposit	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$698,793	\$1,209	\$829,049	\$2,117,657	\$22,143,636
Receivables:					
Accounts					309,843
Accrued interest	1,424		2,259	9,741	161,841
Due from other governments					111,093
Loans					1,891,451
Restricted cash and investments					5,806,658
Total Assets	\$700,217	\$1,209	\$831,308	\$2,127,398	\$30,424,522
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$1,209			\$179,319
Other payables					7,392
Deposits				\$2,088,825	2,510,560
Deferred revenue					3,785,158
Due to other funds					187,000
Total Liabilities		1,209		2,088,825	6,669,429
Fund Balances:					
Restricted	\$700,217		\$831,308	38,573	23,799,256
Unassigned					(44,163)
Total Fund Balances	700,217		831,308	38,573	23,755,093
Total Liabilities and Fund Balances	\$700,217	\$1,209	\$831,308	\$2,127,398	\$30,424,522

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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, 2011**

	SPECIAL REVENUE FUNDS				
	Gas Tax	Inter-Agency	Developer Contributions	Federal Aviation Grants	Community Development Block Grant
REVENUES					
Property taxes					
Other taxes					
Intergovernmental	\$2,054,970			\$162,239	\$386,453
Interest and rentals	41,442	\$4,534	\$102,995	58,790	12,240
Charges for services			1,263,744		
Other		12,676	503,337		650
Total Revenues	2,096,412	17,210	1,870,076	221,029	399,343
EXPENDITURES					
Current:					
Economic and community development			987,248	216,745	520,956
Public works			5,344		
Non-departmental		78,592			
Police					
Capital outlay					
Debt service:					
Principal repayments					
Interest and fiscal charges					
Total Expenditures		78,592	992,592	216,745	520,956
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,096,412	(61,382)	877,484	4,284	(121,613)
OTHER FINANCING SOURCES (USES)					
Transfers in			383,694		
Transfers out	(3,251,426)	(97,067)	(842,553)		(34,249)
Total Other Financing Sources (Uses)	(3,251,426)	(97,067)	(458,859)		(34,249)
Net Change in Fund Balances	(1,155,014)	(158,449)	418,625	4,284	(155,862)
Fund balance (deficit) - July 1	2,992,863	160,375	4,452,151	(44,163)	1,667,496
Fund balance (deficit) - June 30	\$1,837,849	\$1,926	\$4,870,776	(\$39,879)	\$1,511,634

							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
	\$1,314,608						
\$429,883	5,279	\$1,087,889		\$98,164			
		39,451		612	\$52,154	\$14,853	
			\$173,325		1,051,180	75,000	
429,883	1,319,887	1,127,340	173,325	98,776	1,103,334	89,853	
406,444			101,614				
	1,311,720						
					803,942		
				98,157			
406,444	1,311,720		101,614	98,157	803,942		
23,439	8,167	1,127,340	71,711	619	299,392	89,853	
	73,542	120,695			426,396		
	(36,706)	(743,983)	(6,924)		(449,093)		(\$121,764)
	36,836	(623,288)	(6,924)		(22,697)		(121,764)
23,439	45,003	504,052	64,787	619	276,695	89,853	(121,764)
113,429	1,666,181	1,843,924	822,859	(467)	2,295,146	856,690	121,764
\$136,868	\$1,711,184	\$2,347,976	\$887,646	\$152	\$2,571,841	\$946,543	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
	Redevelopment Agency	Non-obligated Capital Projects	Inactive Bonds	Sewer Capacity Charges	
REVENUES					
Property taxes					\$1,314,608
Other taxes					1,186,053
Intergovernmental				\$6,322	3,045,146
Interest and rentals	\$227,146	\$812,093	\$810	1,203	\$38,573
Charges for services				548,942	1,986,011
Other					1,642,843
Total Revenues	227,146	812,093	810	556,467	38,573
EXPENDITURES					
Current:					
Economic and community development					2,233,007
Public works					1,317,064
Non-departmental	5,205		306,733		1,194,472
Police					98,157
Capital outlay				2,500	2,500
Debt service:					
Principal repayments	1,842,000				1,842,000
Interest and fiscal charges	3,561,659				3,561,659
Total Expenditures	5,408,864		306,733	2,500	10,248,859
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,181,718)	812,093	(305,923)	553,967	38,573
OTHER FINANCING SOURCES (USES)					
Transfers in	5,176,950				6,181,277
Transfers out		(716,434)	(179,311)		(6,479,510)
Total Other Financing Sources (Uses)	5,176,950	(716,434)	(179,311)		(298,233)
Net Change in Fund Balances	(4,768)	95,659	(485,234)	553,967	38,573
Fund balance (deficit) - July 1	5,405,247	604,558	485,234	277,341	23,720,628
Fund balance (deficit) - June 30	\$5,400,479	\$700,217	\$831,308	\$38,573	\$23,755,093

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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 (NON GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>GAS TAX</u>			<u>INTER-AGENCY</u>		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental	\$2,002,835	\$2,054,970	\$52,135			
Interest and rentals	30,000	41,442	11,442		\$4,534	\$4,534
Charges for services						
Other				\$56,500	12,676	(43,824)
Total Revenues	<u>2,032,835</u>	<u>2,096,412</u>	<u>63,577</u>	<u>56,500</u>	<u>17,210</u>	<u>(39,290)</u>
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Human resources						
Non-departmental				56,500	78,592	(22,092)
Other						
Police						
Capital outlay						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures				<u>56,500</u>	<u>78,592</u>	<u>(22,092)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,032,835</u>	<u>2,096,412</u>	<u>63,577</u>		<u>(61,382)</u>	<u>(61,382)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(5,232,797)	(3,251,426)	1,981,371		(97,067)	(97,067)
Total Other Financing Sources (Uses)	<u>(5,232,797)</u>	<u>(3,251,426)</u>	<u>1,981,371</u>		<u>(97,067)</u>	<u>(97,067)</u>
NET CHANGE IN FUND BALANCES	<u>(\$3,199,962)</u>	<u>(1,155,014)</u>	<u>\$2,044,948</u>		<u>(158,449)</u>	<u>(\$158,449)</u>
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1		<u>2,992,863</u>			<u>160,375</u>	
Fund balance, June 30		<u>\$1,837,849</u>			<u>\$1,926</u>	

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)
				\$162,239	\$162,239	\$673,456	\$386,453	(\$287,003)
\$31,101	\$102,995	\$71,894		58,790	58,790		12,240	12,240
1,267,584	1,263,744	(3,840)						
523,000	503,337	(19,663)					650	650
1,821,685	1,870,076	48,391		221,029	221,029	673,456	399,343	(274,113)
1,113,316	1,112,443	873	\$1,563,883	221,029	1,342,854	795,976	579,068	216,908
5,344	5,344							
1,118,660	1,117,787	873	1,563,883	221,029	1,342,854	795,976	579,068	216,908
703,025	752,289	49,264	(1,563,883)		1,563,883	(122,520)	(179,725)	(57,205)
(2,427,380)	383,694	383,694				(34,249)	(34,249)	
	(842,553)	1,584,827						
(2,427,380)	(458,859)	1,968,521				(34,249)	(34,249)	
(\$1,724,355)	293,430	\$2,017,785	(\$1,563,883)		\$1,563,883	(\$156,769)	(213,974)	(\$57,205)
	125,195			4,284			58,112	
	4,452,151			(44,163)			1,667,496	
	\$4,870,776			(\$39,879)			\$1,511,634	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2011**

	MISCELLANEOUS GRANTS			MAINTENANCE DISTRICTS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes				\$1,315,800	\$1,314,608	(\$1,192)
Other taxes						
Intergovernmental	\$555,631	\$429,883	(\$125,748)	5,000	5,279	279
Interest and rentals						
Charges for services						
Other						
Total Revenues	555,631	429,883	(125,748)	1,320,800	1,319,887	(913)
EXPENDITURES						
Current:						
Economic and community development	555,631	406,444	149,187			
Public works				1,588,410	1,311,720	276,690
Human resources						
Non-departmental						
Other						
Police						
Capital outlay						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	555,631	406,444	149,187	1,588,410	1,311,720	276,690
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		23,439	23,439	(267,610)	8,167	275,777
OTHER FINANCING SOURCES (USES)						
Transfers in					73,542	73,542
Transfers out				(394,147)	(36,706)	357,441
Total Other Financing Sources (Uses)				(394,147)	36,836	430,983
NET CHANGE IN FUND BALANCES		23,439	\$23,439	(\$661,757)	45,003	\$706,760
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1		113,429			1,666,181	
Fund balance, June 30		\$136,868			\$1,711,184	

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)
\$765,000	\$1,087,889	\$322,889				\$100,000	\$98,164	(\$1,836)
10,000	39,451	29,451	\$173,325	\$173,325			612	612
<u>775,000</u>	<u>1,127,340</u>	<u>352,340</u>	<u>173,325</u>	<u>173,325</u>		<u>100,000</u>	<u>98,776</u>	<u>(1,224)</u>
			175,226	178,139	(\$2,913)			
						100,000	98,157	1,843
			<u>175,226</u>	<u>178,139</u>	<u>(2,913)</u>	<u>100,000</u>	<u>98,157</u>	<u>1,843</u>
<u>775,000</u>	<u>1,127,340</u>	<u>352,340</u>	<u>(1,901)</u>	<u>(4,814)</u>	<u>(2,913)</u>		<u>619</u>	<u>619</u>
120,695	120,695							
<u>(1,990,435)</u>	<u>(743,983)</u>	<u>1,246,452</u>	<u>(34,543)</u>	<u>(6,924)</u>	<u>27,619</u>			
<u>(1,869,740)</u>	<u>(623,288)</u>	<u>1,246,452</u>	<u>(34,543)</u>	<u>(6,924)</u>	<u>27,619</u>			
<u>(\$1,094,740)</u>	<u>504,052</u>	<u>\$1,598,792</u>	<u>(\$36,444)</u>	<u>(11,738)</u>	<u>\$24,706</u>		<u>619</u>	<u>\$619</u>
				76,525				
	<u>1,843,924</u>			<u>822,859</u>			<u>(467)</u>	
	<u>\$2,347,976</u>			<u>\$887,646</u>			<u>\$152</u>	

**CITY OF SOUTH SAN FRANCISCO
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>CITY PROGRAMS</u>			<u>AFFORDABLE HOUSING TRUST</u>		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental						
Interest and rentals	\$52,000	\$52,154	\$154		\$14,853	\$14,853
Charges for services						
Other	<u>1,052,000</u>	<u>1,051,180</u>	<u>(820)</u>		<u>75,000</u>	<u>75,000</u>
Total Revenues	<u>1,104,000</u>	<u>1,103,334</u>	<u>(666)</u>		<u>89,853</u>	<u>89,853</u>
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Human resources						
Non-departmental		803,942	(803,942)			
Other	760,000		760,000			
Police						
Capital outlay						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	<u>760,000</u>	<u>803,942</u>	<u>(43,942)</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>344,000</u>	<u>299,392</u>	<u>(44,608)</u>		<u>89,853</u>	<u>89,853</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	426,000	426,396	396			
Transfers out	<u>(586,982)</u>	<u>(449,093)</u>	<u>137,889</u>			
Total Other Financing Sources (Uses)	<u>(160,982)</u>	<u>(22,697)</u>	<u>138,285</u>			
NET CHANGE IN FUND BALANCES	<u>\$183,018</u>	<u>276,695</u>	<u>\$93,677</u>		<u>89,853</u>	<u>\$89,853</u>
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1		<u>2,295,146</u>			<u>856,690</u>	
Fund balance, June 30		<u>\$2,571,841</u>			<u>\$946,543</u>	

OTHER CITY OBLIGATIONS			REDEVELOPMENT DEBT SERVICE FUNDS			NONOBLIGATED CAPITAL PROJECTS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
				\$227,146	\$227,146	\$813,000	\$812,093	(\$907)
				227,146	227,146	813,000	812,093	(907)
				5,205	(5,205)			
			\$1,892,429	1,842,000	50,429			
			3,555,949	3,561,659	(5,710)			
			5,448,378	5,408,864	39,514			
			(5,448,378)	(5,181,718)	266,660	813,000	812,093	(907)
			5,448,378	5,176,950	(271,428)			
	(\$121,764)	(\$121,764)				(716,973)	(716,434)	539
	(121,764)	(121,764)	5,448,378	5,176,950	(271,428)	(716,973)	(716,434)	539
	(121,764)	(\$121,764)		(4,768)	(\$4,768)	\$96,027	95,659	(\$368)
	\$121,764			5,405,247			604,558	
				\$5,400,479			\$700,217	

**CITY OF SOUTH SAN FRANCISCO
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2011**

	SEWER CAPACITY CHARGES		
	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes			
Other taxes			
Intergovernmental	\$5,100	\$6,322	\$1,222
Interest and rentals		1,203	1,203
Charges for services	100,000	548,942	448,942
Other			
Total Revenues	105,100	556,467	451,367
EXPENDITURES			
Current:			
Economic and community development			
Public works			
Human resources			
Non-departmental			
Other			
Police			
Capital outlay	2,500	2,500	
Debt service:			
Principal repayments			
Interest and fiscal charges			
Total Expenditures	2,500	2,500	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	102,600	553,967	451,367
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	\$102,600	553,967	\$451,367
Adjustment to budgetary basis:			
Encumbrance adjustments			
Fund balance (deficit) - July 1		277,341	
Fund balance, June 30		\$831,308	

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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, 2011**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$1,266,407	\$8,068,649	\$10,019,692	\$2,764,093	\$22,118,841
Restricted cash and investments				692,056	692,056
Receivables:					
Accounts	38,789		6,634		45,423
Accrued interest	4,576	32,061	40,026	12,465	89,128
Due from other funds				175,000	175,000
Deposit		125,000	46,010		171,010
	<u>1,309,772</u>	<u>8,225,710</u>	<u>10,112,362</u>	<u>3,643,614</u>	<u>23,291,458</u>
Total current assets					
Noncurrent assets:					
Capital assets:					
Nondepreciable	1,050			1,102,428	1,103,478
Depreciable, net accumulated depreciation	5,065			3,520,188	3,525,253
	<u>1,315,887</u>	<u>8,225,710</u>	<u>10,112,362</u>	<u>8,266,230</u>	<u>27,920,189</u>
Total Assets					
LIABILITIES					
Current liabilities:					
Accounts payable	324,485	100,625	47,158	680,646	1,152,914
Accrued interest payable				16,244	16,244
Other payable	380		32,906	544	33,830
Current portion of accrued insurance loss		712,000			712,000
Current portion of compensated absences	60,877		311,293		372,170
Net OPEB obligation			16,150,700		16,150,700
Current portion of long-term debt				274,459	274,459
	<u>385,742</u>	<u>812,625</u>	<u>16,542,057</u>	<u>971,893</u>	<u>18,712,317</u>
Total current liabilities					
Noncurrent liabilities:					
Accrued insurance loss		7,348,000			7,348,000
Compensated absences obligation	83,677		836,006		919,683
Noncurrent portion of long-term debt				2,068,433	2,068,433
	<u>83,677</u>	<u>7,348,000</u>	<u>836,006</u>	<u>2,068,433</u>	<u>10,336,116</u>
Total noncurrent liabilities					
	<u>469,419</u>	<u>8,160,625</u>	<u>17,378,063</u>	<u>3,040,326</u>	<u>29,048,433</u>
Total Liabilities					
NET ASSETS:					
Invested in capital assets, net of related debt	6,115			2,279,724	2,285,839
Unrestricted	840,353	65,085	(7,265,701)	2,946,180	(3,414,083)
	<u>\$846,468</u>	<u>\$65,085</u>	<u>(\$7,265,701)</u>	<u>\$5,225,904</u>	<u>(\$1,128,244)</u>
Total Net Assets (Deficits)					

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$2,684,345	\$3,901,830	\$5,099,029	\$916,390	\$12,601,594
Total Operating Revenues	<u>2,684,345</u>	<u>3,901,830</u>	<u>5,099,029</u>	<u>916,390</u>	<u>12,601,594</u>
OPERATING EXPENSES					
Personnel expenses	1,407,296	689,017	2,984,986		5,081,299
OPEB expenses			7,996,478		7,996,478
Professional services	241,424	111,314	37,554		390,292
Program supplies	716,909			109,799	826,708
Insurance	11,755	867,047	726		879,528
Self-insurance and claims		2,720,208			2,720,208
Repair and maintenance	481,332			86,554	567,886
Utilities	28,667				28,667
Depreciation	1,056			670,566	671,622
Other	24,514		183,394		207,908
Total Operating Expenses	<u>2,912,953</u>	<u>4,387,586</u>	<u>11,203,138</u>	<u>866,919</u>	<u>19,370,596</u>
Operating Income (Loss)	<u>(228,608)</u>	<u>(485,756)</u>	<u>(6,104,109)</u>	<u>49,471</u>	<u>(6,769,002)</u>
NONOPERATING					
REVENUES (EXPENSES)					
Interest income	18,879	125,984	158,987	47,302	351,152
Interest expense				(32,130)	(32,130)
Gain from disposal of capital assets				71,319	71,319
Proceeds of debt and capital assets					
Other	127,128				127,128
Total Nonoperating Revenues (Expenses)	<u>146,007</u>	<u>125,984</u>	<u>158,987</u>	<u>86,491</u>	<u>517,469</u>
Net income (loss) before transfers	(82,601)	(359,772)	(5,945,122)	135,962	(6,251,533)
TRANSFERS					
Transfers in	3,674				3,674
Transfers out				(1,135)	(1,135)
Change in Net Assets	(78,927)	(359,772)	(5,945,122)	134,827	(6,248,994)
Net Assets - (deficits) July 1	<u>925,395</u>	<u>424,857</u>	<u>(1,320,579)</u>	<u>5,091,077</u>	<u>5,120,750</u>
Net Assets - (deficits) June 30	<u>\$846,468</u>	<u>\$65,085</u>	<u>(\$7,265,701)</u>	<u>\$5,225,904</u>	<u>(\$1,128,244)</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from interfund service provided	\$2,663,751	\$3,901,830	\$5,092,395	\$916,390	\$12,574,366
Cash payment to suppliers for goods and services	(1,377,093)	(978,361)	(312,053)	(196,353)	(2,863,860)
Cash payment to employees for services	(1,290,392)	(735,264)	(3,022,851)		(5,048,507)
Cash payment for judgments and claims		(1,500,208)			(1,500,208)
Other receipts (payments)				677,604	677,604
Net Cash Provided by Operating Activities	<u>(3,734)</u>	<u>687,997</u>	<u>1,757,491</u>	<u>1,397,641</u>	<u>3,839,395</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Repayments from other funds				527,745	527,745
Transfers in	3,674				3,674
Transfers out				(1,135)	(1,135)
Net Cash Provided by Noncapital Financing Activities	<u>3,674</u>			<u>526,610</u>	<u>530,284</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease				(298,779)	(298,779)
Interest payments				(32,130)	(32,130)
Proceeds from long-term debt				1,680,000	1,680,000
Capital assets acquisitions				(2,028,124)	(2,028,124)
Net Cash Used in Capital and Related Financing Activities				<u>(679,033)</u>	<u>(679,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	14,303	114,270	118,961	52,247	299,781
Net Cash Provided by Investing Activities	<u>14,303</u>	<u>114,270</u>	<u>118,961</u>	<u>52,247</u>	<u>299,781</u>
Net Increase (Decrease) in cash and cash equivalents	14,243	802,267	1,876,452	1,297,465	3,990,427
Cash and cash equivalents, beginning	1,252,164	7,266,382	8,143,240	2,158,684	18,820,470
Cash and cash equivalents, ending	<u>\$1,266,407</u>	<u>\$8,068,649</u>	<u>\$10,019,692</u>	<u>\$3,456,149</u>	<u>\$22,810,897</u>
Reconciliation to Statement of Net Assets					
Cash and investments	\$1,266,407	\$8,068,649	\$10,019,692	\$2,764,093	\$22,118,841
Restricted cash and investments				692,056	692,056
Total cash and investments	<u>\$1,266,407</u>	<u>\$8,068,649</u>	<u>\$10,019,692</u>	<u>\$3,456,149</u>	<u>\$22,810,897</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	(\$228,608)	(\$485,756)	(\$6,104,109)	\$49,471	(\$6,769,002)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,056			670,566	671,622
Other non-operating revenue	127,128				127,128
Net change in assets and liabilities:					
Accounts and lease receivables	(20,594)		(6,634)		(27,228)
Accounts payable	109,143	(46,247)	(61,783)	677,060	678,173
Other payable	380		(90,379)	544	(89,455)
Accrued insurance losses		1,220,000			1,220,000
OPEB obligations			7,996,478		7,996,478
Compensated absence obligations	7,761		23,918		31,679
Net Cash Provided by (Used in) Operating Activities	<u>(\$3,734)</u>	<u>\$687,997</u>	<u>\$1,757,491</u>	<u>\$1,397,641</u>	<u>\$3,839,395</u>

AGENCY FUND

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

Non-obligated Assessment Districts – To account for the collection of assessments and related repayments of special assessment bonds for the 1990 Grand Business Park Assessment District 90A. In fiscal 2010-11 the remaining Pointe Grand Bonds were paid off early in 2010-11. As of June 30, 2011, the City has no remaining Agency Fund.

**CITY OF SOUTH SAN FRANCISCO
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2011**

	Nonobligated Assessment Districts			Balance June 30, 2011
	Balance June 30, 2010	Additions	Deductions	
ASSETS				
Accrued interest	\$7,296		\$7,296	
Restricted cash and investments	1,106,269		(1,106,269)	
Total Assets	\$1,113,565		(\$1,098,973)	
LIABILITIES				
Accounts payable				
Deferred contributions from property owners	\$1,113,565		\$1,113,565	
Total Liabilities	\$1,113,565		\$1,113,565	

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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

STATISTICAL SECTION - (Continued)
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Operating Information

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

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

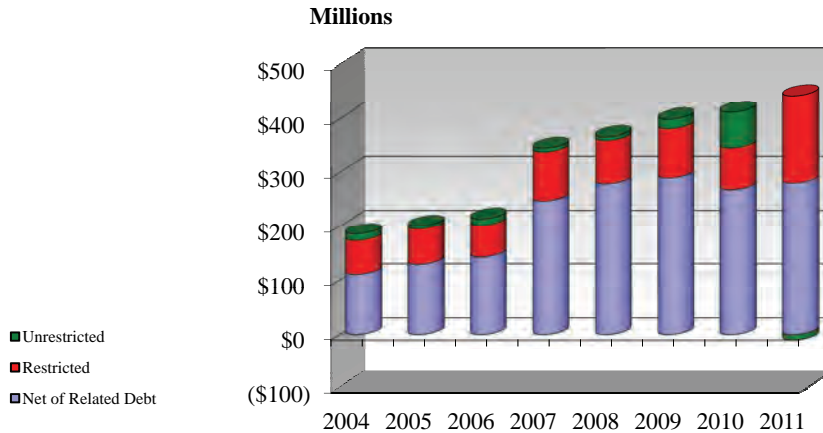
Miscellaneous Information

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

Sources

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

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



	For The Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Governmental activities					
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
Total governmental activities net assets	\$157,771,167	\$172,693,259	\$180,230,210	\$304,774,828	\$322,782,465
Business-type activities					
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)
Total business-type activities net assets	\$27,282,834	\$28,061,113	\$34,367,382	\$41,398,858	\$44,440,519
Primary government					
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
Total primary government net assets	\$185,054,001	\$200,754,372	\$214,597,592	\$346,173,686	\$367,222,984
Governmental activities					
Invested in capital assets, net of related debt	\$237,441,155	\$209,507,012	\$214,246,561		
Restricted	86,962,890	78,625,094	163,669,353		
Unrestricted	21,455,067	65,537,953	(19,267,010)		
Total governmental activities net assets	\$345,859,112	\$353,670,059	\$358,648,904		
Business-type activities					
Invested in capital assets, net of related debt	\$52,347,955	58,522,676	\$66,113,596		
Restricted	4,971,538				
Unrestricted	(3,496,600)	792,921	9,292,189		
Total business-type activities net assets	\$53,822,893	\$59,315,597	\$75,405,785		
Primary government					
Invested in capital assets, net of related debt	\$289,789,110	\$268,029,688	\$280,360,157		
Restricted	91,934,428	78,625,094	163,669,353		
Unrestricted	17,958,467	66,330,874	(9,974,821)		
Total primary government net assets	\$399,682,005	\$412,985,656	\$434,054,689		

Source: City of South San Francisco, Department of Finance

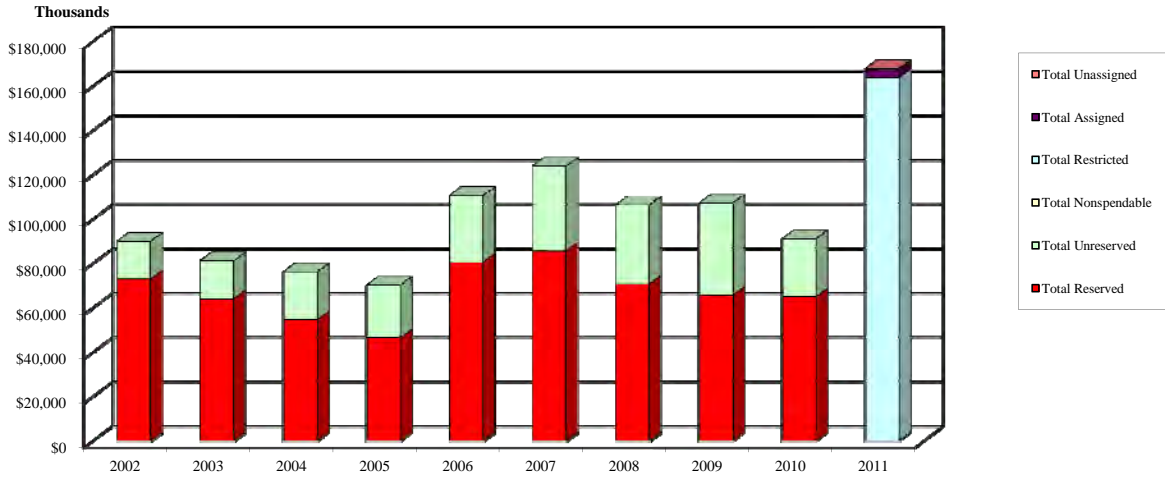
CITY OF SOUTH SAN FRANCISCO
Changes in Net Assets
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses								
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	\$7,711,156
Fire Department	13,722,509	14,285,287	14,891,017	14,960,270	17,147,670	19,047,877	17,868,050	20,032,141
Police Department	13,944,144	15,543,813	16,582,172	17,951,508	18,959,373	21,051,263	20,352,570	22,429,782
Public Works	2,392,790	7,925,565	10,595,999	13,472,084	16,286,592	20,924,132	15,873,783	17,127,086
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	10,866,568
Library	4,662,937	4,628,578	4,104,854	4,432,731	4,719,233	4,959,138	4,616,658	4,664,490
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	15,018,495
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	4,249,454
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>	<u>102,099,172</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	19,277,959
Parking District	290,314	229,087	303,712	352,629	363,878	341,100	338,995	571,261
Storm Water	401,315	565,827	675,773	683,458	705,099	746,316	722,232	710,903
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>	<u>20,560,123</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>	<u>\$122,659,295</u>
Program Revenues								
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	\$2,688,990
Fire Department	1,562,388	1,634,048	2,339,139	2,699,426	2,425,673	2,415,617	2,851,984	3,221,837
Police Department	1,861,660	1,613,103	1,539,685	1,765,507	1,685,514	1,650,620	1,479,104	1,815,405
Public Works	175,712	192,960	460,184	164,846	2,973,297	2,462,538	4,412,581	3,805,824
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	3,004,435
Library	154,795	172,309	240,238	192,445	233,753	240,542	187,380	168,505
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	4,944,328
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	5,549,711
Capital Grants and Contributions	11,628,116	5,914,588	5,468,406	8,433,785	3,113,674	182,462	217,877	2,728,543
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>	<u>27,927,578</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	18,087,695
Parking District	312,875	401,131	447,431	449,945	553,317	606,847	616,578	722,807
Storm Water	405,578	401,484	410,175	413,087	421,727	419,446	422,467	406,589
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	5,509,874
Capital Grants and Contributions	1,581,840	893,318	1,452,115	3,096,728	173,767	162,599	24,720	31,670
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>	<u>24,758,635</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>	<u>\$52,686,213</u>
Net (Expense)/Revenue								
Governmental Activities	(\$34,847,772)	(\$44,234,081)	(\$52,057,034)	(\$48,949,253)	(\$58,098,140)	(\$73,104,218)	(\$78,685,692)	(\$74,171,594)
Business-Type Activities	145,995	811,803	5,752,123	6,495,755	2,802,554	8,714,475	4,224,591	4,198,512
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>	<u>(\$69,973,082)</u>

CITY OF SOUTH SAN FRANCISCO
Changes in Net Assets
(continued)
Last Eight 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>	<u>2011</u>
General Revenues and Other Changes in Net Assets								
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	\$54,323,420
Sales Taxes	10,990,867	10,676,202	11,944,496	12,446,921	12,180,885	11,752,776	9,146,620	11,199,175
Transient Occupancy Tax	3,945,974	4,518,293	5,469,708	5,959,034	7,098,284	6,178,391	5,820,675	7,191,938
Other Taxes	4,664,923	5,057,871	5,076,182	5,369,868	6,083,162	6,870,791	6,768,753	7,071,446
Motor Vehicle In-Lieu	2,782,118	2,979,413	4,463,069	411,098	267,061	183,193	192,035	211,503
Property taxes in lieu of vehicle license fees				4,206,799	4,608,649	5,563,165	5,224,547	5,086,144
Interest Earnings	660,704	1,855,742	3,627,834	6,924,292	8,994,203	4,760,345	5,127,255	3,944,785
Other	3,771,293	3,332,974	3,170,305	4,551,050	1,417,773	1,925,666	1,496,744	1,891,421
Transfers	6,938	66,315	(474,027)	(176,680)	(169,330)	(423,012)	(1,459,296)	(11,769,393)
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>	<u>79,150,439</u>
Business-Type Activities:								
Interest Earnings	55,196	32,791	80,119	359,041	69,777	244,887	175,188	122,283
Transfers	(6,938)	(66,315)	474,027	176,680	169,330	423,012	1,459,296	11,769,393
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>	<u>11,891,676</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>	<u>\$91,042,115</u>
Change in Net Assets								
Governmental Activities	\$20,773,315	\$14,922,092	\$7,536,951	\$32,212,478	\$18,007,637	\$23,076,647	\$8,646,008	\$4,978,845
Business-Type Activities	194,253	778,279	6,306,269	7,031,476	3,041,661	9,382,374	5,859,075	16,090,188
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>	<u>\$21,069,033</u>

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



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	(b)									
General Fund										
Reserved	\$5,789,525	\$1,234,937	\$364,447	\$421,700	\$453,567	\$732,903	\$283,435	\$554,692	\$889,186	
Unreserved	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	
Nonspendable										\$67,129
Committed										401,797
Assigned										771,849
Unassigned										15,049,168
Total General Fund	\$15,162,316	\$13,992,965	\$12,705,638	\$13,034,424	\$17,040,291	\$21,092,374	\$14,786,698	\$18,064,515	\$15,731,144	\$16,289,943
All Other Governmental Funds										
Reserved	\$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	7,730,590	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	(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	
Restricted										\$163,727,096
Assigned										2,390,904
Unassigned										(14,353,252)
Total all other governmental funds	\$60,345,295	\$70,795,966	\$71,049,366	\$82,431,412	\$115,491,356	\$132,774,720	\$95,179,214	\$140,655,457	\$147,727,574	\$151,764,748
All Governmental Funds										
Total Reserved	\$72,782,119	\$63,977,160	\$54,630,212	\$46,519,570	\$80,313,093	\$85,481,657	\$70,478,098	\$65,672,663	\$65,052,559	
Total Unreserved	17,103,381	17,133,206	21,455,279	23,518,956	30,145,974	38,332,861	35,789,694	41,336,007	25,921,348	
Total Nonspendable										\$67,129
Total Restricted										163,727,096
Total Committed										401,797
Total Assigned										3,162,753
Total Unassigned										695,916
Total All Governmental Funds	\$89,885,500	\$81,110,366	\$76,085,491	\$70,038,526	\$110,459,067	\$123,814,518	\$106,267,792	\$107,008,670	\$90,973,907	\$168,054,691

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

(b) In fiscal year 2011, the City implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources.

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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)

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

2006	2007	2008	2009	2010	2011
\$33,504,626	\$41,469,349	\$44,165,490	\$59,369,550	\$54,718,916	\$54,128,998
22,157,878	23,505,138	24,313,543	22,755,561	19,771,310	23,412,992
11,495,084	9,103,859	13,219,053	15,088,171	10,609,605	11,860,658
6,807,538	10,691,238	12,318,594	7,625,428	7,680,293	7,612,223
5,342,009	6,729,772	5,716,017	5,957,815	7,270,081	7,004,603
10,533,289	17,083,402	10,792,043	13,644,314	9,986,352	10,010,541
889,085	1,043,528	1,073,603	1,013,434	1,054,549	2,133,677
2,065,054	5,557,296	1,091,514	3,722,979	2,542,492	2,261,247
92,794,563	115,183,582	112,689,857	129,177,252	113,633,598	118,424,939
4,211,157	4,451,564	5,897,066	5,752,948	5,916,364	6,407,094
14,713,658	14,972,467	16,875,311	17,724,990	16,790,834	18,140,954
16,425,238	18,040,508	18,757,394	19,989,136	19,359,770	20,272,684
16,722,028	15,038,206	14,910,401	12,360,989	8,416,242	9,856,201
4,631,328	4,927,687	10,826,041	10,700,332	9,960,090	10,168,425
4,064,649	4,399,017	4,766,821	4,679,270	4,342,662	4,231,762
18,344,116	15,675,694	13,848,049	19,554,780	26,279,406	19,894,692
1,169,699	633,060	1,023,435	474,805		
2,429,448	844,744	36,544,741	4,247,021	6,724,022	6,969,052
23,094,686	8,610,556	1,692,296	1,755,426	1,887,434	1,842,000
2,393,177	5,500,469	5,441,036	4,571,150	4,255,050	4,274,170
108,199,184	93,093,972	130,582,591	101,810,847	103,931,874	102,057,034
(15,404,621)	22,089,610	(17,892,734)	27,366,405	9,701,724	16,367,905
20,973,246	14,505,346	20,182,014	18,754,214	18,047,351	88,175,882
(20,890,788)	(14,351,319)	(24,253,621)	(19,330,934)	(22,175,268)	(99,947,814)
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)	(11,771,932)
\$44,254,017	\$22,257,387	(\$21,950,591)	\$26,803,469	\$5,573,807	\$4,595,973
21.6%	13.9%	8.9%	6.8%	6.6%	6.7%

**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					
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%
2011	5,547,292,029	1,509,554,164	4,922,422,763	387,673,530	12,366,942,486	1,279,681,193	13,646,623,679	13,646,623,679	0.36933%

Source: HdL Coren & Cone, San Mateo County Assessor 2010/11 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>	
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	0.0247	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	1.0407	(1,16)
2011	0.000	1.000	0.0389	0.0000	1.0423	(1,17)

Notes:

- (1) Like other cities, South San Francisco includes several property tax rate areas with different rates. A mean average is indicated.
- (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.
- (17) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0389 percent, which includes SSFUSD bonds and San Mateo Jr. College bond. 3 has a rate of 1.0870 percent and one at 1.0832 percent which includes Jefferson Union School bonds and Brisbane ESD bonds. One has a rate of 1.0834 percent which includes San Bruno Park Elementary.

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	2010-11			2001-02		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$1,904,701,226	1	14.0%	\$698,088,829	1	9.2%
Slough BTC LLC	544,955,383	2	4.0%	46,767,000	10	0.6%
Slough SSF LLC De	464,246,120	3	3.4%			
ARE San Francisco	353,268,155	4	2.6%			
Britannia Pointe Grand LP	272,915,643	5	2.0%	159,934,758	3	2.1%
United Airlines	210,430,123	6	1.5%	284,658,009	2	3.8%
ASN Solaire LLC	143,205,429	7	1.0%			
Gateway Center LLC	131,632,467	8	1.0%	121,482,000	4	1.6%
Britannia Biotech Gateway LLP	128,927,713	9	0.9%			
Myers Peninsula Venture LLC	121,685,150	10	0.9%			
BNP Leasing Corporation	--	--	--	93,768,019	5	1.2%
SFO Fuel Company LLC	--	--	--	85,161,393	6	1.1%
Costco	--	--	--	60,845,371	7	0.8%
HMS Gateway Office LP	--	--	--	57,789,056	8	0.8%
Federal Express Corporation	--	--	--	53,980,364	9	0.7%
Subtotal	\$4,275,967,409		31.3%	\$1,662,474,799		22.0%

Total Net Assessed Valuation:

Fiscal Year 2010-2011	\$13,646,623,679
Fiscal Year 2001-2002	\$7,562,036,902

Source: HdL Coren & Cone, 2001-02 & 2010-11 Top Ten Property Taxpayers (Net Values)

San Mateo County Assessor 2001-02 & 2010-11 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, 2011

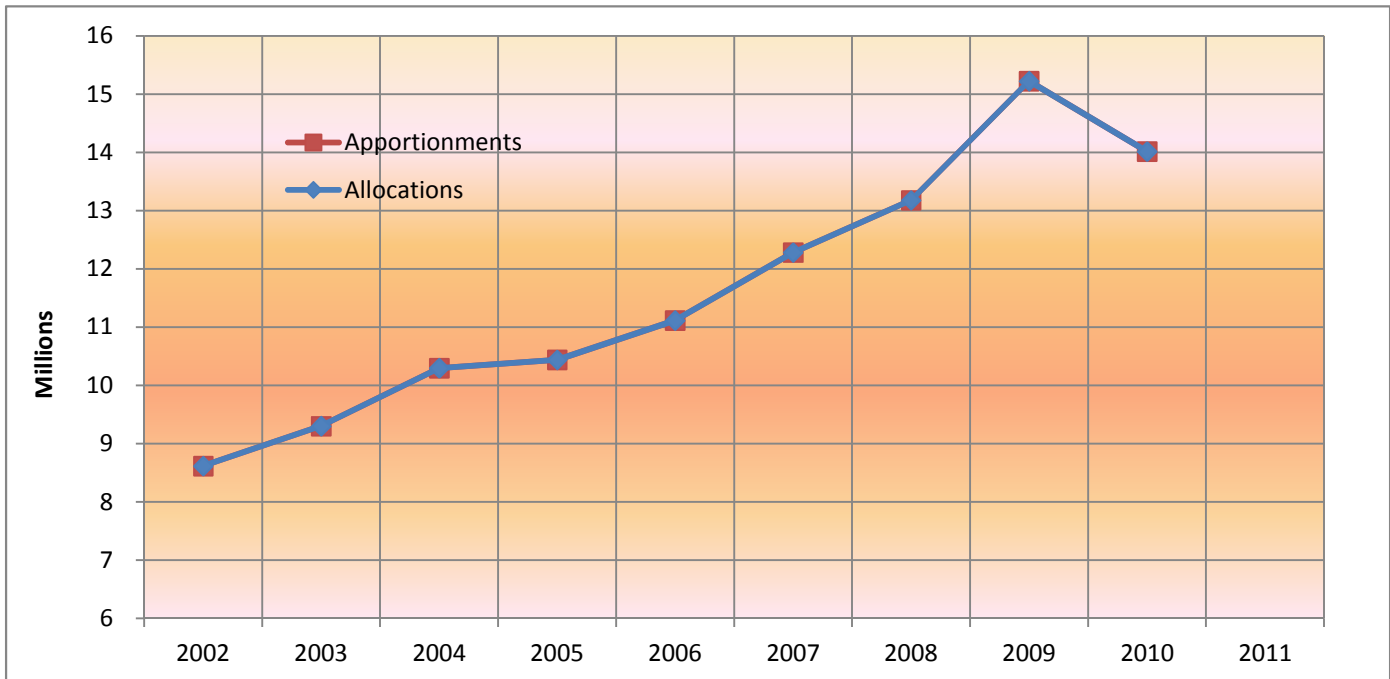
Property Tax Payer	Secured	Unsecured	Total Assessed Value	% of Total AV in Project Area	Land Use
Slough	\$885,525,312		\$885,525,312	21.96%	Industrial
Genentech	304,490,379	208,616,717	\$513,107,096	12.73%	Industrial, Office, R&D
Britannia Pointe Grand LP	401,843,356		\$401,843,356	9.97%	Industrial
ARE San Francisco	162,506,934		\$162,506,934	4.03%	Industrial, Commercial
ASN Solaire LLC	143,205,429		\$143,205,429	3.55%	Residential
Gateway Center LLC DE	131,632,467	155,521	\$131,787,988	3.27%	Commercial
Chamberlin Properties	\$85,920,875		\$85,920,875	2.13%	Commercial
Costco Wholesale Corp	38,264,237	30,661,891	\$68,926,128	1.71%	Commercial
Elan Pharmaceuticals Inc.	\$0	56,565,511	\$56,565,511	1.40%	Industrial
Gateway Boulevard LLC	56,078,968		\$56,078,968	1.39%	Industrial
Broadway 801 Gateway Fee LLC	54,745,942		\$54,745,942	1.36%	Commercial
BP Gateway Center LLC	54,347,721		\$54,347,721	1.35%	Commercial
Exelixis Inc.		45,249,853	\$45,249,853	1.12%	Industrial
Theravance Inc.		44,570,614	\$44,570,614	1.11%	Industrial, Office, R&D
Haskins Richard E	42,609,820		\$42,609,820	1.06%	Industrial
Broadway 701 Gateway Fee LLC	41,500,000		\$41,500,000	1.03%	Commercial
Amgen SF LLC		41,183,537	\$41,183,537	1.02%	Industrial
Oik Sierra Point LLC	40,219,952		\$40,219,952	1.00%	Commercial
Kaiser Foundation Hospitals	39,121,957		\$39,121,957	0.97%	Hospitals
Blue Line Transfer Inc.	38,372,775		\$38,372,775	0.95%	Industrial
Total Top Twenty	2,520,386,124	427,003,644	2,947,389,768	73.10%	
Percent of AV	85.5%	14.5%		73.10%	

(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 (1)
LAST TEN FISCAL YEARS**



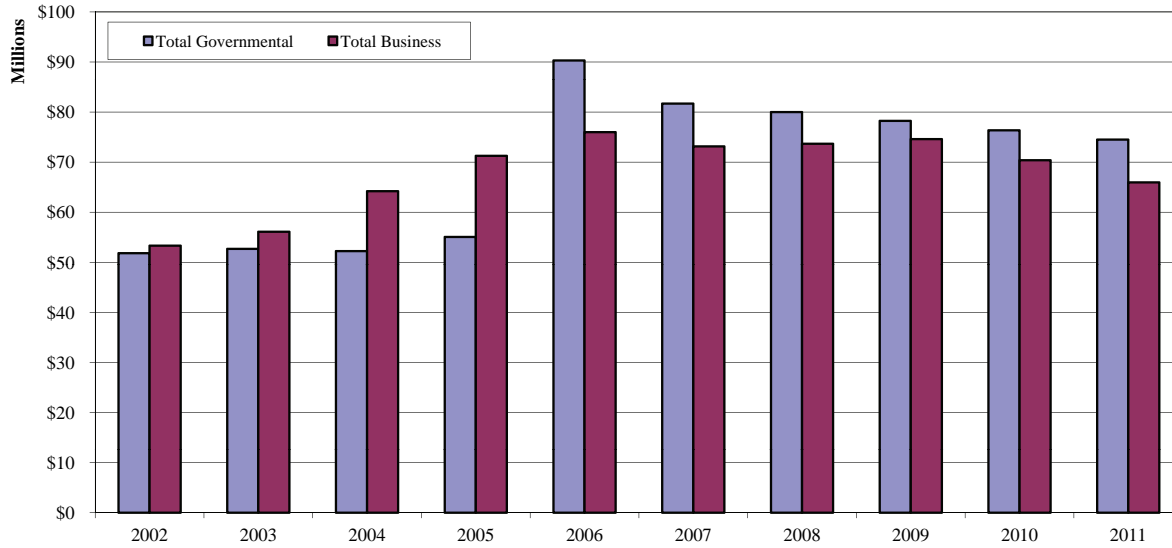
Fiscal Year	Rate (2)	Levies (3)	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
2002	1.00	(4)	8,614,725	(4)	8,614,725	(4)	0.0%
2003	1.00	(4)	9,300,314	(4)	9,300,314	(4)	0.0%
2004	1.00	(4)	10,296,831	(4)	10,296,831	(4)	0.0%
2005	1.00	(4)	10,438,333	(4)	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	1.00	(5)	14,013,912	(4)	14,013,912	(4)	0.0%
2011	1.00	(5)		(4)		(4)	

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 2010 information source: San Mateo County Controllers office. Both 2010 and 2011 Property Tax Highlights are not yet published in the SMC Controller's website.

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

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



Governmental Activities

Fiscal Year	RDA Tax Allocation Bonds	Lease Revenue Bonds	Certificates of Participation	Special Assessment Debt	Loans	Total
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
2011	66,455,000	0	4,610,000		3,436,000	74,501,000

Business-Type Activities

Fiscal Year	Sewer Revenue Bonds	Certificates of Participation	State Water Resources Loans	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2002			\$53,314,447	\$53,314,447	\$105,126,773	3.24%	1,731.39
2003			56,090,490	56,090,490	108,770,782	3.33%	1,790.17
2004			64,195,566	64,195,566	116,431,903	3.28%	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	3.34%	2,410.49
2009	5,575,000		69,025,322	74,600,322	152,830,756	3.38%	2,350.52
2010	5,350,000		65,028,410	70,378,410	146,721,410	NA	2,227.37
2011	5,120,000		60,831,038	65,951,038	140,452,038	NA	2,192.27

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, 2011**

2010-11 Assessed Valuation:	\$13,646,623,679
Redevelopment Incremental Valuation:	<u>(3,701,148,046)</u>
Adjusted Assessed Valuation:	\$9,945,475,633

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2011	% Applicable (1)	City's Share of Debt 6/30/09
San Mateo Community College District	\$613,779,994	7.790%	\$47,813,462
Jefferson Union High School District	119,273,166	1.646	1,963,236
South San Francisco Unified School District	67,015,682	86.070	57,680,397
Brisbane School District	7,340,437	12.464	914,912
City of Brisbane Marina Boulevard and Lagoon Road Reassessment District	4,505,000	24.216	1,090,931
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$109,462,938

Ratio to 2010-11 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.....0.80%

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$337,584,816	7.790%	\$26,297,857
San Mateo County Board of Education Certificates of Participation	12,420,000	7.790	967,518
San Mateo County Flood Control District Certificates of Participation	23,015,000	55.899	12,865,155
City of South San Francisco Certificates of Participation	4,610,000	100.000	4,610,000
South San Francisco Unified School District Certificates of Participation	1,522,975	86.070	1,310,825
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$46,051,355

Total Direct Debt	\$4,610,000
Total Overlapping Debt	\$150,904,293

COMBINED TOTAL DEBT \$155,514,293 (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 Adjusted Assessed Valuation:</u>	
Combined Direct Debt (\$4,610,000)	0.05%
Combined Total Debt	1.56%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

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

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2011**

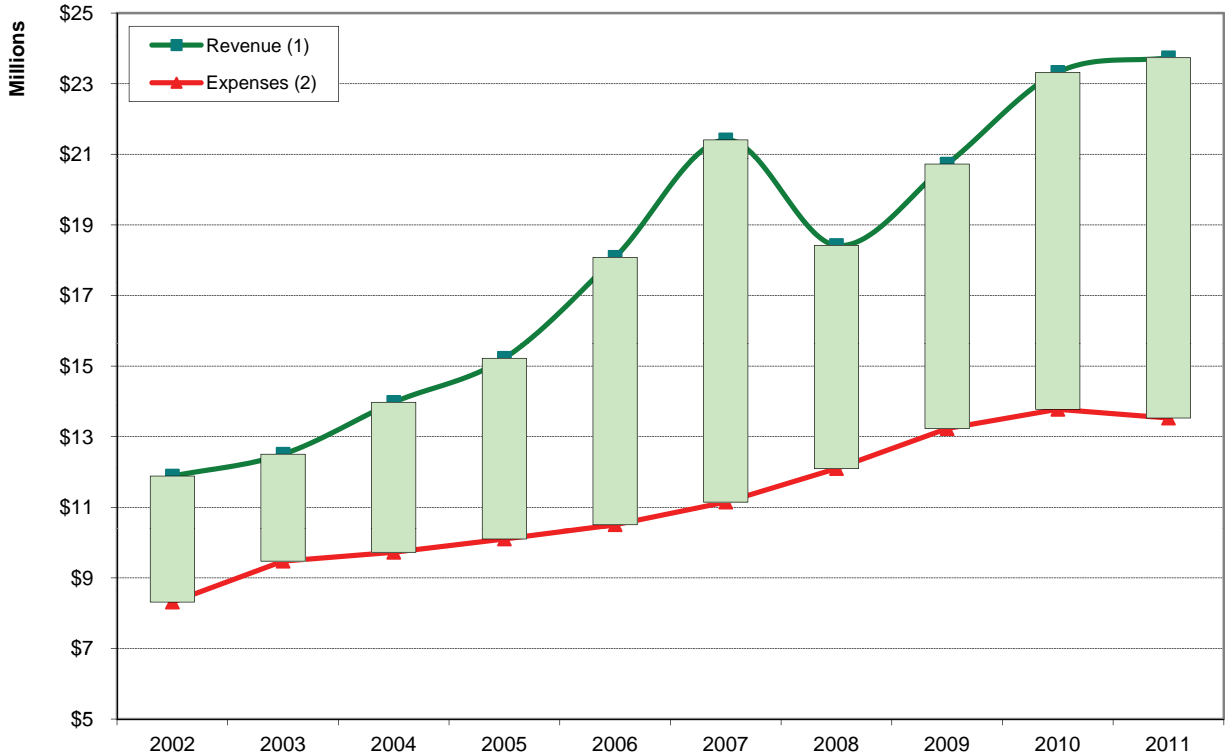
ASSESSED VALUATION:	\$13,646,623,679
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	511,748,388
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$511,748,388

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
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%
2011	511,748,388	0	511,748,388	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 - 2008/09 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	
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
2011	23,735,469	13,527,544	10,207,925	230,000	223,973	453,973	22.49

- Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- (1) Gross revenue includes operating revenue and non-operating revenue.
 - (2) Direct operating expenses include operating expenses (except depreciation) and non-operating expenses (except interest expense).
 - (3) Retirement of principal for 2005 Sewer Revenue Bonds begins in fiscal year 2008.
 - (4) The requirement does not include loan payments on State Water Resources Board loans. See schedule of Sewer Debt service coverage for details.

Source: City of South San Francisco, Department of Finance

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

2006 RDA Revenue Bonds						1999 RDA Revenue Bonds (Housing)					
Funding Source: RDA tax increment revenues						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
2011	44,300,878	1,380,000	3,141,394	4,521,394	9.80	2011	5,732,171	195,000	98,748	293,748	19.51

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

1999 Certificates of Participation						1989 Cal Health Facilities Financing Authority Revenue Bonds					
Funding Source: RDA tax increment revenues						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
2011	44,300,878	155,000	238,250	393,250	112.65						

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
2011	44,300,878	1,535,000	3,379,644	4,914,644	9.01

(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
SEWER DEBT SERVICE COVERAGE
SEWER RENTAL ENTERPRISE FUND
LAST SIX FISCAL YEARS**

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Revenues						
Service Charges	\$12,116,388 (4)	\$12,568,533 (4)	\$13,455,322 (4)	\$15,770,470	\$17,486,418	\$18,087,695
Connection and Other Fees	603,814	1,664,813	340,945	162,599	24,720	31,670
Interest Income	46,225	307,051	20,977	231,431	162,621	106,230
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	5,509,874
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>	<u>\$23,735,469</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>	<u>\$13,527,544</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>	<u>\$10,207,925</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	\$6,270,859
CSCDA Series 2005D Revenue Bonds	156,165	248,914	241,846	235,897	229,276	222,061
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>	<u>\$6,492,920</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>	<u>1.57</u>

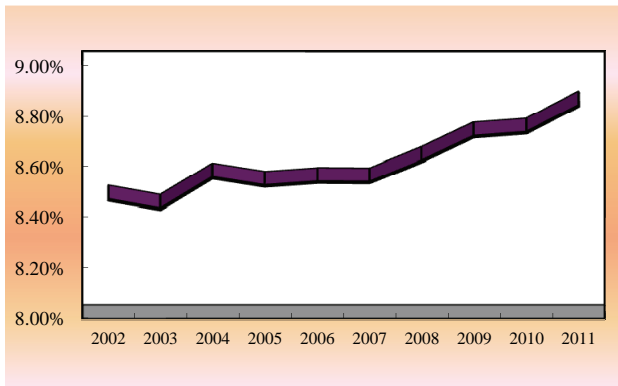
(1) Primarily consists of payments from the City of San Bruno. The City of San Bruno is a co-owner of the Plant and pays the City in advance on a quarterly basis for the City of San Bruno's share of operating costs. See "Wastewater System" herein.

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

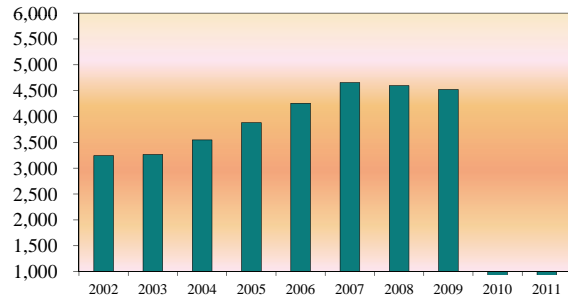
(3) Includes Sewer Revenue Bonds and State Water Loan payments

(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.

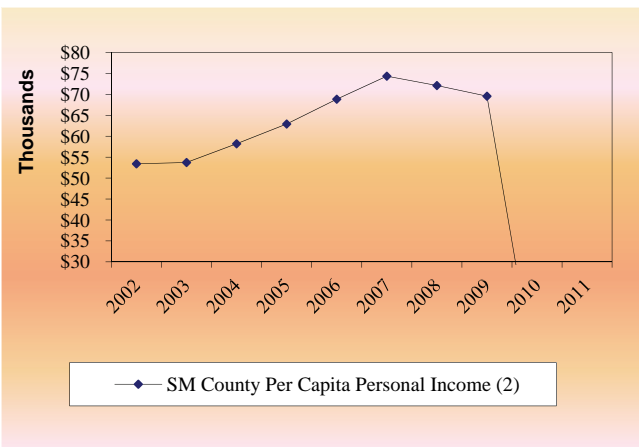
**CITY OF SOUTH SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



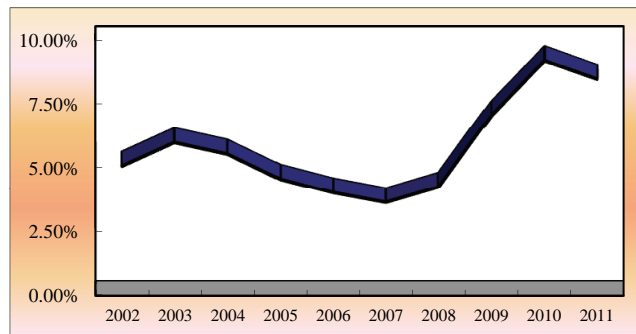
■ City Population as a % of County Population



■ Personal Income (2) (in millions)



◆ SM County Per Capita Personal Income (2)



■ San Mateo County Unemployment Rate (%)

Year	Estimated City Population (1)	Personal Income (2) (in millions)	SM County Per Capita Personal Income (2)	SM County Average Unemployment Rate (3)	San Mateo County Population	City Population % of County
2002	60,718	\$3,243	\$53,415	5.06%	717,000	8.47%
2003	60,760	3,265	53,729	5.98%	720,630	8.43%
2004	60,951	3,547	58,195	5.53%	712,400	8.56%
2005	61,661	3,880	62,921	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	4,597	72,112	4.24%	739,469	8.62%
2009	65,020	4,523	69,562	7.06%	745,858	8.72%
2010	65,872	NA	NA	9.21%	754,285	8.73%
2011	64,067	NA	NA	8.48%	724,702	8.84%

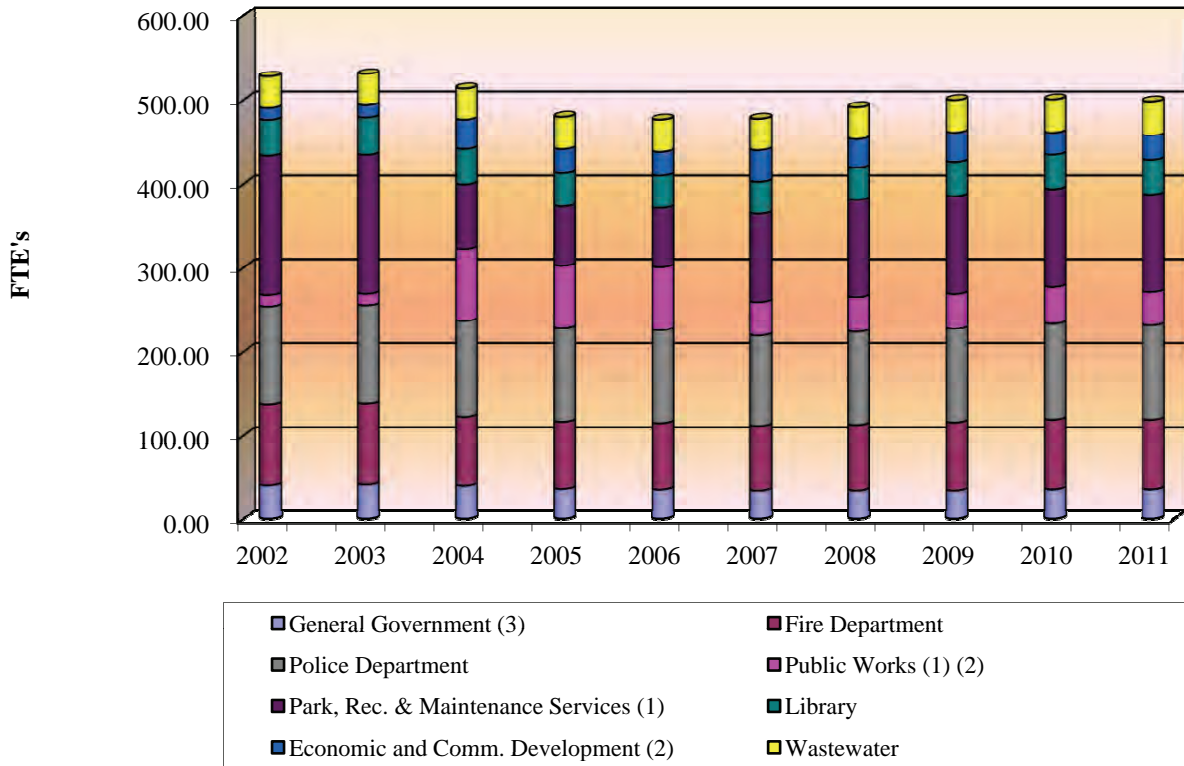
- (1) State of California, Department of Finance - Demographic Research Unit. The data represents the City's estimated population as of January 1st of each year.
- (2) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.
Per Capita personal income was computed based on Census Bureau Midyear population estimates. Estimates for 2000-2009 reflect county population available as of April 2010. For mor info: <http://www.bea.gov/regional/docs.poppnote.cfm>
CA1-3 Personal Income Summary 2010 and 2011 information not available yet.
Source: <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=5>
- (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 Thirteen Fiscal Years Ago

<u>Employer</u>	<u>2010-11</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	8,556	1	13.4%	3,200	1	5.3%
Costo Wholesalers (2 stores)	488	2	0.8%			
Amgen San Francisco LLC	481	3	0.7%			
American Etc Inc/ Royal Laundry	305	4	0.5%			
Oroweat/Entenmanns	304	5	0.5%			
Janssen Alzheimer Immuno Therapy	206	6	0.3%			
Onyx Pharmaceuticals Inc	200	7	0.3%			
Guckenheimer Enterprises Inc	200	8	0.3%			
Columbus Manufacturing, Inc	191	9	0.3%			
Matagrano Inc	185	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>11,116</u>		<u>17.4%</u>	<u>4,798</u>		<u>7.9%</u>
Total City Day Population	<u>64,067</u>			<u>60,938</u>		

Source: SSF Business License Database as of 12/31/11. Information for 1998-2002 not available.

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



Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government (3)	41.70	42.70	41.30	37.50	36.88	35.48	35.67	35.60	37.00	37.00
Fire Department	95.48	95.48	81.48	79.48	78.48	76.48	77.48	80.48	82.48	82.48
Police Department	116.99	117.45	114.45	111.45	110.45	107.45	110.85	111.65	114.65	112.65
Public Works (1) (2)	14.48	14.48	85.37	74.37	75.37	39.76	42.00	42.10	43.85	40.05
Park, Rec. & Maintenance Services (1)	165.15	164.77	77.47	70.42	70.23	105.49	115.15	116.37	116.34	116.05
Library	43.05	44.89	41.69	40.09	39.15	38.54	38.68	40.21	40.81	40.81
Economic and Comm. Development (2)	14.05	14.75	35.23	28.25	27.75	37.21	33.35	35.35	26.45	28.95
Wastewater	37.67	37.19	37.19	38.75	38.74	37.59	38.59	38.59	39.54	40.64
Total	528.57	531.71	514.18	480.31	477.05	478.00	491.77	500.35	501.12	498.63

- 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 2010-11

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

	2006	2007	2008	2009	2010	2011
Function/Program						
Public safety:						
Fire:						
Inspection permit issued	1,599	1,185	1,278	2,012	2,425	1,449
Police:						
Police calls for service	0	30,626	32,100	33,749	32,953	30,065
Law violations:						
Part I crimes	NA	1,948	2,165	2,206	2,195	1,905
Physical arrests (adult and juvenile)	NA	1,983	1,969	1,795	1,867	1,753
Traffic violations	NA	4,597	4,863	5,271	4,731	4,753
Parking violations	NA (1)	25,062	22,787	23,038	14,999	19,031
Public works						
Street resurfacing (miles) (Eng Div)	2.01	NA	8.50	0.80	2.0	2.4
Potholes repaired (square miles)	NA	NA	0.25	0.25	0.50	0.23
Asphalt used for street repairs (tons)	NA	NA	463	463	656	169.07
Culture and recreation:						
Recreation class participants	25,675	23,567	24,011	24,976	21,602	24,702
Library:						
Total items borrowed	503,000	503,000	686,733	759,925 (3)	560,186	723,592
Items in collection	212,349	195,820	197,817	194,098 (3)	191,455	176,086
Wastewater						
Residential connections	16,268	16,274	16,274	16,637	16,698	16,510
Commercial connections	1,557	1,405	1,481	1,582	1,585	1,573
Other connections	168	133	133	136	136	136
Average daily sewage treatment (millions of gallons)	10.04	9.00	9.40	9.2	8.92	9.38

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 Six Fiscal Years

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

(1) Source: 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 3 cushman.

(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.

(5) The only senior center is Magnolia Center but programming still continues at El Camino.

CITY OF SOUTH SAN FRANCISCO
Miscellaneous Information
Last Four Fiscal Years

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

	2008	2009	2010	2011
Transient Occupancy Tax Detail (TOT)				
General TOT collected (1)	\$6,309,586	\$5,491,903	\$5,173,933	\$6,472,744
1% Measure I Special Tax	788,698	686,488	646,742	719,194
Total TOT Collection	7,098,285	6,178,391	5,820,675	7,191,937
1% Measure I Special Tax Use				
Police	157,740	137,298	129,348	143,839
Fire	157,740	137,298	129,348	143,839
Library	157,740	137,298	129,348	143,839
Parks	157,740	137,298	129,348	143,839
Recreation	157,740	137,298	129,348	143,839
Total 1% Measure I Special Tax	\$788,698	\$686,488	\$646,742	\$719,194

* 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.

(1) Effective 1/2/2010, the voters of South San Francisco voted for an increase in the general TOT rate from 8% to 9%.