

THE CITY OF SOUTH SAN FRANCISCO, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2012

CITY OF SOUTH SAN FRANCISCO, CALIFORNIA



Comprehensive Annual Financial Report For the Year Ended June 30, 2012

Prepared by:

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

Original Cover Photo by Frank Domin with MidPen Housing Corporation

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OFFICE OF THE CITY MANAGER

CITY COUNCIL 2013

PEDRO GONZALEZ, MAYOR
KARYL MATSUMOTO, MAYOR PRO TEM
MARK ADDIEGO, COUNCILMEMBER
RICHARD A. GARBARINO, COUNCILMEMBER
PRADEEP GUPTA, PH.D., COUNCILMEMBER

BARRY M. NAGEL, CITY MANAGER

January 15, 2013

Honorable Mayor and City Council Members
City of South San Francisco
400 Grand Avenue
South San Francisco, California 94080

The Comprehensive Annual Financial Report (CAFR) of the City of South San Francisco (the City) for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

BACKGROUND OF THE CITY

The City encompasses approximately 9.5 square miles and has a population of 64,000. It employs approximately 479 full-time and part-time regular employees. South San Francisco is a full service city which includes public safety (police, fire and paramedics),

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

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

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

FINANCIAL INFORMATION

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

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

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

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

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

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

Debt Administration

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

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, 2012, 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)	\$ 49,959	25.6%
U.S. Agency Securities	\$ 104,472	53.6%
San Mateo County Investment Pool	\$ -	0.0%
U.S. Treasury Securities	\$ 21,042	10.8%
FDIC Insured Corporate Notes	\$ 1,009	0.5%
Cash in Bank	\$ 4,138	2.1%
Money Market Mutual Funds	<u>\$ 14,272</u>	<u>7.3%</u>
	<u>\$ 194,892</u>	<u>100.0%</u>

As of June 30, 2012 the City's investments earned an average market yield (yield to maturity) of .37%. The average maturity of the portfolio was 1.3 years at June 30, 2012.

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 2011-12 is in the Financial Section of this report.

Award

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011, 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.

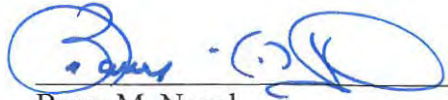
Acknowledgments

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, 2011

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. Davison

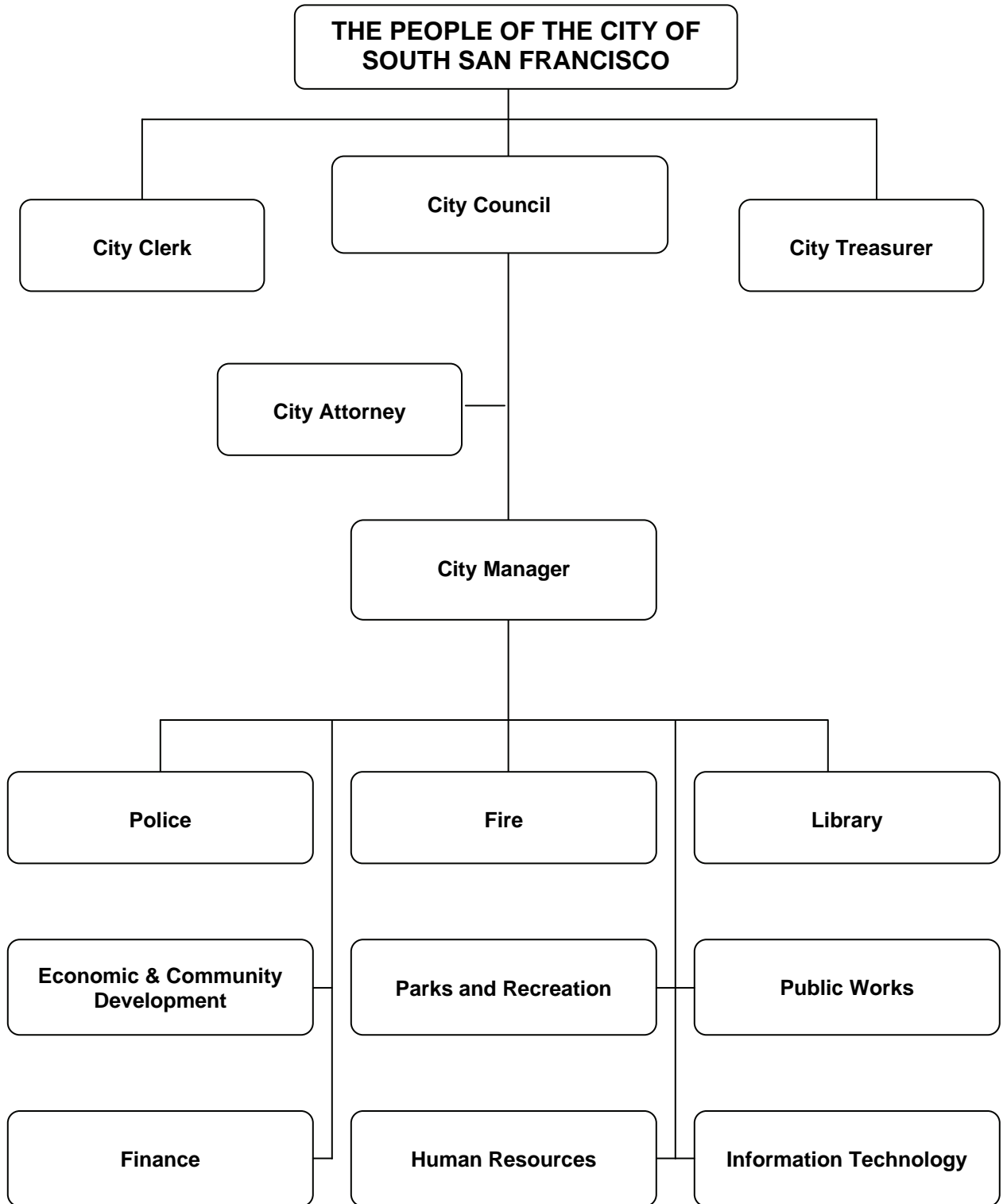
President

Jeffrey R. Emer

Executive Director

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ORGANIZATION CHART



CITY OF SOUTH SAN FRANCISCO

CITY COUNCIL AND DIRECTORY OF OFFICIALS

CITY COUNCIL *

RICHARD A. GARBARINO
MAYOR

PEDRO GONZALEZ
VICE MAYOR

MARK N. ADDIEGO
COUNCIL MEMBER

KARYL MATSUMOTO
COUNCIL MEMBER

KEVIN MULLIN
COUNCIL MEMBER

CITY OFFICIALS

KRISTA MARTINELLI-LARSON
CITY CLERK

BARRY M. NAGEL
CITY MANAGER

RICHARD BATTAGLIA
CITY TREASURER

STEVEN T. MATTAS
CITY ATTORNEY

DEPARTMENT MANAGERS

MARTY VAN DUYN
ASSISTANT CITY MANAGER

MICHAEL MASSONI
CHIEF OF POLICE

SUSAN KENNEDY
ASSISTANT TO THE CITY
MANAGER

PHILIP D. WHITE
FIRE CHIEF

TERRY WHITE
DIRECTOR OF PUBLIC WORKS

SHARON RANALS
DIRECTOR OF PARKS AND
RECREATION

JIM STEELE
DIRECTOR OF FINANCE

VALERIE SOMMER
LIBRARY DIRECTOR

DOUG HOLLIS
DIRECTOR OF INFORMATION
TECHNOLOGY

KATHY MOUNT
HUMAN RESOURCES
DIRECTOR

* As of June 30, 2012

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco as of and for the year ended June 30, 2012, 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 8% of the assets and revenues and 2% and 2% 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, 2012 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 discussed in Note 14, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of South San Francisco has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maze & Associates

January 14, 2013

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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 2011-12 FINANCIAL HIGHLIGHTS

Summary:

The General Fund finished FY 2011-12 with a surplus of \$2.2 million, after transfers out to the Health and Benefits Fund for Other Post Employment Benefits, to the Capital Improvement Program, and to the Storm Water Fund to help fund the cost of complying with increased storm drain regulations. Total General Fund revenues increased \$3.6 million over the prior year, due primarily to large gains in Sales Tax and Transient Occupancy Taxes (TOT), and to the reallocation to the City of property taxes that formerly went to the now dissolved South San Francisco Redevelopment Agency (RDA). The State of California dissolved all RDA's as of February 1, 2012 as a way to lower the State's burden of funding local schools.

The City's share on new property taxes from the former RDA totaled \$1.1 million, for the last five months of the fiscal year. However, with the absorption in to the General Fund of staff positions and costs formerly paid by the RDA, and the loss of revenue via administrative charges to the RDA, the net impact on the City in FY 2011-12 was a hit of \$1 million. As the Successor Agency moves forward with fulfilling its recognized remaining RDA obligations, more money will be freed up and allocated to local taxing entities, including the City. At some point in the next several years, the General Fund will begin seeing a positive net impact of the RDA dissolution: that is, when new property tax revenues exceed the expenses and revenue loss in the General Fund.

Furthermore, the City still expects a one-time lump sum payment, estimated at \$4.7 million, from the reallocation of RDA fund balances remaining when the dissolution occurred. This payment is likely to occur early in 2013, after RDA's are required to remit all unobligated fund balances to the County, and will be folded into General Fund reserves.

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

- Governmental program revenues decreased slightly, from \$27.8 million in fiscal 2010-11 to \$27.3 million in 2011-12, due to normal fluctuations in grant revenues dedicated to specific programs or projects not completed by the end of the fiscal year. Total general revenues decreased \$116.7 million, due primarily to the one-time transfer out of the former RDA assets totaling \$107.7 million. Excluding that extraordinary item, general revenues decreased \$9.0 million, primarily the net result of the loss of \$16.9 in tax increment formerly allocated to the RDA, a combined increase of \$1.9 million in sales and hotel taxes, and the addition of \$7.4 million in revenue in the Health and Benefits Fund used to pay employee benefit costs. In prior years, these costs were incurred in the Payroll Clearing Fund, and were charged back to departments. In 2011-12 the City began paying health insurance premiums from the Health and Benefits Fund, thus the revenue is now collected there.

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

- Governmental program expenses decreased slightly, from \$102.0 million to \$101.5 million, reflecting a net decrease in capital project expenses between the Public Works Department and the Economic and Community Development Department.
- Revenues generated from business-type activities increased from \$24.8 million in 2010-11 to \$26.4 million in 2011-12, due primarily to an additional \$1.2 million in Sewer Fund charges. FY 2011-12 was the third year in a planned five-year rate plan; though rates increased 5%, revenue rose 7%, reflecting a positive change in the economy and subsequent growth in local business.
- The City transferred \$275,000 to the Storm Water Fund in FY 2011-12 to supplement the funding of upgrades related to increased storm water guidelines. While it was estimated that the General Fund would contribute up to \$775,000 annually for this purpose by 2013-14, the most recent information from the Public Works Department indicates that the City may have already met current storm drain regulations; if so, this General Fund supplement may be reduced in the future.
- Net transfers out of governmental activities increased, due primarily to the \$14.7 million transfer of assets from the former RDA Housing Fund balance into the newly created City Housing Fund, governed by the City as the Successor Housing Agency. Ongoing activities in this fund will be paid for primarily from the rental revenues received by the City for those City-owned occupied housing units.
- The overall General Fund balance increased from \$16.3 million to \$18.5 million as of June 30, 2012, due to the large revenue growth in sales tax and transient occupancy tax, along with the new property tax revenues generated in the former RDA project areas. However, while the City Council has funded a portion of the City's liabilities for retiree health costs, those costs are not fully funded annually, and fund balances are not in reality as high as indicated here. Also see the discussion of retiree health liabilities at the end of the section on the General Fund Analysis below.

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

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

6) The Statistical Section.

Basic Financial Statements

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

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement 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:

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

- ***Governmental activities***-All of the City's basic services are considered to be governmental activities, including general government, fire, police, public works, parks, recreation, maintenance services, library, and economic and community development. These services are supported by general City revenues such as taxes, and by specific program revenues from grants, contributions, and fees.

The City's governmental activities include two separate legal entities, the City of South San Francisco Redevelopment Agency and the City of South San Francisco Capital Improvements Financing Authority, because the City Council governs both of these entities, with services provided solely to the City.

- ***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.

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

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the citywide financial statements and any related profits or losses are returned to the activities, which created them, along with any residual net assets of the Internal Service Funds.

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

Fiduciary Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net 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 2010-11 and 2011-12.

Overall, net assets for the City primary government decreased by \$94.8 million.

Governmental Activities

Governmental Net Assets

	<u>2012</u>	<u>2011</u>	Table 1
			Governmental Net
			Assets at June 30
			(In Millions)
Cash and investments	\$74.1	\$190.4	
Other assets	25.0	21.5	
Capital assets	234.7	291.0	
Total assets	<u>333.8</u>	<u>502.9</u>	
Long-term debt outstanding	16.2	74.6	
Other liabilities	59.9	69.7	
Total liabilities	<u>76.1</u>	<u>144.3</u>	
Net assets:			
Invested in capital assets, net of debt	218.2	214.2	
Restricted	43.3	163.7	
Unrestricted	(3.8)	(19.3)	
Total net assets	<u>\$257.7</u>	<u>\$358.6</u>	

CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The City's net assets from governmental activities decreased \$100.9 million, from \$358.6 million to \$257.7 million as of June 30, 2012, primarily as a result of the dissolution of the RDA, and subsequent transfer of all related assets and liabilities to the newly created RDA Obligation Retirement Funds (Housing and Non-Housing). In total, \$193.4 million in assets, and \$71.0 million in liabilities was moved into these new fiduciary funds for the purpose of winding down the recognized enforceable obligations of the former RDA, and for remitting housing fund balances to the County for reallocation to local taxing entities. This transfer in included all fixed assets from the former RDA along with the 2006 Tax Allocation Bond debt obligations of the former RDA.

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

	2011-12	2010-11
Expenses		
General government	\$7.8	\$7.7
Fire department	20.7	20.0
Police department	23.3	22.4
Public works department	21.3	17.1
Recreation and community services	11.6	10.9
Library	4.8	4.7
Economic and community development	8.7	15.0
Interest on long-term debt	3.3	4.2
Total expenses	<u>\$101.5</u>	<u>\$102.0</u>
Revenues		
Program revenues:		
Charges for services	\$20.2	\$19.6
Operating grants and contributions	5.6	5.5
Capital grants and contributions	1.5	2.7
Total program revenues	<u>\$27.3</u>	<u>\$27.8</u>
General revenues:		
Taxes:		
Property taxes	\$37.4	\$54.3
Sales taxes	11.7	11.2
Transient occupancy taxes	8.6	7.2
Other taxes	7.1	7.0
Motor vehicle in lieu	0.2	0.2
Property taxes in lieu	5.1	5.1
Investment earnings	2.4	3.9
Miscellaneous	9.3	1.9
Extraordinary Item	<u>(107.7)</u>	
Total general revenues	<u>(\$25.9)</u>	<u>\$90.8</u>
Excess (deficiency) before transfers	<u>(\$100.1)</u>	<u>\$16.6</u>
Transfers	<u>(0.8)</u>	<u>(11.7)</u>
Change in net assets	(100.9)	49
Net assets - beginning	358.6	353.7
Net assets - ending	<u>\$257.7</u>	<u>\$358.6</u>

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Governmental program revenues (Table 2) decreased slightly, from \$27.8 million in fiscal 2010-11 to \$27.3 million in 2011-12, due to normal fluctuations in grant revenues dedicated to specific programs or projects not completed by the end of the fiscal year. Excluding the transfer of assets related to the RDA dissolution, (Extraordinary Item, Note 14) general revenues decreased \$9.0 million in 2011-12. This was primarily the net result of the loss of \$16.9 in tax increment formerly allocated to the RDA, a combined increase of \$1.9 million in sales and hotel taxes, and the addition of \$7.4 million in revenue in the Health and Benefits Fund used to pay employee benefit costs. In prior years, these benefit costs were incurred in the Payroll Clearing Fund, and were charged back to departments. In 2011-12 the City began paying health insurance premiums from the Health and Benefits Fund, thus the revenue is now collected there.

Chart 1
Revenues by Source - Governmental Activities 2011-12

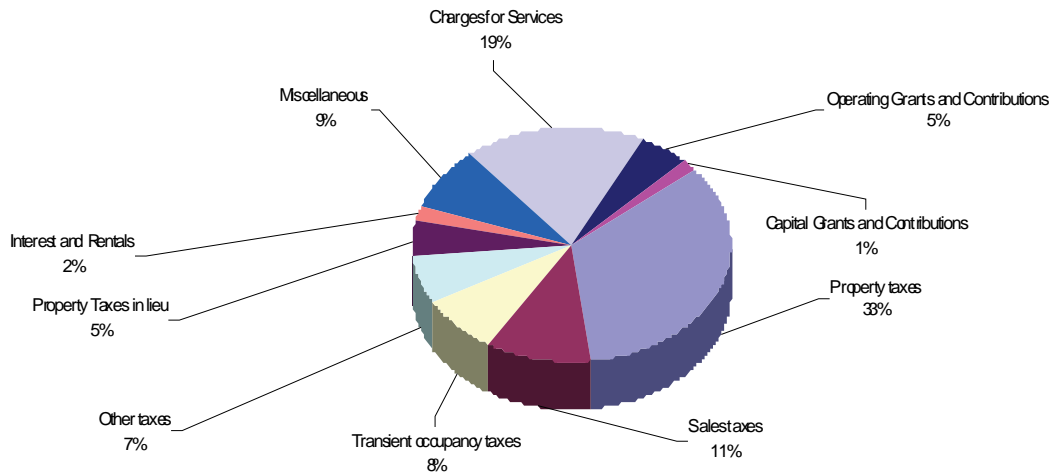


Chart 1 excludes extraordinary item of the dissolution of the RDA for FY 2012.

While total general revenue decreased 10% to \$81.8 million in 2011-12 (Table 2 above, excluding the Extraordinary Item), revenues by source, as shown in Chart 1, were essentially consistent with the previous year, with the exception of the change in Miscellaneous Revenue (the change made to the Health and Benefits Fund discussed above) and the loss of former RDA tax increment.

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.

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While net expenses overall decreased, net expenses rose in all departments but one: this is partly due to increases in personnel costs, including public safety overtime, part-time staff city-wide, retirement benefits, and vacation/sick payouts. Notably, net expenses in the Public Works department increased \$4.9 million, as some large street rehabilitation and parks improvement projects were undertaken in FY 2011-12. Economic and Community Development net expenses declined significantly, as redevelopment activities tapered off before the elimination of the RDA in February.

Table 3

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

	2011-12	2010-11
General government	(\$5.6)	(\$5.0)
Fire department	(17.0)	(16.7)
Police department	(20.1)	(20.0)
Public works department	(13.2)	(8.3)
Recreation and community services	(7.7)	(7.0)
Library	(4.0)	(3.3)
Economic and community development	(3.2)	(9.7)
Interest on long-term debt	(3.3)	(4.2)
Total	(\$74.1)	(\$74.2)

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Business-type Activities

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

	2012	2011
Cash and investments	\$15.7	\$12.8
Other assets	(0.7)	(0.9)
Capital assets	132.1	132.1
Total assets	147.1	144.0
Long-term debt outstanding	59.0	61.4
Other liabilities	6.6	7.2
Total liabilities	65.6	68.6
Net assets:		
Invested in capital assets, net of debt	70.6	66.1
Restricted		
Unrestricted	10.9	9.3
Total net assets	\$81.5	\$75.4

Cash increased, primarily because of the 5% rate increase in the Sewer Enterprise Fund (the third year of a five-year rate plan) which will fund Plant reliability improvements over the next several years. Net assets increased primarily because of this increased Sewer revenue, while total liabilities decreased with the paying down of long-term debt in the Sewer Fund. Unrestricted net assets rose \$1.6 million from FY 2010-11.

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

	<u>2011-12</u>	<u>2010-11</u>
Expenses		
Sewer Enterprise	19.45	19.28
Parking District	0.77	0.57
Storm Water	<u>1.01</u>	<u>0.71</u>
Total expenses	<u>21.23</u>	<u>20.56</u>
Revenues		
Program revenues		
Charge for Services	20.48	19.22
Operating grants and contributions	5.94	5.50
Capital grants and contributions	<u>0.00</u>	<u>0.03</u>
Total program revenues	<u>26.42</u>	<u>24.75</u>
General revenues		
Investment earnings	<u>0.15</u>	<u>0.12</u>
Total general revenues	<u>0.15</u>	<u>0.12</u>
Excess (deficiency) before transfers	<u>5.34</u>	<u>4.31</u>
Transfers	<u>0.79</u>	<u>11.77</u>
Change in net assets	6.13	16.08
Net assets - beginning (as restated)	<u>75.40</u>	<u>59.32</u>
Net assets - ending	<u><u>81.53</u></u>	<u><u>75.40</u></u>

The increase in the Storm Water Fund's operating expenditures is attributed to the increased costs related to compliance with recent additional State regulations. Program revenues reflect the 5% rate increase in the Sewer Enterprise Fund, while the large decrease in transfers out is due to the one-time transfer in FY 2010-11 of \$11.2 million into the Parking District Fund in accordance with the Redevelopment Agency's funding of the Miller Avenue parking garage.

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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

At June 30, 2012, the City's governmental funds reported combined fund balances of \$62.5 million, a decrease of \$105.5 million (-62.8%) compared with prior year. The primary decrease was the transfer of assets and liabilities from the former Merged Redevelopment Project Area Fund and related debt service fund to the Successor Agency Funds. The General Fund, which experienced healthy gains in Sales Tax and Transient Occupancy Tax, had a positive net change in fund balance of \$2.2 million.

Comparison of Final Budgets to Original Adopted Budget

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

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Table 6

	(in 000's)				
	Original Budget	Final Budget	Change	Pct Change	Discussion: (Items of more than 5% and \$50,000 variance)
<u>Revenues:</u>					
Property taxes	16,046	16,221	175	1.1%	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	11,230	12,096	866	7.7%	The budget was increased to account for improvement in the Business-to-Business and Transportation sectors.
Transient Occupancy Taxes	6,610	8,241	1,631	24.7%	Average room rates and occupancy rates increased faster than anticipated; the budget was also amended at mi-year to account for an average monthly TOT revenue increase of 18.5% in 11-12 compared to 10-11.
Other taxes	3,724	3,714	(10)	-0.3%	
Franchise Fees	3,328	3,268	(60)	-1.8%	
Intergovernmental	6,215	7,759	1,544	24.8%	The Library, Police, and Economic and Community Development Departments received State grants after the year started.
Interest and rentals	3,088	2,908	(180)	-5.8%	Continued lowering of interest rates.
Licenses and permits	3,156	3,158	2	0.1%	
Charges for services	8,011	7,930	(81)	-1.0%	
Fines and forfeitures	1,132	1,931	799	70.6%	Revenue and expenses related to the City's Red Light Cameras were added mid-year; code enforcement collections have continued to increase, but are not budgeted for at the beginning of the year.
Other	352	343	(9)	-2.6%	
<u>Expenditures:</u>					
City Council	176	211	35	19.9%	The final budget includes carryover appropriations, via open purchase orders, from 10-11 supplies and services budgets.
City Clerk	425	407	(19)	-4.2%	
City Treasurer	175	180	6	3.4%	
City Attorney	745	601	(145)	-19.3%	The adopted budget included funds for litigation, which were not incurred.
City Manager	724	730	6	0.8%	
Finance	1,544	1,640	97	6.2%	Reflects carryovers of prior year purchase orders for financial consulting.
Non-Departmental	926	924	(2)	-0.2%	
Human Resources	1,009	1,057	48	4.8%	
Fire	18,204	18,912	708	3.9%	

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Police	19,853	21,300	1,447	7.3%	Reflects increases for reimbursable activities and grant-related expenses; the final budget also includes Red Light Camera expenses, which are covered by revenue.
Public Works	2,853	3,310	456	16.0%	Reflects carryover of prior year purchase orders for maintenance and related services, also includes increases for signal maintenance work provided to other cities (covered by revenue).
Parks and Recreation	9,994	10,168	174	1.7%	Reflects carryover of prior year purchase orders for maintenance and related services, also includes grant budgets, which are covered by revenue.
Library	3,978	4,314	336	8.4%	Reflects the addition during the year of grant expense budgets, which are covered by various local and State grant revenues.
Economic and Community Development	2,754	3,769	1,015	36.9%	Reflects budget increases for inspection costs that are covered by revenues; and carryover of prior year purchase orders for development services, as well as the addition of the budget for the Climate Action Plan project.

Analysis of Major Governmental Funds

General Fund

Total General Fund revenues in FY 2011-12 were \$68.7 million, \$1,119,920 over the final amended budget. This is a favorable variance of 1.7%, and is largely attributable to gains in Transient Occupancy Tax (TOT), Charges for Services, and Fines, as well as to the incorporation of five months of new property taxes previously allocated to the former Redevelopment Agency (RDA). General Fund departments stayed \$1.5 million under budget, a favorable variance of 2.2%, resulting in a year-end net operating budget impact (revenue over expenditures) of a positive \$2.4 million, before capital improvement expenses and transfers out to other funds.

Total year-over-year revenue continued to show growth for the second consecutive year after the 7% drop the City experienced during the full swing of the recession. TOT revenue was up \$1.4 million, or 20%, over the prior year, owing to a sharp jump in both occupancy and room rates, and reflecting another booming year for the Bay Area tourism industry. Sales Tax revenue also increased dramatically in FY 2011-12, with a \$770,393 increase, or 6.9%, compared to the prior year.

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

- ⇒ *Property Taxes* increased \$1.9 million, accounting for RDA tax increment reallocated to other local taxing entities;
- ⇒ *Sales Taxes* increased \$770,393, reflecting high fuel prices, and increases in the Wholesale Bldg Materials and Business-to-Business sectors;
- ⇒ *Transient Occupancy Tax (TOT)* came in \$1.4 million higher than the prior year, reflecting the boom in the Bay Area travel industry: occupancy and average room rates in the City increased 6% and 16%, respectively, over the prior year;

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⇒ *Charges for Services* came in \$432,365 higher than FY 2010-11, corresponding with the City's expansion of its after-school child care services, and high recreation program utilization. Ambulance service fees, which were increased at the beginning of FY 2011-12, also brought in additional revenue;

Some year-over-year losses occurred in the General Fund, including the loss of \$407,000 in administrative charges formerly paid by the RDA to the General Fund for administrative oversight. In Addition, Building and Fire permits came in \$101,000 lower than budgeted and \$335,000 lower than FY 2010-11, indicating some fluctuation in local construction activity as the economy stabilizes. Fire permits, in particular, can vary due to the timing issues with fee collections.

General Fund expenditures increased \$1.5 million or 2% over last FY 2010-11, \$1.1 million in costs shifted to the General Fund from the former RDA, and the cost of higher-than-usual vacation and sick payouts related to over-cap amounts and some key retirements that occurred in FY 2011-12.

The City also continued covering increased costs for storm drain maintenance due to new mandates guiding storm water operations, including the cost of equipment, supplies, and staffing. The General Fund contributed \$275,000 to the Storm Water Fund in FY 2011-12 for this purpose, and while this was originally anticipated to be an annual budget item of up to \$775,000 by 2013-14, this will likely be reduced in the current year as the City has complied with the first tier of State storm water regulations.

As of June 30, 2012, the General Fund balance consisted of \$5.6 million in unreserved, undesignated dollars, \$6.2 million reserved for emergencies and economic contingencies, and \$5.1 million for future capital projects and economic development. All of these discretionary reserves total \$17.3 million and are now shown in the Comprehensive Annual Financial Report as Unassigned Fund Balance, consistent with the new Government Accounting Standards Board (GASB) Statement 54.

Other Post Employment Benefit (OPEB) Liability Impact on Fund Balance

Until a new tier of retiree health benefits was added for new employees, the City had a particularly rich retiree health benefit for employees hired prior to April 24, 2010 (legacy employees). Those legacy employees who retire from PERS and from the City concurrently with at least 5 years of service are entitled to 100% coverage of retiree medical insurance premiums paid by the City. This benefit resulted in an OPEB liability estimated as of the last outside actuarial analysis of \$24.3 million as of June 30, 2012.

Management and the City Council have expressed a concern of setting up an OPEB trust fund at this time, with the investment markets somewhat in flux. Given that fact, the City Council has authorized internally funding an OPEB reserve fund in the City's Health and Benefits Internal Service Funds that could at a future date be redirected to a formal OPEB Trust. As of June 30, 2012, the balance in that internal reserve is \$10.7 million.

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It is important to note that until a formal OPEB trust is set up, and until the City meets its annual required contributions towards OPEB, which it is not now doing, that the City's General Fund reserves are, for practical purposes, overstated. The most recent actuarial analysis shows that the City should be funding retiree health at the normal cost of 13.3% of payroll, plus another 17.5% towards paying of the unfunded liability over time. The longer that this liability is not funded, the more likely that the 17.5% unfunded percentage will increase over time, increasing the likelihood of future budget realignments to bring ongoing revenues in line with all ongoing expenditures and unfunded liabilities.

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, Merged Redevelopment Project Area Debt Service Fund, Public Improvement Agreement Capital Project Fund

The City also elected in FY 2011-12 to become the Successor Agency to the RDA upon its elimination, effective February 1, 2012, and subsequently created the Successor Agency Private purpose Trust Fund (Housing and Non-Housing) to track the winding down of RDA projects as allowable under its Recognized Obligation Payment Schedule, approved by the RDA Oversight Board. This new fund is consolidations of the assets and liabilities in the former Merged Project Redevelopment Capital Projects Fund, Low and Moderate Income Housing Capital Project Redevelopment Agency Fund, Merged Redevelopment Project Area Debt Service Fund, and the Public Improvement Agreement Fund.

East of 101 Sewer Impact Fee Fund

The fund has a negative fund balance of \$1.4 million as of June 30, 2012 due to a prepayment of impact fees by a large biotech firm to front-fund a now completed project.

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

No significant revenues were recognized or project-related expenses incurred in FY 2011-12.

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East of 101 Traffic Impact Fee Fund

\$870,000 in collected fees and interest allocation were booked during FY 2011-12, and \$899,000 in traffic projects were funded. The fund has a balance of \$8.6 million as of June 30, 2012.

Oyster Point Improvements Impact Fee Fund

The City contributed funding, along with the County Transportation Agency, to pay for the Oyster Point Flyover and Hook Ramps (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 was to be paid back.

At the beginning of FY 2011-12, \$12.7 million in impact fees needed to be collected from future development to pay the Agency back. However, the subsequent dissolution of the RDA required the shifting of all RDA assets and liabilities to the Successor Agency Funds (see Redevelopment Obligation Retirement Funds), which will now account for the collection of future Oyster Point Development Impact fees, and the reallocation of the those funds to local taxing entities.

After the transfer, the Oyster Point Improvements Impact Fee Fund has a fund balance of \$24,000 as of June 30, 2012.

Child Care Impact Fee Fund

During FY 2011-12, \$51,000 in interest and new child care impact fees was booked. This fund has a balance of \$2.9 million as of June 30, 2012.

New Major Funds Reported On:

Low and Moderate Income Housing Asset Special Revenue Fund (Housing Successor)

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

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In FY 2011-12, the Low and Moderate Income Housing Asset Fund (Housing Successor) accounted for \$74,000 in rental income from the City's affordable housing properties, and \$45,000 in expenses for maintenance and service contracts.

Other Governmental Funds

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

Enterprise Funds

Sewer Enterprise Fund

The Sewer Enterprise fund reported net income before transfers of \$7.7 million in 2011-12. Operating revenues increased \$1.6 million or 6.8% from the previous year to \$25.2 million, due primarily to a 5% sewer rate increase, in the third year of a 5-year sewer rate plan increase needed to fund the multi-year Treatment Plant reliability improvements. Operating expenses increased \$0.6 million this year or 3.8% from 2010-11, reflecting increased repair and maintenance costs, as well as the Sewer's contribution to the Health and Benefits Fund to cover the Other Post Employment Benefits costs of employees currently paid from the Sewer Fund. Net assets increased \$6.5 million to end the year at \$67.6 million.

Parking District Fund

Net assets decreased \$0.4 million to \$13.9 million due to the transfer out of remaining project funds to complete construction of the Miller Avenue Parking Garage.

Storm Water Fund

As in prior years, the Gas Tax Fund transferred \$0.60 million to the Storm Water Fund in FY 2011-12 to supplement lagging ongoing revenue to cover storm water improvement costs. In addition, the General Fund contributed \$0.28 million for this purpose, with the annual contribution originally expected to reach \$0.78 million by FY 2013-14. The Storm Water Fund needs are currently being revisited however, as the City may have already reached the first level of State regulations governing storm drains. In addition, the City's share of Measure M Funds, which are revenues from a county-wide \$10 vehicle registration fee, brought \$0.15 million into the Storm Water Fund in FY 2011-12. The Storm Water Fund had \$1.1 million in net assets as of June 30, 2012.

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CAPITAL ASSETS

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

At June 30, 2012, the City had \$366.8 million in capital assets, net of depreciation, representing a decrease of \$56.3 million from the prior year. This is primarily due to the transfer of land assets to the Successor Agency Funds that occurred with the dissolution of the RDA.

These are invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 7 below:

	2012	2011	
<i>Governmental Activities:</i>			
Land	\$47.6	\$92.1	
Buildings and improvements	77.4	80.3	
Equipment and vehicles	17.0	16.7	
Furniture and fixtures	1.8	1.5	
Infrastructure – streets*	178.6	175.1	
Infrastructure – traffic control devices*	5.2	5.0	
Infrastructure – storm drains*	8.9	8.6	
Construction in progress	8.7	14.5	
Less accumulated depreciation	(110.4)	(102.8)	
Totals	\$234.7	\$291.0	
* Additions during the fiscal year only			
<i>Business-type Activities</i>			
Land	\$1.4	\$1.3	
Clean water facilities and transmission li	79.2	79.2	
Buildings and improvements	64.1	63.8	
Equipment and vehicles	10.1	9.7	
Infrastructure – storm drains	4.8		
Infrastructure – streets	7.4	5.7	
Construction in progress	4.2	7.7	
Less accumulated depreciation	(39.1)	(35.3)	
Totals	\$132.1	\$132.1	
Total City	\$366.8	\$423.1	

Table 7
Capital Assets
(in Millions) at
June 30

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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>	2012	2011
Tax allocation, revenue bonds, and loans (issued and incurred - The Redevelopment Agency)	\$0.0	\$67.6
Certificates of participation	-	4.6
Notes payable	2.3	2.3
Capital leases	2.0	2.3
	\$4.3	\$76.8
 <i>Business-type Activities</i>		
State Water Resources Board loans	\$56.5	\$60.8
2005 Sewer Bonds	4.9	5.1
	\$61.4	\$65.9

As part of the RDA dissolution in February 2012 and subsequent transfer of assets and liabilities to the Successor Agency fiduciary funds, the bond obligations of the former RDA are no longer obligations of the City. Thus, outstanding debt at June 30, 2012 shows a decrease of \$77.0 million for Governmental and Business Activities.

The largest remaining debt obligations are the following:

- 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.

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- As of June 30, 2012, the Oyster Point Improvements Impact Fund owed Successor Agency (formerly the Merged Redevelopment Project Area Capital Project Fund) for developer fees in the amount of \$12,176,207 for the Flyover and Hook ramps Projects that were completed in prior years. The outstanding balance will be paid off from the future developer fees. With the dissolution of the Agency effective January 31, 2012, the Successor Agency assumed the asset for which the City is to repay the advance as developer fees come in, for as long as the fee remains on the books and the advance is recorded as a long-term obligation.

- The Sewer Enterprise Fund owed the Successor Agency (formerly Merged Redevelopment Project Area Capital Projects Fund) for development of sewer infrastructure in the amount of \$1,944,720. The outstanding balance will be paid off from future sewer fees. With the dissolution of the Agency effective January 31, 2012, the Successor Agency assumed the asset, at which the City is to repay the advance.

Debt Without City Commitment

The City-sponsored 1987 Magnolia Plaza Senior Apartments debt was paid off in July 2012, thus the balance of \$6.1 million is still being reported in the FY 2011-12 CAFR, but will be showed as paid off in next year's report.

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 follow these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net 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, 2012

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and investments	\$73,662,850	\$15,707,977	\$89,370,827	\$2,056,705
Receivables:				
Accounts	4,882,341	335,537	5,217,878	302,089
Accrued interest	285,456	31,587	317,043	
Due from other governments	111,093		111,093	
Due from Conference Center	110,204		110,204	
Loans	16,370,778		16,370,778	
Deposit	171,010		171,010	
Prepays	30,710		30,710	
Inventory	59,456		59,456	
Bond issuance costs		97,633	97,633	83,412
Restricted cash and investments	428,555		428,555	503,488
Internal balances	1,064,081	(1,064,081)		
Land held for redevelopment	1,900,000		1,900,000	
Capital assets:				
Nondepreciable	56,247,636	5,585,883	61,833,519	
Depreciable, net accumulated depreciation	178,473,649	126,483,904	304,957,553	4,503,461
Total Assets	<u>333,797,819</u>	<u>147,178,440</u>	<u>480,976,259</u>	<u>7,449,155</u>
LIABILITIES				
Accounts payable	1,733,507	624,299	2,357,806	209,004
Accrued salaries and benefits	1,192,605		1,192,605	40,759
Accrued interest payable	10,678,059	1,075,370	11,753,429	34,467
Other payable	6,659		6,659	110,204
Deposits	2,613,957	65,000	2,678,957	220,993
Unearned revenue	5,440,624		5,440,624	
Accrued insurance losses:				
Due within one year	712,000		712,000	
Due in more than one year	7,327,000		7,327,000	
Compensated absences obligation:				
Due within one year	2,264,488	251,986	2,516,474	
Due in more than one year	3,364,850	270,173	3,635,023	
Debt and capital lease obligations:				
Due within one year	260,829	4,657,359	4,918,188	370,000
Due in more than one year (Note 5)	16,241,760	58,703,307	74,945,067	2,363,121
OPEB obligations - due in more than one year (Note 10)	24,258,700		24,258,700	
Total Liabilities	<u>76,095,038</u>	<u>65,647,494</u>	<u>141,742,532</u>	<u>3,348,548</u>
NET ASSETS				
Invested in capital assets, net of related debt	218,218,696	70,653,841	288,872,537	1,770,340
Restricted for:				
Debt service				503,488
Special revenue projects	30,519,005		30,519,005	
Capital projects	12,802,281		12,802,281	
Total Restricted Net Assets	<u>43,321,286</u>		<u>43,321,286</u>	<u>503,488</u>
Unrestricted (deficit)	<u>(3,837,201)</u>	<u>10,877,105</u>	<u>7,039,904</u>	<u>1,826,779</u>
Total Net Assets	<u><u>\$257,702,781</u></u>	<u><u>\$81,530,946</u></u>	<u><u>\$339,233,727</u></u>	<u><u>\$4,100,607</u></u>

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$7,801,328	\$2,032,292	\$141,593	
Fire	20,749,323	3,697,665	40,168	
Police	23,330,208	2,599,149	597,405	
Public Works	21,269,281	3,607,224	2,994,808	\$1,471,416
Parks and Recreation	11,641,892	3,178,276	753,721	
Library	4,754,760	143,971	580,520	
Economic and Community Development	8,702,949	4,968,383	542,470	
Interest on Long-Term Debt	3,328,244			
Total Governmental Activities	<u>101,577,985</u>	<u>20,226,960</u>	<u>5,650,685</u>	<u>1,471,416</u>
Business-type Activities				
Sewer	19,446,739	19,310,286	5,936,527	
Parking District	769,117	760,248		
Storm Water	1,010,093	409,498		
Total Business-type Activities	<u>21,225,949</u>	<u>20,480,032</u>	<u>5,936,527</u>	
Total Primary Government	<u>\$122,803,934</u>	<u>\$40,706,992</u>	<u>\$11,587,212</u>	<u>\$1,471,416</u>
Component Unit				
Conference Center	<u>\$3,058,165</u>	<u>\$1,255,285</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

Extraordinary Item

Transfers

Total general revenues, extraordinary items 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
(\$5,627,443)		(\$5,627,443)	
(17,011,490)		(17,011,490)	
(20,133,654)		(20,133,654)	
(13,195,833)		(13,195,833)	
(7,709,895)		(7,709,895)	
(4,030,269)		(4,030,269)	
(3,192,096)		(3,192,096)	
(3,328,244)		(3,328,244)	
<u>(74,228,924)</u>		<u>(74,228,924)</u>	
	\$5,800,074	5,800,074	
	(8,869)	(8,869)	
	<u>(600,595)</u>	<u>(600,595)</u>	
	5,190,610	5,190,610	
<u>(74,228,924)</u>	<u>5,190,610</u>	<u>(69,038,314)</u>	
			<u>(\$1,802,880)</u>
37,379,175		37,379,175	
11,691,564		11,691,564	
8,619,170		8,619,170	2,081,632
7,089,687		7,089,687	
168,214		168,214	
5,153,384		5,153,384	
2,384,207	149,242	2,533,449	6,978
9,300,137		9,300,137	
(107,717,428)		(107,717,428)	
(785,309)	785,309		
<u>(26,717,199)</u>	<u>934,551</u>	<u>(25,782,648)</u>	<u>2,088,610</u>
(100,946,123)	6,125,161	(94,820,962)	285,730
<u>358,648,904</u>	<u>75,405,785</u>	<u>434,054,689</u>	<u>3,814,877</u>
<u>\$257,702,781</u>	<u>\$81,530,946</u>	<u>\$339,233,727</u>	<u>\$4,100,607</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 2012. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

LOW AND MODERATE INCOME HOUSING ASSETS SPECIAL REVENUE FUND

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

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

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

MERGED REDEVELOPMENT PROJECT AREA CAPITAL PROJECTS FUND

This fund accounted for property tax increment revenues used for capital projects connected with the Gateway, Downtown, Shearwater and El Camino project areas. As required by State Law, the Redevelopment Agency was dissolved effective January 31, 2012.

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

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

EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

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

OYSTER POINT IMPROVEMENTS IMPACT FEES CAPITAL PROJECTS FUND

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

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

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

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**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds	
			Capital Improvement	Merged Redevelopment Project Area
ASSETS				
Cash and investments	\$16,246,387	\$51,325	\$2,177,803	
Receivables:				
Accounts	4,075,095	6,297	284,772	
Accrued interest	37,712	168		
Due from other governments				
Due from Conference Center	110,204			
Loans		14,599,403		
Inventory	59,456			
Prepays	30,710			
Restricted cash and investments				
Land held for redevelopment				
Total Assets	\$20,559,564	\$14,657,193	\$2,462,575	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$657,918	\$10,643	\$386,510	
Accrued salaries and benefits	1,192,605			
Other payable	6,659			
Deposits				
Deferred revenue	216,351			
Due to other funds				
Total Liabilities	2,073,533	10,643	386,510	
Fund Balances:				
Nonspendable	90,167			
Restricted		14,646,550		
Committed	208,054			
Assigned	840,365		2,076,065	
Unassigned	17,347,445			
Total Fund Balances (Deficits)	18,486,031	14,646,550	2,076,065	
Total Liabilities and Fund Balances	\$20,559,564	\$14,657,193	\$2,462,575	

See accompanying notes to basic financial statements

Capital Projects Funds					
East of 101 Sewer Impact Fees	East of 101 Traffic Impact Fees	Oyster Point Improvements Impact Fees	Child Care Impact Fees	Other Governmental Funds	Total Governmental Funds
\$362,885	\$8,613,610	\$23,728	\$2,895,369	\$19,100,681	\$49,471,788
				512,885	4,879,049
99	24,810	675	8,305	149,577	221,346
				111,093	111,093
					110,204
				1,771,375	16,370,778
					59,456
					30,710
				407,474	407,474
				1,900,000	1,900,000
<u>\$362,984</u>	<u>\$8,638,420</u>	<u>\$24,403</u>	<u>\$2,903,674</u>	<u>\$23,953,085</u>	<u>\$73,561,898</u>
				\$405,302	\$1,460,373
					1,192,605
					6,659
\$1,733,089				2,613,957	2,613,957
				3,491,184	5,440,624
				310,000	310,000
<u>1,733,089</u>				<u>6,820,443</u>	<u>11,024,218</u>
	\$8,638,420		\$2,903,674	17,175,896	90,167
					43,364,540
					208,054
(1,370,105)		24,403		(43,254)	2,916,430
					15,958,489
<u>(1,370,105)</u>	<u>8,638,420</u>	<u>24,403</u>	<u>2,903,674</u>	<u>17,132,642</u>	<u>62,537,680</u>
<u>\$362,984</u>	<u>\$8,638,420</u>	<u>\$24,403</u>	<u>\$2,903,674</u>	<u>\$23,953,085</u>	<u>\$73,561,898</u>

**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2012**

Total fund balances reported on the governmental funds balance sheet	\$62,537,680
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.	230,906,337
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.	(6,296,455)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.	(10,678,059)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(14,446,207)
Non-current portion of compensated absences	<u>(4,320,515)</u>
Net assets of governmental activities	<u><u>\$257,702,781</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, 2012**

	General Fund	Low and Moderate Income Housing Assets	Capital Projects Funds		
			Capital Improvement	Merged Redevelopment Project Area	East of 101 Sewer Impact Fees
REVENUES					
Property taxes	\$17,506,586			\$19,347,437	
Sales taxes	11,973,640				
Transient occupancy taxes	8,619,170				
Franchise Fees	3,247,256				
Other taxes	3,842,431				
Intergovernmental	6,658,453		\$1,015,388		
Interest and rentals	2,859,642	\$74,139		645,352	(\$444)
Licenses and permits	3,056,507				
Charges for services	8,442,365				281,001
Fines and forfeitures	2,184,234				
Other	297,656	37	142,223	(24,500)	
Total Revenues	68,687,940	74,176	1,157,611	19,968,289	280,557
EXPENDITURES					
Current:					
City council	186,983				
City clerk	381,498				
City treasurer	144,470				
City attorney	585,942				
City manager	719,804				
Finance	1,616,489				
Non-departmental	885,836	50,000			2,500
Human Resources	986,948				
Fire	18,812,861				
Police	21,104,031				
Public works	3,203,367		9,729,656		
Parks and Recreation	10,101,408				
Library	4,272,701				
Economic and community development	3,241,271	44,576	495,506	2,241,941	
Capital outlay	47,312		8,750,821	96,381	
Debt service:					
Principal repayments					
Interest and fiscal charges				27,548	
Total Expenditures	66,290,921	94,576	18,975,983	2,365,870	2,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,397,019	(20,400)	(17,818,372)	17,602,419	278,057
OTHER FINANCING SOURCES (USES)					
Transfers in	820,132		26,274,691	64,247,461	
Transfers out	(1,021,063)		(8,771,158)	(12,823,315)	(726)
Total Other Financing Sources (Uses)	(200,931)		17,503,533	51,424,146	(726)
Net Change in Fund Balances (Deficits)					
Before Extraordinary Items	2,196,088	(20,400)	(314,839)	69,026,565	277,331
Extraordinary Items (Note 14)					
Assets transferred to Housing Successor		14,666,950			
Assets transferred to/liabilities assumed by Successor Agency				(91,996,697)	
Net Change in Fund Balances	2,196,088	14,646,550	(314,839)	(22,970,132)	277,331
Fund balances (deficits) - July 1 (as restated, Note 7D)	16,289,943		2,390,904	22,970,132	(1,647,436)
Fund balances (deficits) - June 30	\$18,486,031	\$14,646,550	\$2,076,065		(\$1,370,105)

See accompanying notes to financial statements

East of 101 Traffic Impact Fees	Oyster Point Improvements Impact Fees	Child Care Impact Fees	Other Governmental Funds	Total Governmental Funds
			\$1,320,632	\$38,174,655
				11,973,640
				8,619,170
				3,247,256
			1,184,049	5,026,480
			3,906,689	11,580,530
\$136,490	\$1,962	\$46,220	1,191,862	4,955,223
				3,056,507
		5,179	1,359,525	10,088,070
733,452	498,121		1,353,574	2,184,234
				3,000,563
<u>869,942</u>	<u>500,083</u>	<u>51,399</u>	<u>10,316,331</u>	<u>101,906,328</u>
				186,983
				381,498
				144,470
				585,942
				719,804
				1,616,489
	2,500	2,500	919,749	1,863,085
				986,948
				18,812,861
2,500	1,314		113,787	21,217,818
			1,316,772	14,253,609
				10,101,408
				4,272,701
			2,161,040	8,184,334
				8,894,514
			1,752,000	1,752,000
			1,790,216	1,817,764
<u>2,500</u>	<u>3,814</u>	<u>2,500</u>	<u>8,053,564</u>	<u>95,792,228</u>
<u>867,442</u>	<u>496,269</u>	<u>48,899</u>	<u>2,262,767</u>	<u>6,114,100</u>
			17,070,734	108,413,018
(899,250)		(97,196)	(86,034,058)	(109,646,766)
<u>(899,250)</u>		<u>(97,196)</u>	<u>(68,963,324)</u>	<u>(1,233,748)</u>
(31,808)	496,269	(48,297)	(66,700,557)	4,880,352
			(30,872,584)	(16,205,634)
	12,176,207		(14,371,239)	(94,191,729)
(31,808)	12,672,476	(48,297)	(111,944,380)	(105,517,011)
<u>8,670,228</u>	<u>(12,648,073)</u>	<u>2,951,971</u>	<u>129,077,022</u>	<u>168,054,691</u>
<u>\$8,638,420</u>	<u>\$24,403</u>	<u>\$2,903,674</u>	<u>\$17,132,642</u>	<u>\$62,537,680</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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$105,517,011)

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

Capital Assets Transactions

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital assets additions	8,834,505
Retirement and adjustment of capital assets	(148,777)
Current year depreciation	(8,081,255)
Capital assets assumed by the Successor Agency	(56,159,858)

Long Term Debt Proceeds and Payments

Repayment of debt principal is added back to fund balance	1,752,000
Extraordinary item, net long term debt assumed by the Successor Agency	58,302,793

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	(1,510,480)
Receivable adjustment	(111,093)
Compensated absences	15,464
Genentech payable	7,037,827
Pollution remediation liability assumed by the Successor Agency	537,000

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.

(5,897,238)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(\$100,946,123)

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Resources (inflows):				
Property taxes	\$16,046,198	\$16,221,328	\$17,506,586	\$1,285,258
Sales taxes	11,229,845	12,095,749	11,973,640	(122,109)
Transient occupancy taxes	6,610,008	8,240,822	8,619,170	378,348
Franchise Fees	3,328,000	3,268,266	3,247,256	(21,010)
Other taxes	3,724,200	3,713,885	3,842,431	128,546
Intergovernmental	6,215,174	7,758,890	6,658,453	(1,100,437)
Interest and rentals	3,087,817	2,907,817	2,859,642	(48,175)
Licenses and permits	3,156,219	3,157,923	3,056,507	(101,416)
Charges for services	8,010,779	7,929,660	8,442,365	512,705
Fines and forfeitures	1,132,350	1,931,112	2,184,234	253,122
Other	352,470	342,568	297,656	(44,912)
	<u>62,893,060</u>	<u>67,568,020</u>	<u>68,687,940</u>	<u>1,119,920</u>
Amounts available for appropriation				
Charges to appropriations (outflows)				
City Council	175,743	210,815	206,483	4,332
City Clerk	425,469	406,958	386,351	20,607
City Treasurer	174,767	180,098	173,377	6,721
City Attorney	745,194	600,682	585,942	14,740
City Manager	724,393	730,395	721,664	8,731
Finance	1,543,981	1,640,085	1,631,708	8,377
Non-Departmental	925,973	923,692	917,836	5,856
Human Resources	1,008,514	1,056,850	1,048,301	8,549
Fire	18,204,149	18,912,309	18,889,995	22,314
Police	19,853,112	21,300,258	21,254,201	46,057
Public Works	2,853,255	3,309,551	3,299,867	9,684
Parks and Recreation	9,993,785	10,167,575	10,146,750	20,825
Library	3,978,379	4,314,057	4,286,261	27,796
Economic and Community Development	2,753,697	3,768,755	3,498,045	270,710
Capital Outlay		230,560	84,505	146,055
Principal repayments	191,000			
	<u>63,551,411</u>	<u>67,752,640</u>	<u>67,131,286</u>	<u>621,354</u>
Total charges to appropriations				
OTHER FINANCING SOURCES (USES)				
Transfers in	901,829	971,829	820,132	(151,697)
Transfers out		(1,240,423)	(1,021,063)	219,360
	<u>901,829</u>	<u>(268,594)</u>	<u>(200,931)</u>	<u>67,663</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	<u>\$243,478</u>	<u>(\$453,214)</u>	<u>1,355,723</u>	<u>\$1,808,937</u>
Fund Balance - July 1			16,289,943	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>840,365</u>	
Fund Balance - June 30			<u>\$18,486,031</u>	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
LOW AND MODERATE INCOME HOUSING ASSETS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	\$74,159	\$74,139	(\$20)
Other		37	37
	<u>74,159</u>	<u>74,176</u>	<u>17</u>
Total Revenues			
EXPENDITURES:			
Current:			
Economic and Community Development	44,577	44,576	1
Non-departmental	50,000	50,000	
	<u>94,577</u>	<u>94,576</u>	<u>1</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,418)</u>	<u>(20,400)</u>	<u>18</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	14,666,950		(14,666,950)
	<u>14,666,950</u>		<u>(14,666,950)</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	\$14,646,532	(20,400)	(\$14,666,932)
EXTRAORDINARY ITEM			
Assets transferred to Housing Successor		14,666,950	
NET CHANGE IN FUND BALANCE	<u>14,646,532</u>	14,646,550	<u>(14,666,932)</u>
Fund balance - July 1			
Fund balance - June 30		<u>\$14,646,550</u>	

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, 2012**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$13,871,196	\$855,558	\$981,223	\$15,707,977	\$24,191,062
Receivables:					
Accounts	335,537			335,537	3,292
Accrued interest	26,182	4,000	1,405	31,587	64,110
Due from other funds					310,000
Deposit					171,010
Restricted cash and investments					21,081
Total current assets	<u>14,232,915</u>	<u>859,558</u>	<u>982,628</u>	<u>16,075,101</u>	<u>24,760,555</u>
Noncurrent assets:					
Cost of issuance	97,633			97,633	
Capital assets:					
Nondepreciable	4,562,563	1,023,320		5,585,883	
Depreciable, net accumulated depreciation	<u>114,276,864</u>	<u>12,073,081</u>	<u>133,959</u>	<u>126,483,904</u>	<u>3,814,948</u>
Total non-current assets	<u>118,937,060</u>	<u>13,096,401</u>	<u>133,959</u>	<u>132,167,420</u>	<u>3,814,948</u>
Total Assets	<u>133,169,975</u>	<u>13,955,959</u>	<u>1,116,587</u>	<u>148,242,521</u>	<u>28,575,503</u>
LIABILITIES					
Current liabilities:					
Accounts payable	595,313	20,020	8,966	624,299	273,134
Accrued interest payable	1,075,370			1,075,370	
Deposits	65,000			65,000	
Accrued insurance loss					712,000
Compensated absences obligation	235,520	11,852	4,614	251,986	452,385
Current portion of long-term debt	<u>4,657,359</u>			<u>4,657,359</u>	<u>260,829</u>
Total current liabilities	<u>6,628,562</u>	<u>31,872</u>	<u>13,580</u>	<u>6,674,014</u>	<u>1,698,348</u>
Noncurrent liabilities:					
Accrued insurance losses					7,327,000
Advance payable to the Successor Agency	1,944,720			1,944,720	
Compensated absences obligation	227,387	20,266	22,520	270,173	856,438
Net OPEB obligation					24,258,700
Noncurrent portion of long-term debt	<u>56,758,587</u>			<u>56,758,587</u>	<u>1,795,553</u>
Total noncurrent liabilities	<u>58,930,694</u>	<u>20,266</u>	<u>22,520</u>	<u>58,973,480</u>	<u>34,237,691</u>
Total Liabilities	<u>65,559,256</u>	<u>52,138</u>	<u>36,100</u>	<u>65,647,494</u>	<u>35,936,039</u>
NET ASSETS:					
Invested in capital assets, net of related debt	57,423,481	13,096,401	133,959	70,653,841	1,758,566
Unrestricted (deficit)	<u>10,187,238</u>	<u>807,420</u>	<u>946,528</u>	<u>11,941,186</u>	<u>(9,119,102)</u>
Total Net Assets (Deficit)	<u>\$67,610,719</u>	<u>\$13,903,821</u>	<u>\$1,080,487</u>	<u>82,595,027</u>	<u>(\$7,360,536)</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

(1,064,081)
\$81,530,946

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, 2012**

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Sewer Enterprise	Parking District	Storm Water	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$19,193,259		\$405,898	\$19,599,157	\$18,729,757
Other cities' participation	5,936,527			5,936,527	
Permit fees	117,027			117,027	
Parking fees		\$760,248		760,248	
Total Operating Revenues	25,246,813	760,248	405,898	26,412,959	18,729,757
OPERATING EXPENSES					
Personnel expenses	6,406,701	367,904	695,152	7,469,757	11,920,412
Professional services	1,138,758	9,671	77,685	1,226,114	1,220,034
OPEB expenses	485,569	30,361		515,930	8,108,000
Program supplies	1,227,441	42,523	40,988	1,310,952	906,642
Insurance	122,846	1,052	2,154	126,052	167,341
Self-insurance and claims					1,931,891
Repair and maintenance	716,052		5,831	721,883	731,849
Rents and leases	1,560,674			1,560,674	
Utilities	1,017,379	29,919	10,067	1,057,365	29,795
Administration	1,171,753	101,714	64,995	1,338,462	
Depreciation	3,619,582	177,346	11,778	3,808,706	657,035
Other	77,158		885	78,043	215,762
Total Operating Expenses	17,543,913	760,490	909,535	19,213,938	25,888,761
Operating Income (Loss)	7,702,900	(242)	(503,637)	7,199,021	(7,159,004)
NONOPERATING REVENUES (EXPENSES)					
Interest income	119,011	22,978	7,253	149,242	349,573
Gain on dispositions of capital assets					(48,036)
Interest expense	(1,676,957)			(1,676,957)	(44,639)
Other			3,600	3,600	221,375
Total Nonoperating Revenues (Expenses)	(1,557,946)	22,978	10,853	(1,524,115)	478,273
Income (loss) before transfers	6,144,954	22,736	(492,784)	5,674,906	(6,680,731)
TRANSFERS					
Transfers in	543,802	478,364	870,000	1,892,166	668,093
Transfers out	(195,926)	(910,931)		(1,106,857)	(219,654)
Change in Net Assets	6,492,830	(409,831)	377,216	6,460,215	(6,232,292)
Net Assets - July 1	61,117,889	14,313,652	703,271	76,134,812	(1,128,244)
Net Assets - June 30	\$67,610,719	\$13,903,821	\$1,080,487	\$82,595,027	(\$7,360,536)
			Change in net assets	\$6,460,215	
			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	(335,054)	
			Change in net assets of business-type activities	\$6,125,161	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$26,602,729	\$760,248	\$441,924	\$27,804,901	
Cash payment to suppliers for goods and services	(7,057,051)	(951,421)	(200,606)	(8,209,078)	(\$3,083,334)
Cash payment to employees for services	(6,448,947)	(368,151)	(682,623)	(7,499,721)	(12,102,576)
Cash received from interfund service provided					18,771,888
Cash payment for judgments and claims					(1,952,891)
Other receipts (payments)					(697,434)
Net Cash Provided by (Used in) Operating Activities	<u>13,096,731</u>	<u>(559,324)</u>	<u>(441,305)</u>	<u>12,096,102</u>	<u>935,653</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payment to Successor Agency	(12,018)			(12,018)	
Advances to other funds					(135,000)
Transfers in	543,802	478,364	870,000	1,892,166	668,093
Transfers out	(195,926)	(910,931)		(1,106,857)	(219,654)
Net Cash Provided by Noncapital Financing Activities	<u>335,858</u>	<u>(432,567)</u>	<u>870,000</u>	<u>773,291</u>	<u>313,439</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(4,535,092)			(4,535,092)	(286,510)
Interest paid on long-term debt	(1,751,417)			(1,751,417)	(44,639)
Acquisition of capital assets, net	(3,387,482)	(302,601)	(123,776)	(3,813,859)	
Proceeds from the sale of capital assets					108,712
Net Cash Used in Capital and Related Financing Activities	<u>(9,673,991)</u>	<u>(302,601)</u>	<u>(123,776)</u>	<u>(10,100,368)</u>	<u>(222,437)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	124,534	22,423	7,462	154,419	374,591
Net Cash Provided by Investing Activities	<u>124,534</u>	<u>22,423</u>	<u>7,462</u>	<u>154,419</u>	<u>374,591</u>
Net Increase (Decrease) in cash and cash equivalents	3,883,132	(1,272,069)	312,381	2,923,444	1,401,246
Cash and cash equivalents, beginning	9,988,064	2,127,627	668,842	12,784,533	22,810,897
Cash and cash equivalents, ending	<u>\$13,871,196</u>	<u>\$855,558</u>	<u>\$981,223</u>	<u>\$15,707,977</u>	<u>\$24,212,143</u>
Reconciliation to Statement of Net Assets					
Cash and investments	\$13,871,196	\$855,558	\$981,223	\$15,707,977	\$24,191,062
Restricted cash and investments					21,081
Total cash and investments	<u>\$13,871,196</u>	<u>\$855,558</u>	<u>\$981,223</u>	<u>\$15,707,977</u>	<u>\$24,212,143</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$7,702,900	(\$242)	(\$503,637)	\$7,199,021	(\$7,159,004)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	3,619,582	177,346	11,778	3,808,706	657,035
Other non-operating revenue (expenses)			3,600	3,600	221,375
Net change in assets and liabilities:					
Accounts and lease receivables	1,355,916		32,426	1,388,342	42,131
Accounts payable	446,730	(736,109)	2,294	(287,085)	(879,780)
Other payable	13,849	(72)	(295)	13,482	(50,074)
Accrued insurance losses					(21,000)
Pollution remediation					
OPEB obligations					8,108,000
Compensated absence obligations	(42,246)	(247)	12,529	(29,964)	16,970
Net Cash Provided by (Used in) Operating Activities	<u>\$13,096,731</u>	<u>(\$559,324)</u>	<u>(\$441,305)</u>	<u>\$12,096,102</u>	<u>\$935,653</u>
Non-cash transaction:					
Issuance cost amortization	<u>\$7,277</u>			<u>\$7,277</u>	

See accompanying notes to basic financial statements

FIDUCIARY FUND

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE PURPOSE TRUST FUND

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

SSF EMPLOYEE DEFERRED COMP TRUST OVERSIGHT FUND

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

**CITY OF SOUTH SAN FRANCISCO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	Successory Agency Private Purpose Trust Fund	Agency Fund SSF Employee Def Comp Trust Oversight
ASSETS		
Cash and investments (Note 2)	\$102,702,481	\$39,930
Accounts receivable	5,367	
Accrued interest receivable	528,973	116
Advances to the City	14,120,927	
Loans receivable (Note 14B)	704,822	
Restricted cash and investments (Note 2)	8,155,609	
Capital assets (Note 14C):		
Nondepreciable	52,776,824	
Depreciable, net accumulated depreciation	3,345,860	
Total Assets	\$182,340,863	\$40,046
LIABILITIES		
Accounts payable	\$92,068	\$2,500
Accrued interest payable	1,130,396	
Noncurrent portion of pollution remediation (Note 14E)	537,000	
Other accrued liability		37,546
Long-term debt (Note 14D):		
Current portion	1,982,000	
Noncurrent portion	68,332,000	
Total Liabilities	\$72,073,464	\$40,046
NET ASSETS		
Held in trust for other purposes	\$110,267,399	

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE PERIOD FEBRUARY 1, 2012 TO
 JUNE 30, 2012**

	Successory Agency Private Purpose Trust Fund
ADDITIONS	
Property tax	(\$3,487,692)
Intergovernmental	9,256,101
Interest and rentals	332,874
Other	105,646
	6,206,929
 DEDUCTIONS	
Economic and Community Development	802,615
Interest expense	2,817,169
Depreciation	37,174
	3,656,958
Net change in net assets before extraordinary item	2,549,971
 EXTRAORDINARY ITEM (NOTE 14)	
Assets transferred to/liabilities assumed by Successor Agency	107,717,428
 NET ASSETS HELD IN TRUST FOR OTHER PURPOSES	
Beginning of the year	
End of the year	\$110,267,399

See accompanying notes to financial statements

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Basic Financial Statements

Notes to the Financial Statements

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CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 former **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. As discussed in Note 14, the Agency was dissolved effective January 31, 2012.

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
For the Fiscal Year Ended June 30, 2012

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
For the Fiscal Year Ended June 30, 2012

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

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

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

Merged Redevelopment Project Area Capital Projects Fund – Accounted for property tax increment revenues used for capital projects connected with the Gateway, Downtown, Shearwater and El Camino project areas. This fund was dissolved by the State as of February 1, 2012.

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

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

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

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

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

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

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

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 Funds - An agency fund is used to account for assets held by the City as an agent for SSF Employee Deferred Comp Trust Oversight Fund. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

F. Basis of Accounting

The government-wide, proprietary, private-purpose trust fund, and discretely presented component unit financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the City gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenue. Thus, both restricted and unrestricted net assets may be made available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

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 Capital Projects Fund and Developer Deposits Capital Projects Fund; and Enterprise funds.

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

All appropriations lapse at year-end, except for capital projects and encumbrances. Original adopted budgets and final amended budgets are presented in the basic financial statements. Supplementary budget appropriations were necessary during the year ended June 30, 2012.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

I. *Inventory and Prepaid Items* - consist of consumable supplies. Inventory is stated at cost (first-in, first-out method). The costs are recorded as expenditures at the time the individual inventory or prepaid item is consumed. Reported inventory and prepaid items are equally offset by a fund balance reservation, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

J. *Capital Assets*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. 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	\$5,627,832	\$552,123	\$6,179,955
Additions	3,390,936	189,036	3,579,972
Payments	(3,389,430)	(219,000)	(3,608,430)
Ending Balance	<u>\$5,629,338</u>	<u>\$522,159</u>	<u>\$6,151,497</u>
Current Portion	<u>\$2,264,488</u>	<u>\$251,986</u>	<u>\$2,516,474</u>

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. New Funds and Closed Funds

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

The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund was established to account for the activities of the Successor Agency to the former Redevelopment Agency of the City.

The PEG Fund was established to account for the one percent of money set-aside from cable franchise fees that are used to support public, educational and governmental (PEG) channels.

The SSF Employee Deferred Comp Oversight Trust Agency Fund was established to pay for the administrative costs of monitoring the Deferred Compensation Funds on behalf of City employees.

The Merged Redevelopment Debt Service Project Area Capital Project Fund, Redevelopment Agency Low Mod Housing Capital Project Fund, and the Redevelopment Agency Debt Service Fund were closed as of January 31, 2012 as the result of the dissolution of the Redevelopment Agency discussed in Note 14.

The Other City Obligations Debt Service Fund, Inactive Bonds Capital Project Fund and Public Improvement Capital Projects Fund were closed during current fiscal year.

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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments as of June 30, 2012 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	\$89,370,827
Restricted cash and investments	428,555
Total Primary Government cash and investments	89,799,382

Statement of Fiduciary Assets:

Cash and investments available for operations	102,742,411
Restricted cash and investments	8,155,609
Total Fiduciary cash and investments	110,898,020

Conference Center:

Cash and investments available for operations	2,056,705
Restricted cash and investments	503,488
Total South San Francisco	2,560,193
Conference Center cash and investments	2,560,193
Total cash and investments	\$203,257,595

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
For the Fiscal Year Ended June 30, 2012

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%
Commercial Paper	270 days	A1,P1	10%	5%
Repurchase Agreements	90 days	AA	No Limit	No Limit
Local Agency Investment Fund (LAIF)	Upon Demand	N/A Highest Rating	\$50 million	No Limit
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
For the Fiscal Year Ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	N/A	N/A	No Limit
Commercial Paper	270 days	Highest Rating Category	No Limit
State and Local Investment Pool	N/A	Highest Rating Category	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	AAA	No Limit
Municipal Obligations	N/A	Highest Rating Category	No Limit
State Obligations	N/A	Two Highest Rating Categories	No Limit

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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
For the Fiscal Year Ended June 30, 2012

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, 2012, 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	AA+	A-1+	Not Rated	Total
City and Fiduciary:					
U.S. Government-Sponsored Enterprise Agencies					
Non-callable	\$82,494,005	\$2,847,604	\$8,999,042		\$94,340,651
Callable	10,131,341				10,131,341
Corporate Notes					
(Backed by U.S. Government)		1,008,620			1,008,620
U.S. Treasury Notes		22,527,432			22,527,432
Money Market Funds	14,805,884				14,805,884
Totals	107,431,230	26,383,656	8,999,042		142,813,928
<i>Not rated:</i>					
Collateralized Investment Agreements				\$3,497,250	3,497,250
California Asset Management Pool				215,465	215,465
Local Agency Investment Fund				50,020,155	50,020,155
Cash in Banks				4,141,434	4,141,434
Cash on Hand				9,170	9,170
South San Francisco Conference Center:					
U.S. Agency Securities	503,488				503,488
<i>Not rated:</i>					
California Local Agency Investment Fund				1,577,921	1,577,921
Cash in Banks				478,685	478,685
Cash on Hand				99	99
Total Cash and Investments	\$107,934,718	\$26,383,656	\$8,999,042	\$57,883,474	\$203,257,595

H. Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments are as follows at June 30, 2012:

Issuer	Investment Type	Amount
Federal National Mortgage Association	Federal agency securities	\$25,208,527
Federal Home Loan Bank	Federal agency securities	22,593,939
Federal Home Loan Mortgage Corporation	Federal agency securities	28,300,895
Federal Farm Credit Bank	Federal agency securities	26,381,078

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 and Fiduciary:</i>				
U.S. Agency Securities				
Callable		\$10,131,341		\$10,131,341
Non-callable	\$28,595,645	65,745,006		94,340,651
Corporate Notes (backed by U.S. Government)	1,008,620			1,008,620
U.S. Treasury Notes	9,193,046	13,334,386		22,527,432
California Asset Management Pool	215,465			215,465
Local Agency Investment Fund	50,020,155			50,020,155
Money Market Funds	14,805,884			14,805,884
Collateralized Investment Agreements			\$3,497,250	3,497,250
Cash in Banks	4,141,434			4,141,434
Cash on Hand	9,170			9,170
<i>South San Francisco Conference Center:</i>				
Local Agency Investment Fund	1,577,921			1,577,921
U.S. Agency Securities		503,488		503,488
Cash in Banks	478,685			478,685
Cash on Hand	99			99
Total Cash and Investments	<u>\$110,046,124</u>	<u>\$89,714,221</u>	<u>\$3,497,250</u>	<u>\$203,257,595</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2012, these investments have an average maturity of 268 days.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 3 - CAPITAL ASSETS

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

	Balance June 30, 2011	Additions	Retirements	Transfers/ Adjustments	Transfers to Successor Agency	Balance June 30, 2012
Governmental activities						
Capital assets not being depreciated:						
Land	\$92,122,991	\$157,348		\$8,059,920	(\$52,769,724)	\$47,570,535
Construction in Progress	13,388,621	8,677,157		(13,381,577)		8,684,201
Total capital assets not being depreciated	105,511,612	8,834,505		(5,321,657)	(52,769,724)	56,254,736
Capital assets being depreciated:						
Buildings and Improvements	80,345,334		(\$175,155)	1,026,727	(3,788,506)	77,408,400
Infrastructure - Streets	175,110,259			3,506,106		178,616,365
Infrastructure - Storm Drains	8,634,623			292,869		8,927,492
Infrastructure - Traffic Control Devices	5,037,171			100,967		5,138,138
Equipment & Vehicle	6,679,980			35,027	(242,190)	6,472,817
Furniture and Fixtures	1,490,528			368,532	(21,506)	1,837,554
Total capital assets being depreciated	277,297,895		(175,155)	5,330,228	(4,052,202)	278,400,766
Less accumulated depreciation for:						
Buildings and Improvements	(22,536,174)	(2,024,614)	17,807	7,100	434,592	(24,101,289)
Infrastructure - Streets	(64,110,834)	(5,205,837)				(69,316,671)
Infrastructure - Storm Drains	(1,937,990)	(201,571)				(2,139,561)
Infrastructure - Traffic Control Devices	(1,672,007)	(181,517)				(1,853,524)
Equipment & Vehicle	(4,984,701)	(376,250)			209,524	(5,151,427)
Furniture and Fixtures	(1,106,079)	(91,466)			17,952	(1,179,593)
Total accumulated depreciation	(96,347,785)	(8,081,255)	17,807	7,100	662,068	(103,742,065)
Net Governmental Fund Program						
Capital Assets Being Depreciated	180,950,110	(8,081,255)	(157,348)	5,337,328	(3,390,134)	174,658,701
Internal Service Fund Capital Assets						
Capital assets not being depreciated:						
Construction in Progress	1,103,478			(1,103,478)		
Total capital assets not being depreciated	1,103,478			(1,103,478)		
Capital assets being depreciated:						
Equipment & Vehicle	10,050,775		(686,675)	1,102,429		10,466,529
Accumulated depreciation	(6,525,522)	(657,035)	530,976			(6,651,581)
Net Internal Service Capital Assets						
Being Depreciated	3,525,253	(657,035)	(155,699)	1,102,429		3,814,948
Governmental activity capital assets, net	\$291,090,453	\$96,215	(\$313,047)	\$14,622	(\$56,159,858)	\$234,728,385

With the dissolution of the Redevelopment Agency as discussed in Note 14, a Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Component Unit:				
South San Francisco Conference Center				
Buildings and Improvements	\$10,176,939	\$48,447		\$10,225,386
Furniture and Fixtures	639,076	2,734		641,810
Machinery and equipment	263,196	13,430	(69,373)	207,253
Total:	11,079,211	64,611	(69,373)	11,074,449
Less accumulated depreciation	(6,231,752)	(408,609)	69,373	(6,570,988)
Component unit, net	\$4,847,459	(\$343,998)		\$4,503,461

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance June 30, 2011	Additions	Transfers/ Adjustments	Balance June 30, 2012
Business-type activities				
Capital assets, not being depreciated:				
Land	\$1,252,141		\$144,617	\$1,396,758
Construction in Progress	7,685,227	\$3,355,474	(6,851,576)	4,189,125
Total capital assets not being depreciated	8,937,368	3,355,474	(6,706,959)	5,585,883
Capital assets, being depreciated:				
Buildings and Improvements	63,793,356		302,600	64,095,956
Clean Water Facilities & Lines	79,212,124			79,212,124
Infrastructure - Storm Drains			4,773,977	4,773,977
Infrastructure - Streets	5,747,164		1,630,382	7,377,546
Equipment & Vehicle	9,670,103	458,385		10,128,488
Furniture and Fixtures	31,154			31,154
Total capital assets being depreciated	158,453,901	458,385	6,706,959	165,619,245
Less accumulated depreciation for:				
Buildings and Improvements	(6,953,200)	(1,449,252)		(8,402,452)
Clean Water Facilities & Lines	(18,832,099)	(1,980,303)		(20,812,402)
Infrastructure - Storm Drains		(79,566)		(79,566)
Infrastructure - Streets	(400,872)	(182,399)		(583,271)
Equipment & Vehicle	(9,110,335)	(116,503)		(9,226,838)
Furniture and Fixtures	(30,129)	(683)		(30,812)
Total accumulated depreciation	(35,326,635)	(3,808,706)		(39,135,341)
Net capital assets being depreciated	123,127,266	(3,350,321)	6,706,959	126,483,904
Business-type activity capital assets, net	\$132,064,634	5,153		\$132,069,787

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
For the Fiscal Year Ended June 30, 2012

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:

	2012
Governmental Activities	
Governmental Fund Programs	
General government	\$653,042
Fire	335,374
Police	90,627
Public works	6,480,697
Parks and recreation	338,204
Library	69,536
Economic and community development	113,775
Internal Service Funds	657,035
Total Governmental Activities	\$8,738,290
 Business-Type Activities	
Sewer Enterprise	\$3,619,582
Parking	177,346
Storm Water	11,778
Total Business-Type Activities	\$3,808,706

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
Equipment Replacement Internal Service Fund	Developer Contributions Special Revenue Special Revenue Fund	\$20,000
	Community Development Block Grant Special Revenue Fund	176,000
	Supplemental Law Enforcement Services Special Revenue Fund	114,000
		\$310,000

As of June 30, 2012, the South San Francisco Conference Center owed the City General Fund \$110,204 which will be repaid in the next fiscal year.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 4 - INTER-FUND TRANSACTIONS (Continued)

B. 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.

C. Transfers

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 4 - INTER-FUND TRANSACTIONS (Continued)

Transfers between funds during the fiscal year ended June 30, 2012 were as follows:

FROM FUND (OUT)	TO FUND (IN)	AMOUNT
General Fund	Capital Improvement Fund	\$195,563
	Non-Major Governmental Funds	\$500
	Storm Water Fund	275,000
	Health and Retirements Benefits Internal Service Fund	550,000
Capital Improvement	Non-Major Governmental Funds	8,771,158
Merged Redevelopment Project Area	Capital Improvement Fund	8,905,480
	Non-Major Governmental Funds	3,646,976
	Parking District Enterprise Fund	270,859
East of 101 Sewer Impact Fees	Sewer Rental Enterprise Fund	726
East of 101 Traffic Impact Fees	Capital Improvement Fund	899,250
Child Care Impact Fees	Capital Improvement Fund	97,196
Non-major Governmental Funds	General Fund	820,132
	Capital Improvement Fund	15,267,289
	Merged Redevelopment Project Area	64,247,461
	Non-Major Governmental Funds	4,353,595
	Sewer Rental Enterprise Fund	543,076
	Parking District Enterprise Fund	207,505
	Storm Water Fund	595,000
Sewer Rental Enterprise Fund	Capital Improvement Fund	177,833
	City Service Internal Service Fund	18,093
Parking District Enterprise Fund	Capital Improvement Fund	703,426
	Non-Major Governmental Funds	207,505
Internal Service Funds		
	City Service	
	Capital Improvement Fund	27,396
	Non-Major Governmental Funds	91,000
Self Insurance	City Service Internal Service Fund	100,000
Equipment Replacement	Capital Improvement Fund	1,258
	Total	\$110,973,277

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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, 2012 follows:

	Authorized and Issued	Balance at June 30, 2011	Additions	Retirement	Transfer to Successor Agency	Balance at June 30, 2012	Current Portion
Governmental Activities:							
Redevelopment Agency (Note 14):							
2006 Revenue Bonds, 3.75 to 5.13%, due 9/1/35	\$70,675,000	\$64,530,000		\$1,435,000	(\$63,095,000)		
2000 HUD Section 108, 4.4 to 6.6%, due 8/1/23	1,750,000	1,166,000		112,000	(1,054,000)		
1999 Revenue Bonds, 3.3 to 5.0%, due 9/1/18	31,720,000	1,925,000		205,000	(1,720,000)		
1999 Certificates of Participation, 3.2 to 5.0%, due 4/1/29	<u>6,145,000</u>	<u>4,610,000</u>			<u>(4,610,000)</u>		
Total Redevelopment Agency	<u>110,290,000</u>	<u>72,231,000</u>		<u>1,752,000</u>	<u>(70,479,000)</u>		
1988 Costco (Price Club) Notes, 8.5%, due 12/6/13 (1)	2,270,000	2,270,000				\$2,270,000	
2007 Loans Payable to the Redevelopment Successor Agency (2)	<u>12,734,101</u>			<u>557,894</u>		<u>12,176,207</u>	
Total Other Long-Term Debt and Notes	<u>2,270,000</u>	<u>15,004,101</u>		<u>557,894</u>		<u>14,446,207</u>	
Total Governmental Activities Debt	<u>112,560,000</u>	<u>87,235,101</u>		<u>2,309,894</u>	<u>(70,479,000)</u>	<u>14,446,207</u>	
Capital Leases (3):							
2005 ALS Ambulance & Fire truck		35,459		35,459			
2008 Two Fire Trucks		709,201		82,840		626,361	\$86,186
2010 Two Ambulances		524,442		73,034		451,408	75,669
2010 Two Fire Trucks		<u>1,073,790</u>		<u>95,177</u>		<u>978,613</u>	<u>98,974</u>
Total Capital Leases		<u>2,342,892</u>		<u>286,510</u>		<u>2,056,382</u>	<u>260,829</u>
Compensated Absences		<u>5,627,832</u>	<u>\$3,390,936</u>	<u>3,389,430</u>		<u>5,629,338</u>	<u>2,264,488</u>
Net Governmental Long-Term Obligations		<u>\$95,205,825</u>	<u>\$3,390,936</u>	<u>\$5,985,834</u>	<u>(\$70,479,000)</u>	<u>\$22,131,927</u>	<u>\$2,525,317</u>
Business-Type Activities:							
1993 State Water Resources Loan, 3.0%, due 10/8/13 (4)	\$7,899,017	\$1,692,622		\$547,615		\$1,145,007	\$564,043
1999 State Water Resources Loan, 2.6%, due 8/1/22 (4)	47,721,252	33,375,572		2,405,656		30,969,916	2,468,203
2004 State Water Resources Loan, 2.5%, due 1/1/27 (4)	21,258,529	17,359,331		968,068		16,391,263	992,270
2008 State Water Resources Loan, 2.4%, (5)	9,164,505	8,403,513		378,753		8,024,760	387,843
2005 Sewer Revenue Bonds, 2.75 to 5.0%, due 04/30/26 (6)	6,000,000	5,120,000		235,000		4,885,000	245,000
2008 Loans Payable to the Redevelopment Successor Agency (7)	<u>1,700,000</u>	<u>1,956,738</u>		<u>12,018</u>		<u>1,944,720</u>	
Total Long-Term Debt	<u>93,743,303</u>	<u>67,907,776</u>		<u>4,547,110</u>		<u>63,360,666</u>	<u>4,657,359</u>
Compensated Absences		<u>552,123</u>	<u>189,036</u>	<u>219,000</u>		<u>522,159</u>	<u>251,986</u>
Total Enterprise Fund Long-Term Obligations	<u>\$93,743,303</u>	<u>\$68,459,899</u>	<u>\$189,036</u>	<u>\$4,766,110</u>		<u>\$63,882,825</u>	<u>\$4,909,345</u>
Component Unit - Conference Center:							
2003 Revenue Bonds, 2.25% to 4.0%, due 9/1/18 (8)	\$5,865,000	\$3,250,000		\$360,000		\$2,890,000	\$370,000
Unamortized refunding loss on 2003 bonds		<u>(183,394)</u>		<u>(26,515)</u>		<u>(156,879)</u>	
Total Conference Center		<u>\$3,066,606</u>		<u>\$333,485</u>		<u>\$2,733,121</u>	<u>\$370,000</u>

The entity-wide governmental activities shows long-term debt and capital lease obligations due in more than one year as \$16,241,760 which is made up of the above total other long-term debt and notes of \$14,446,207 and capital leases due in more than one year of \$1,795,553.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

With the dissolution of the Redevelopment Agency as discussed in Note 14, the Successor Agency assumed the long-term debts of the Redevelopment Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities. For a detailed discussion of each of the long-term debt above, see Note 14 below.

(1) **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.

(2) As of June 30, 2012, the Oyster Point Improvements Impact Fund owed Successor Agency (formerly the Merged Redevelopment Project Area Capital Project Fund) for developer fees in the amount of \$12,176,207 for the Flyover and Hookramps Projects that were completed in prior years. The outstanding balance will be paid off from the future developer fees. With the dissolution of the Agency effective January 31, 2012, the Successor Agency assumed the asset at which the City is to repay the advance as it is recorded as a long-term obligation as discussed in Note 14. Prior to the dissolution of all Redevelopment Agencies in California by the State, the former Redevelopment Agency (Agency) advanced \$12,176,207 to the Oyster Point Improvement Impact Fee Capital Projects Fund (the Oyster Point Fund). The impact fees are collected according to a fee methodology adopted under the terms of AB 1600. The fees are assessed against commercial development in a specific geographic area that is primarily east of Highway 101 to repay the former Agency for the funds it advanced to the Oyster Point Fund to pay for freeway interchange improvements at Highway 101 and Oyster Point Blvd, and are assessed per an adopted Engineering report's formula that measures each new development's impact on the area's trip traffic. While the former Agency advanced the funds, the impact fee was put in place specifically to charge future developers for their share of traffic trips generated prior to the construction of the improvements. When the Agency was dissolved, the Successor Agency, and therefore, all local taxing entities, are entitled to receive future Oyster Point Impact fees collected by the City from developers. Future developers, not the City of South San Francisco, are legally obligated to pay the future fees until the liability owed to the Successor Agency is paid off as long as the fee continues to be levied and is in place. The repayment has significantly slowed since 2007, as development has subsided and fees assessed have therefore dropped. Management believes it may take 10-30 years or more before the Successor Agency is fully paid back.

(3) 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 and the General Fund.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

(4) 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.

(5) **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.

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

The 2005 Water and Wastewater Revenue Bonds are secured by a pledge of net revenues of the City's Enterprise system. Net Revenues available for debt service amounted to \$10.0 million which represented coverage of 22.2 over the \$453,972 in debt service.

(7) The Sewer Enterprise Fund owed the Successor Agency (formerly Merged Redevelopment Project Area Capital Projects Fund) for development of sewer infrastructure in the amount of \$1,944,720. The outstanding balance will be paid off from future sewer fees. With the dissolution of the Agency effective January 31, 2012, the Successor Agency assumed the asset, at which the City is to repay the advance as discussed in Note 14.

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

The 2003 revenue bonds were issued for the purpose of refunding prior 1993 revenue bonds, which were due in 2018. The refunding reduced required interest payments and did not extend the maturities on the bonds. The proceeds from these bonds are transferred to a trustee to be placed in an irrevocable trust to redeem the 1993 revenue bonds. The funds were invested in U.S. Treasury Notes with a cost of \$5,082,742, which represents the amount necessary to pay the redemption price and interest through the call date. Accordingly, the 1993 revenue bonds were removed from the balance sheet at June 1, 2003. The advance refunding reduced the Authority's total debt service payments over the next 15 years by \$846,859 and resulted in an accounting loss of \$401,345, which has been deferred in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*.

This loss is being amortized over the remaining life of the old debt. The 2003 revenue bonds bear interest rates ranging from 2.25% to 4.00% and mature on September 1, 2018.

B. Debt Service Requirements

Future debt service requirements, including interest and capital leases, but excludes the 2007 and 2008 Loans payable to the Redevelopment Successor Agency at June 30, 2012, 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
2013	\$260,830	\$77,595	\$4,657,360	\$1,632,702	\$370,000	\$103,400
2014	2,540,989	67,196	4,782,568	1,514,370	385,000	92,300
2015	281,544	56,641	4,312,405	1,392,482	395,000	80,269
2016	292,512	45,673	4,420,780	1,284,917	410,000	66,444
2017	303,908	34,276	4,536,800	1,174,229	425,000	51,581
2018-2022	646,599	42,862	24,561,591	4,093,888	905,000	54,044
2023-2027			13,024,062	1,025,946		
2028-2032			1,120,380	23,621		
Totals	\$4,326,382	\$324,243	\$61,415,946	\$12,142,155	\$2,890,000	\$448,038

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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

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

Leasing Arrangement	Fund/Activity	Cost
Capital Leases	Governmental Activity	\$3,871,601

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, 2011	Repayments	Balance at June 30, 2012
1987 Magnolia Plaza Senior Apartments variable interest rates, due 5/1/17	\$6,100,000		\$6,100,000
Total	\$6,100,000		\$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. On July 2, 2012, the debt was paid off in full.

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.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 7 – NET ASSETS AND FUND BALANCE (Continued)

B. Fund Balance

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

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

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

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

Committed fund balances have constraints imposed by Council Resolution of the City Council which may be altered only by Council Resolution of the City Council. 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. The City Council had delegated authority to the Finance Director to assign fund balances which are not otherwise restricted or committed. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 7 – NET ASSETS AND FUND BALANCE (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2012, are below:

Fund Balance Classifications	General Fund	Low and Moderate Income Housing Assets	Capital Project Funds	
			Capital Improvement	East of 101 Sewer Impact Fees
Nonspendables:				
Items not in spendable form:				
Inventories	\$90,167			
Total Nonspendable Fund Balances	<u>90,167</u>			
Restricted for:				
Low and moderate housing projects		\$14,646,550		
Total Restricted Fund Balances		<u>14,646,550</u>		
Committed for:				
Capital projects	208,054			
Total Committed Fund Balances	<u>208,054</u>			
Assigned to:				
Encumbrances	840,365			
Capital Projects			\$2,076,065	
Total Assigned Fund Balances	<u>840,365</u>		<u>2,076,065</u>	
Unassigned:				
General fund	17,347,445			
Other governmental fund deficit residuals				(\$1,370,105)
Total Unassigned Fund Balances	<u>17,347,445</u>			<u>(1,370,105)</u>
Total Fund Balances	<u>\$18,486,031</u>	<u>\$14,646,550</u>	<u>\$2,076,065</u>	<u>(\$1,370,105)</u>

(Continued)

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 7 – NET ASSETS AND FUND BALANCE (Continued)

Fund Balance Classifications (continued)	Capital Project Funds			
	East of 101 Traffic Impact Fees	Oyster Point Improvements Impact Fees	Child Care Impact Fees	Other Governmental Funds
Restricted for:				
Traffic impact fees	\$8,638,420			
Child Care impact fees			\$2,903,674	
Gas Tax projects				\$1,705,439
Developer Contributions projects				2,845,987
Community Development Block Grant projects				1,475,920
Maintenance Districts projects				1,689,043
Transportation Sales Tax projects				1,575,977
City Programs projects				2,424,958
Other Special Revenues projects				4,198,385
Capital Projects activities				1,260,187
Total Restricted Fund Balances	8,638,420		2,903,674	17,175,896
Unassigned:				
Other governmental fund deficit residuals		24,403		(43,254)
Total Unassigned Fund Balances		24,403		(43,254)
Total Fund Balances	\$8,638,420	\$24,403	\$2,903,674	\$17,132,642

C. Net Deficit

The East of 101 Sewer Impact Fees Capital Projects Fund had net deficit in the amount of \$1,370,105 at June 30, 2012. Capital Projects are often funded from grant sources that reimburse the City after the dollars are expended.

The Federal Aviation Grant Special Revenue Fund and the Health and Retirement Benefits Internal Service Fund had net deficits in the amount of \$39,880 and \$13,540,985, respectively, at June 30, 2012. The latter is attributable to the Net OPEB Obligation described in Footnote 10.

D. Restatement

During the year, the City determined that land held for resale in the amount of \$1,900,000 that, in prior year, was recorded in the Low and Moderate Income Housing Special Revenue Fund, should have been recorded in the Affordable Housing Trust Special Revenue Fund. Accordingly, beginning fund balance for the Low and Moderate Income Housing Special Revenue Fund was decreased by \$1,900,000 and beginning fund balance for the Affordable Housing Trust Special Revenue Fund was increased by \$1,900,000.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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, 2012, are summarized as follows:

	Safety (Police & Fire)	Miscellaneous
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	2.4-3%	1.092 – 2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	35.083%	20.087%

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 CalPers. 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 CalPers on an actuarial basis are determined by CalPers and its Board of Administration.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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. 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
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%
2010	151,287,299	119,420,652	31,866,647	78.9%	19,431,712	164.0%

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
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%
2010	213,852,541	171,969,514	41,883,027	80.4%	16,543,852	253.2%

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%. Projected salary increases are 3.55% to 14.45% depending on age, service and type of employment. 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
For the Fiscal Year Ended June 30, 2012

NOTE 8 - RETIREMENT BENEFITS (Continued)

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, 2010	\$5,027,090	100%	\$0
June 30, 2011	5,229,756	100%	0
June 30, 2012	5,926,641	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2010	\$3,430,786	100%	\$0
June 30, 2011	3,790,929	100%	0
June 30, 2012	4,387,561	100%	0

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
For the Fiscal Year Ended June 30, 2012

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, 2012, approximately 291 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) * Medicare Part B reimbursement
Surviving Spouse Benefit	* Participation with premium payment * AFSCME, Local 1569, Mid-Management, IAFF surviving spouses covered 2 months following death of retiree
Dental, Vision, & Life	None

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

The City has not yet participated in the California Employers’ Retiree Benefit Trust (CERBT) Fund – an irrevocable trust established by CalPers 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
For the Fiscal Year Ended June 30, 2012

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
For the Fiscal Year Ended June 30, 2012

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 2012, the City made contribution less than the ARC as presented below:

Annual required contribution (ARC)	\$10,981,000
Interest on net OPEB Obligation	727,000
Adjustment to annual required contribution	<u>(1,526,777)</u>
Annual OPEB cost	10,181,223
Contributions made:	
Premium paid	<u>2,073,223</u>
Total contributions	<u>2,073,223</u>
Change in net OPEB Asset / (Obligation)	(8,108,000)
Net OPEB Obligation at June 30, 2011	<u>(16,150,700)</u>
Net OPEB Asset (Obligation) at June 30, 2012	<u><u>(\$24,258,700)</u></u>

The Plan's annual required contributions and actual contributions for the year ended June 30, 2012 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>
6/30/2010	\$6,154,000	\$1,890,570	31%	\$8,154,222
6/30/2011	9,966,000	1,969,522	20%	16,150,700
6/30/2012	10,181,223	2,073,223	20%	24,258,700

**CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

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, 2010 actuarial study is presented below:

(in Thousands)			Overfunded (Underfunded)			Overfunded (Underfunded)
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age 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%)
6/30/2010	0	82,184	(82,184)	0%	32,797	(250.6%)

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, 2012, \$10,717,716 in cash and investments in the Health and Benefits Internal Service Fund has been set-aside by the City Council for OPEB.

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

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
For the Fiscal Year Ended June 30, 2012

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. The City's liability coverage through ABAG is 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 \$1,000,000 for each condition and up to \$1,000,000 in the aggregate with a \$25,000 self-insured retention per pollution condition. For the year ended June 30, 2012, the City paid ABAG Plan \$690,093 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 five fiscal years, general liability and worker compensation settlements did not exceed insurance coverage.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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, 2012			Fiscal
	Workers' Compensation	General Liability	Total	2010-2011 Total
Balance, beginning of year	\$7,310,000	\$750,000	\$8,060,000	\$6,984,000
Current year claims and changes in estimates	1,742,374	(331,483)	1,410,891	3,486,208
Claims Paid	(1,263,374)	(168,517)	(1,431,891)	(2,410,208)
Balance, end of year	<u>\$7,789,000</u>	<u>\$250,000</u>	<u>\$8,039,000</u>	<u>\$8,060,000</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.

**CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

A. 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 Successor Agency will have a total of \$6 million deducted from its property tax payments starting in Fiscal Year 2011-12 and continuing through Fiscal Year 2013-14. The County deducts this from tax increment before any distributions are made to the taxing entities. The total deducted by the County for Fiscal Year 2011-12 was \$2.4 million. In Fiscal Year 2012-13 an estimated \$3.2 million will be deducted from total gross tax increment of \$39 million, and in Fiscal Year 2013-14 an estimated \$362,000 will be deducted.

B. 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, 2012, 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
2013	\$420,000
2014	420,000
2015	420,000
2016	420,000
2017	420,000
2018-2022	2,100,000
2023-2027	2,100,000
2028-2029	840,000
Total	\$7,140,000

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

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 2012 lease payments were \$400,000.

The former 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 Low and Moderate Income Housing Fund. In fiscal 2012, 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 November 2013. At expiration or termination of the lease, title to all improvements on the land shall vest in the Agency. In fiscal 2012 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
2013	\$400,000	\$51,800	\$71,369	\$523,169
2014	166,665	51,800	29,293	247,758
2015		51,800		51,800
2016		51,800		51,800
2017		259,000		259,000
2018-2022		259,000		259,000
2023-2027		259,000		259,000
2028-2032		259,000		259,000
2033-2037		259,000		259,000
2038-2042		259,000		259,000
2043-2047		259,000		259,000
2048-2052		259,000		259,000
2053-2057		259,000		259,000
2058-2061		207,200		207,200
	\$566,665	\$2,745,400	\$100,662	\$3,412,727

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited 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.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor 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 legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has not completed its asset transfer review.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Asset Special Revenue Fund.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 30, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

A summary of the Redevelopment Agency’s assets distributed to and liabilities assumed by the Successor Agency and Housing Successor, reported as an Extraordinary Item, is presented below:

	Assets and Liabilities (prior to transfer)	Transfers to Successor Agency		Transfer to Low and Moderate Income Housing Asset Special Revenue Fund	Ending Balances January 31, 2012
		Successor Agency	Successor Agency - Housing		
ASSETS					
Cash and investments	\$92,194,818	(\$64,151,294)	(\$28,043,524)		
Receivables:					
Accrued interest	561,505	(424,091)	(137,414)		
Loans	15,471,405	(804,455)		(\$14,666,950)	
Loans receivable from the City	14,678,821	(14,678,821)			
Restricted cash and investments	14,335,185	(11,643,539)	(2,691,646)		
Capital assets:					
Nondepreciable	52,769,724	(52,769,724)			
Depreciable, net of accumulated depreciation	3,390,134	(3,390,134)			
Total assets	193,401,592	(147,862,058)	(30,872,584)	(14,666,950)	
LIABILITIES					
Current liabilities:					
Current portion of long-term debt	1,977,000	(1,767,000)	(210,000)		
Noncurrent portion of pollution remediation	537,000	(537,000)			
Noncurrent portion of long-term debt	68,502,000	(66,992,000)	(1,510,000)		
Total liabilities	71,016,000	(69,296,000)	(1,720,000)		
NET ASSETS (DEFICITS)	\$122,385,592	(\$78,566,058)	(\$29,152,584)	(\$14,666,950)	

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 2 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2012.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

B. LOANS RECEIVABLE

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

C. CAPITAL ASSETS

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

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

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

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

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

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

Capital assets recorded at June 30 comprise:

	Transfer from Redevelopment Agency February 1, 2012	Additions	Balance June 30, 2012
Fiduciary activities			
Capital assets not being depreciated:			
Land	\$52,776,824		\$52,776,824
Total capital assets not being depreciated	52,776,824		52,776,824
Capital assets being depreciated:			
Buildings and Improvements	3,781,406		3,781,406
Equipment and Vehicle	242,190		242,190
Furniture and Fixtures	21,506		21,506
Total capital assets being depreciated	4,045,102		4,045,102
Less accumulated depreciation for:			
Buildings and Improvements	(434,592)	(\$28,977)	(463,569)
Equipment and Vehicle	(209,524)	(7,689)	(217,213)
Furniture and Fixtures	(17,952)	(508)	(18,460)
Total accumulated depreciation	(662,068)	(37,174)	(699,242)
Net capital assets being depreciated	3,383,034	(37,174)	3,345,860
Fiduciary activity capital assets, net	\$56,159,858	(\$37,174)	\$56,122,684

D. LONG-TERM OBLIGATIONS

The Successor Agency assumed the long-term debt of the former Redevelopment Agency as of February 1, 2012.

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

	Transfer from Redevelopment Agency February 1, 2012	Retirements	Balance June 30, 2012	Current Portion
2006 Revenue Bonds, 3.75 to 5.13%, due 9/1/35 (1)	\$63,095,000		\$63,095,000	\$1,490,000
2000 HUD Section 108, 4.4 to 6.6%, due 8/1/23 (2)	1,054,000		1,054,000	112,000
1999 Revenue Bonds, 3.3 to 5.0%, due 9/1/18 (3)	1,720,000		1,720,000	210,000
1999 Certificates of Participation, 3.2 to 5.0%, due 4/1/29 (4)	4,610,000	(\$165,000)	4,445,000	170,000
Total Successor Agency	\$70,479,000	(\$165,000)	\$70,314,000	\$1,982,000

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

Debt Service Requirements

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

For the Year Ended June 30	Successor Agency Activities	
	Principal	Interest
2013	\$1,982,000	\$3,394,307
2014	2,057,000	3,310,146
2015	2,137,000	3,216,392
2016	2,237,000	3,118,495
2017	2,322,000	3,016,211
2018-2022	12,240,000	13,355,888
2023-2027	14,279,000	10,156,820
2028-2032	16,935,000	6,192,831
2033-2036	16,125,000	1,661,625
Totals	\$70,314,000	\$47,422,715

(1) 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, 2012, \$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 2012, 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.

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

(2) 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.

(3) 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. The housing bonds are now obligations of the Redevelopment Successor Agency.

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

(4) On February 1, 1999, the Redevelopment Agency 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 remaining debt service on the bonds which is scheduled to occur in 2029.

Pledged Revenues

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

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (continued)

E. POLLUTION REMEDIATION

In fiscal 2010, the former Redevelopment Agency purchased an unimproved parcel adjacent to the Caltrain Commuter Rail station from the State of California. The current rail station is among the oldest on the peninsula, is under the freeway, is small, has limited parking, and is not adjacent to the Downtown due to the freeway. The 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.

F. COMMITMENTS AND CONTINGENCIES

State Approval of Enforceable Obligations

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

State Asset Transfer Review

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

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Supplementary Information

<p style="text-align: center;">MAJOR GOVERNMENTAL FUNDS OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</p>
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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.

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

EAST OF 101 SEWER IMPACT FEES CAPITAL PROJECTS FUND

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

EAST OF 101 TRAFFIC IMPACT FEES CAPITAL PROJECTS FUND

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

OYSTER POINT IMPROVEMENTS IMPACT FEES CAPITAL PROJECTS FUND

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

CHILD CARE IMPACT FEES CAPITAL PROJECTS FUND

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

CITY OF SOUTH SAN FRANCISCO
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$3,203,869	\$1,015,388	(\$2,188,481)
Other	3,544	142,223	138,679
	3,207,413	1,157,611	(2,049,802)
EXPENDITURES:			
Current:			
Public works	49,472,424	12,137,092	37,335,332
Capital outlay	8,988,000	8,750,821	237,179
	58,460,424	20,887,913	37,572,511
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,253,011)	(19,730,302)	35,522,709
OTHER FINANCING SOURCES (USES)			
Transfers in	55,575,794	26,274,691	(29,301,103)
Transfers out		(8,771,158)	(8,771,158)
	55,575,794	17,503,533	(38,072,261)
NET CHANGE IN FUND BALANCE	\$322,783	(2,226,769)	(\$2,549,552)
Adjustment to budgetary basis:			
Encumbrance adjustments		1,911,930	
Fund balance - July 1		2,390,904	
Fund balance - June 30		\$2,076,065	

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, 2012

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$35,967,185	\$19,347,437	(\$16,619,748)
Intergovernmental	923,624		(923,624)
Interest and rental	100,000	645,352	545,352
Other	600,000	(24,500)	(624,500)
Total Revenues	37,590,809	19,968,289	(17,622,520)
EXPENDITURES:			
Current:			
Economic and community development	16,069,896	2,241,941	13,827,955
Non-departmental	68,000		68,000
Capital outlay	250,899	96,381	154,518
Debt services:			
Interest and fiscal charges		27,548	(27,548)
Total Expenditures	16,388,795	2,365,870	14,022,925
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,202,014	17,602,419	(3,599,595)
OTHER FINANCING SOURCES (USES)			
Transfers in	879,165	64,247,461	63,368,296
Transfers (out)	(12,595,280)	(12,823,315)	(228,035)
Total other financing sources (uses)	(11,716,115)	51,424,146	63,140,261
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	9,485,899	69,026,565	59,540,666
Extraordinary Items (Note 14)			
Assets transferred to/liabilities assumed by Successor Agency		(91,996,697)	(91,996,697)
NET CHANGE IN FUND BALANCE	\$9,485,899	(22,970,132)	(\$32,456,031)
Fund balance - July 1		22,970,132	
Fund balance - June 30			

**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, 2012**

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		(\$444)	(\$444)
Charges for services		281,001	281,001
Total Revenues		280,557	280,557
EXPENDITURES:			
Current:			
Non-departmental	\$2,500	2,500	
Total Expenditures	2,500	2,500	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,500)	278,057	280,557
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	(63,734)	(726)	63,008
Total other financing sources (uses)	(63,734)	(726)	63,008
NET CHANGE IN FUND BALANCE	(\$66,234)	277,331	\$343,565
Fund balance (deficit) - July 1		(1,647,436)	
Fund balance (deficit) - June 30		(\$1,370,105)	

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, 2012

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$136,490	\$136,490
Other		733,452	733,452
Total Revenues		869,942	869,942
EXPENDITURES:			
Current:			
Public works	\$2,500	2,500	
Total Expenditures	2,500	2,500	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,500)	867,442	869,942
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(2,296,865)	(899,250)	1,397,615
Total other financing sources (uses)	(2,296,865)	(899,250)	1,397,615
NET CHANGE IN FUND BALANCE	(\$2,299,365)	(31,808)	\$2,267,557
Fund balance - July 1		8,670,228	
Fund balance - June 30		\$8,638,420	

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, 2012

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$1,962	\$1,962
Other		498,121	498,121
Total Revenues		500,083	500,083
EXPENDITURES:			
Current:			
Public works	\$53,888	1,314	52,574
Non-departmental	2,500	2,500	
Total Expenditures	56,388	3,814	52,574
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(56,388)	496,269	552,657
Extraordinary Items			
Assets transferred to/liabilities assumed by Successor Agency		12,176,207	12,176,207
NET CHANGE IN FUND BALANCE	(\$56,388)	12,672,476	\$12,728,864
Fund balance (deficit) - July 1		(12,648,073)	
Fund balance (deficit) - June 30		\$24,403	

**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, 2012**

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental		\$46,220	\$46,220
Charges for services		5,179	5,179
Total Revenues		<u>51,399</u>	<u>51,399</u>
EXPENDITURES:			
Current:			
Non-departmental	<u>\$2,500</u>	<u>2,500</u>	
Total Expenditures	<u>2,500</u>	<u>2,500</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,500)</u>	<u>48,899</u>	<u>51,399</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	<u>(259,117)</u>	<u>(97,196)</u>	<u>161,921</u>
Total other financing sources (uses)	<u>(259,117)</u>	<u>(97,196)</u>	<u>161,921</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$261,617)</u></u>	<u>(48,297)</u>	<u><u>\$213,320</u></u>
Fund balance - July 1		<u>2,951,971</u>	
Fund balance - June 30		<u><u>\$2,903,674</u></u>	

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.

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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:

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 accounted 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. As required by State Law, the Redevelopment Agency was dissolved effective January 31, 2012.

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:

Low and Moderate Income Housing Capital Projects Fund– This fund accounted for the 20% share of property tax increment revenue directed toward low and moderate income housing projects. As required by State Law, the Redevelopment Agency was dissolved effective January 31, 2012.

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

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.

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. This fund has been closed in fiscal year 2012 by the Redevelopment Agency dissolution process.

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

SPECIAL REVENUE FUNDS

	Gas Tax	Inter-Agency	Developer Contributions	Federal Aviation Grant	Community Development Block Grant
ASSETS					
Cash and investments	\$1,699,302		\$3,327,721	\$2,791,354	
Receivables:					
Accounts			102,618		\$199,911
Accrued interest	6,137		14,058	8,403	
Due from other governments					
Loans					1,147,706
Restricted cash and investments					407,474
Land held for resale					
Total Assets	\$1,705,439		\$3,444,397	\$2,799,757	\$1,755,091
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$92,560	\$53,546	\$103,171
Deposits			485,850		
Deferred revenue				2,786,091	
Due to other funds			20,000		176,000
Total Liabilities			598,410	2,839,637	279,171
Fund Balances:					
Restricted	\$1,705,439		2,845,987	3,374	1,475,920
Unassigned				(43,254)	
Total Fund Balances	1,705,439		2,845,987	(39,880)	1,475,920
Total Liabilities and Fund Balances	\$1,705,439		\$3,444,397	\$2,799,757	\$1,755,091

Miscellaneous Grants	Maintenance Districts	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforcement Services	City Programs	Affordable Housing Trust
\$133,576	\$1,723,400	\$1,569,925	\$940,749	\$364	\$2,534,939	\$842,379
39,102	2,573	6,052	14,445	113,636	7,391	875
	111,093					96,506
						623,669
						1,900,000
\$172,678	\$1,837,066	\$1,575,977	\$955,194	\$114,000	\$2,542,330	\$3,463,429
\$35,809	\$36,930		\$5,196		\$78,090	
	111,093				39,282	
				\$114,000		\$594,000
35,809	148,023		5,196	114,000	117,372	594,000
\$136,869	1,689,043	\$1,575,977	949,998		2,424,958	2,869,429
136,869	1,689,043	1,575,977	949,998		2,424,958	2,869,429
\$172,678	\$1,837,066	\$1,575,977	\$955,194	\$114,000	\$2,542,330	\$3,463,429

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	PEG Equipment and Access	Redevelopment Agency	Redevelopment Agency Low Mod Housing	Non-obligated Capital Projects	Sewer Capacity Charges
ASSETS					
Cash and investments	\$198,587			\$699,924	\$482,943
Receivables:					
Accounts	39,725				
Accrued interest	403			1,933	2,503
Due from other governments					
Loans					
Restricted cash and investments					
Land held for resale					
Total Assets	\$238,715			\$701,857	\$485,446
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					
Deposits					
Deferred revenue					
Due to other funds					
Total Liabilities					
Fund Balances:					
Restricted	\$238,715			\$701,857	\$485,446
Unassigned					
Total Fund Balances	238,715			701,857	485,446
Total Liabilities and Fund Balances	\$238,715			\$701,857	\$485,446

CAPITAL PROJECTS FUNDS		
Developer Deposit	Public Improvement Fund	Total Nonmajor Governmental Funds
\$2,155,518		\$19,100,681
		512,885
6,191		149,577
		111,093
		1,771,375
		407,474
		1,900,000
<u>\$2,161,709</u>		<u>\$23,953,085</u>
		\$405,302
\$2,088,825		2,613,957
		3,491,184
		310,000
<u>2,088,825</u>		<u>6,820,443</u>
72,884		17,175,896
		(43,254)
<u>72,884</u>		<u>17,132,642</u>
<u>\$2,161,709</u>		<u>\$23,953,085</u>

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

SPECIAL REVENUE FUNDS

	<u>Gas Tax</u>	<u>Inter-Agency</u>	<u>Developer Contributions</u>	<u>Federal Aviation Grants</u>	<u>Community Development Block Grant</u>
REVENUES					
Property taxes					
Other taxes					
Intergovernmental	\$2,846,214			\$317,473	\$578,720
Interest and rentals	32,764		\$83,608	47,307	24,295
Charges for services			1,001,118		
Other			16,769		2,993
	<u>2,878,978</u>		<u>1,101,495</u>	<u>364,780</u>	<u>606,008</u>
Total Revenues					
EXPENDITURES					
Current:					
Economic and community development			571,198	364,781	558,805
Public works			483		
Non-departmental					
Police					
Capital outlay					
Debt service:					
Principal repayments					
Interest and fiscal charges					
			<u>571,681</u>	<u>364,781</u>	<u>558,805</u>
Total Expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,878,978</u>		<u>529,814</u>	<u>(1)</u>	<u>47,203</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	<u>(3,011,388)</u>	<u>(\$1,926)</u>	<u>(2,554,603)</u>		<u>(82,917)</u>
Total Other Financing Sources (Uses)	<u>(3,011,388)</u>	<u>(1,926)</u>	<u>(2,554,603)</u>		<u>(82,917)</u>
Net Change in Fund Balances Before Extraordinary Items	(132,410)	(1,926)	(2,024,789)	(1)	(35,714)
Extraordinary Items					
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Successor Agency					
Net Change in Fund Balances	(132,410)	(1,926)	(2,024,789)	(1)	(35,714)
Fund balance (deficit) - July 1, as restated	<u>1,837,849</u>	<u>1,926</u>	<u>4,870,776</u>	<u>(39,879)</u>	<u>1,511,634</u>
Fund balance (deficit) - June 30	<u>\$1,705,439</u>	<u>1,926</u>	<u>\$2,845,987</u>	<u>(\$39,880)</u>	<u>\$1,475,920</u>

SPECIAL REVENUE FUNDS

Miscellaneous Grants	Maintenance Districts	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforcement Services	City Programs	Affordable Housing Trust
	\$1,320,632			\$113,636		
\$149,188		\$1,070,413				
		37,285		(1)	\$38,296	\$16,238
			\$173,325			
					1,100,891	6,648
<u>149,188</u>	<u>1,320,632</u>	<u>1,107,698</u>	<u>173,325</u>	<u>113,635</u>	<u>1,139,187</u>	<u>22,886</u>
149,187			110,973			
	1,313,789					
				113,787	914,483	
<u>149,187</u>	<u>1,313,789</u>		<u>110,973</u>	<u>113,787</u>	<u>914,483</u>	
<u>1</u>	<u>6,843</u>	<u>1,107,698</u>	<u>62,352</u>	<u>(152)</u>	<u>224,704</u>	<u>22,886</u>
	(28,984)	(1,879,697)			500 (372,087)	
	(28,984)	(1,879,697)			(371,587)	
1	(22,141)	(771,999)	62,352	(152)	(146,883)	22,886
<u>1</u>	<u>(22,141)</u>	<u>(771,999)</u>	<u>62,352</u>	<u>(152)</u>	<u>(146,883)</u>	<u>22,886</u>
<u>136,868</u>	<u>1,711,184</u>	<u>2,347,976</u>	<u>887,646</u>	<u>152</u>	<u>2,571,841</u>	<u>2,846,543</u>
<u>\$136,869</u>	<u>\$1,689,043</u>	<u>\$1,575,977</u>	<u>\$949,998</u>		<u>\$2,424,958</u>	<u>\$2,869,429</u>

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
	PEG Equipment and Access	Redevelopment Agency	Redevelopment Agency Low Mod Housing	Non-obligated Capital Projects	Sewer Capacity Charges
REVENUES					
Property taxes					
Other taxes					
Intergovernmental					\$15,094
Interest and rentals	\$1,963	\$91,244	\$783,374	\$1,640	(462)
Charges for services					185,082
Other	149,218		77,055		
Total Revenues	151,181	91,244	860,429	1,640	199,714
EXPENDITURES					
Current:					
Economic and community development			406,096		
Public works					2,500
Non-departmental	3,466	1,800			
Police					
Capital outlay					
Debt service:					
Principal repayments		1,752,000			
Interest and fiscal charges		1,790,216			
Total Expenditures	3,466	3,544,016	406,096		2,500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	147,715	(3,452,772)	454,333	1,640	197,214
OTHER FINANCING SOURCES (USES)					
Transfers in	91,000	3,532,693	4,101,413		
Transfers out			(252,180)		(543,076)
Total Other Financing Sources (Uses)	91,000	3,532,693	3,849,233		(543,076)
Net Change in Fund Balances Before Extraordinary Items	238,715	79,921	4,303,566	1,640	(345,862)
Extraordinary Items					
Assets transferred to Housing Successor		(318,524)	(30,554,060)		
Assets transferred to/liabilities assumed by Successor Agency		(5,161,876)	(9,209,363)		
Net Change in Fund Balances	238,715	(5,400,479)	(35,459,857)	1,640	(345,862)
Fund balance (deficit) - July 1, as restated		5,400,479	35,459,857	700,217	831,308
Fund balance (deficit) - June 30	\$238,715			\$701,857	\$485,446

CAPITAL PROJECTS FUNDS

<u>Developer Deposit</u>	<u>Public Improvement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
		\$1,320,632
		1,184,049
		3,906,689
\$34,311		1,191,862
		1,359,525
		<u>1,353,574</u>
<u>34,311</u>		<u>10,316,331</u>
		2,161,040
		1,316,772
		919,749
		113,787
		1,752,000
		<u>1,790,216</u>
		<u>8,053,564</u>
<u>34,311</u>		<u>2,262,767</u>
	\$9,345,128	17,070,734
	<u>(77,307,200)</u>	<u>(86,034,058)</u>
	<u>(67,962,072)</u>	<u>(68,963,324)</u>
34,311	(67,962,072)	(66,700,557)
		(30,872,584)
		<u>(14,371,239)</u>
34,311	(67,962,072)	(111,944,380)
<u>38,573</u>	<u>67,962,072</u>	<u>129,077,022</u>
<u>\$72,884</u>		<u>\$17,132,642</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, 2012**

	GAS TAX			INTER-AGENCY		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental	\$2,839,028	\$2,846,214	\$7,186			
Interest and rentals	30,000	32,764	2,764			
Charges for services						
Other						
Total Revenues	2,869,028	2,878,978	9,950			
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Human resources						
Non-departmental						
Other						
Police						
Capital outlay						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,869,028	2,878,978	9,950			
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(3,832,535)	(3,011,388)	821,147		(\$1,926)	(\$1,926)
Total Other Financing Sources (Uses)	(3,832,535)	(3,011,388)	821,147		(1,926)	(1,926)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(\$963,507)	(132,410)	\$831,097		(1,926)	(\$1,926)
EXTRAORDINARY ITEMS						
Assets transferred to Housing Successor						
Assets transferred to/liabilities assumed by Successor Agency						
NET CHANGE IN FUND BALANCES	(\$963,507)	(132,410)	\$831,097		(1,926)	(\$1,926)
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1		1,837,849			1,926	
Fund balance, June 30		\$1,705,439				

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)
				\$317,473	\$317,473	\$651,560	\$578,720	(\$72,840)
\$21,000	\$83,608	\$62,608		47,307	47,307		24,295	24,295
1,001,000	1,001,118	118						
17,000	16,769	(231)				86,000	2,993	(83,007)
1,039,000	1,101,495	62,495		364,780	364,780	737,560	606,008	(131,552)
838,195	837,640 483	555 (483)	\$1,367,622	368,155	999,467	895,776	640,659	255,117
838,195	838,123	72	1,367,622	368,155	999,467	895,776	640,659	255,117
200,805	263,372	62,567	(1,367,622)	(3,375)	1,364,247	(158,216)	(34,651)	123,565
(3,172,545)	(2,554,603)	617,942				56,500 (83,529)	(82,917)	(56,500) 612
(3,172,545)	(2,554,603)	617,942				(27,029)	(82,917)	(55,888)
(\$2,971,740)	(2,291,231)	\$680,509	(\$1,367,622)	(3,375)	1,364,247	(\$185,245)	(117,568)	\$67,677
<u>(\$2,971,740)</u>	<u>(2,291,231)</u>	<u>\$680,509</u>	<u>(\$1,367,622)</u>	<u>(3,375)</u>	<u>\$1,364,247</u>	<u>(\$185,245)</u>	<u>(117,568)</u>	<u>\$67,677</u>
	266,442			3,374			81,854	
	<u>4,870,776</u>			<u>(39,879)</u>			<u>1,511,634</u>	
	<u>\$2,845,987</u>			<u>(\$39,880)</u>			<u>\$1,475,920</u>	

(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, 2012**

	MISCELLANEOUS GRANTS			MAINTENANCE DISTRICTS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes				\$1,334,100	\$1,320,632	(\$13,468)
Other taxes						
Intergovernmental	\$149,189	\$149,188	(\$1)	4,000		(4,000)
Interest and rentals						
Charges for services						
Other						
Total Revenues	149,189	149,188	(1)	1,338,100	1,320,632	(17,468)
EXPENDITURES						
Current:						
Economic and community development	181,960	149,187	32,773			
Public works				1,658,047	1,313,789	344,258
Human resources						
Non-departmental						
Other						
Police						
Capital outlay						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	181,960	149,187	32,773	1,658,047	1,313,789	344,258
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,771)	1	32,772	(319,947)	6,843	326,790
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out				(171,191)	(28,984)	142,207
Total Other Financing Sources (Uses)				(171,191)	(28,984)	142,207
NET CHANGE IN FUND BALANCES	(\$32,771)	1	\$32,772	(491,138)	(22,141)	468,997
EXTRAORDINARY ITEMS						
Assets transferred to Housing Successor						
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor						
NET CHANGE IN FUND BALANCES	(\$32,771)	1	\$32,772	(\$491,138)	(22,141)	\$468,997
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1		136,868			1,711,184	
Fund balance, June 30		\$136,869			\$1,689,043	

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)
\$1,000,000	\$1,070,413	\$70,413					\$113,636	\$113,636
10,000	37,285	27,285	\$173,325	\$173,325			(1)	(1)
1,010,000	1,107,698	97,698	173,325	173,325			113,635	113,635
			256,375	195,450	\$60,925			
						114,000	113,787	213
			256,375	195,450	60,925	114,000	113,787	213
1,010,000	1,107,698	97,698	(83,050)	(22,125)	60,925	(114,000)	(152)	113,848
(2,605,997)	(1,879,697)	726,300						
(2,605,997)	(1,879,697)	726,300						
(1,595,997)	(771,999)	823,998	(83,050)	(22,125)	60,925	(\$114,000)	(152)	113,848
<u>(\$1,595,997)</u>	<u>(771,999)</u>	<u>\$823,998</u>	<u>(\$83,050)</u>	<u>(22,125)</u>	<u>\$60,925</u>	<u>(\$114,000)</u>	<u>(152)</u>	<u>\$113,848</u>
				84,477				
	<u>2,347,976</u>			<u>887,646</u>			<u>152</u>	
	<u>\$1,575,977</u>			<u>\$949,998</u>				

(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, 2012**

	CITY PROGRAMS			AFFORDABLE HOUSING TRUST		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental						
Interest and rentals	\$39,000	\$38,296	(\$704)		\$16,238	\$16,238
Charges for services						
Other	1,100,000	1,100,891	891		6,648	6,648
	1,139,000	1,139,187	187		22,886	22,886
Total Revenues						
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Human resources						
Non-departmental		914,483	(914,483)			
Other	915,000		915,000			
Police						
Capital outlay						
Debt service:						
Principal repayments						
Interest and fiscal charges						
	915,000	914,483	517			
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	224,000	224,704	704		22,886	22,886
OTHER FINANCING SOURCES (USES)						
Transfers in		500	500			
Transfers out	(369,839)	(372,087)	(2,248)			
	(369,839)	(371,587)	(1,748)			
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	(145,839)	(146,883)	(1,044)		22,886	22,886
EXTRAORDINARY ITEMS						
Assets transferred to Housing Successor						
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor						
NET CHANGE IN FUND BALANCES	(\$145,839)	(146,883)	(\$1,044)		22,886	\$22,886
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1		2,571,841			2,846,543	
Fund balance, June 30		\$2,424,958			\$2,869,429	

PEG EQUIPMENT AND ACCESS			PUBLIC IMPROVEMENT FUND			REDEVELOPMENT DEBT SERVICE FUNDS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$1,963	\$1,963	\$261,624		(\$261,624)		\$91,244	\$91,244
\$40,000	149,218	109,218						
40,000	151,181	111,181	261,624		(261,624)		91,244	91,244
40,000	3,466	36,534	6,627,941		6,627,941		1,800	(1,800)
						\$1,930,207	1,752,000	178,207
						3,475,450	1,790,216	1,685,234
40,000	3,466	36,534	6,627,941		6,627,941	5,405,657	3,544,016	1,861,641
	147,715	147,715	(6,366,317)		6,366,317	(5,405,657)	(3,452,772)	1,952,885
91,000	91,000		(42,717,459)	\$9,345,128	9,345,128	5,405,656	3,532,693	(1,872,963)
			(77,307,200)	(34,589,741)	(34,589,741)			
91,000	91,000		(42,717,459)	(67,962,072)	(25,244,613)	5,405,656	3,532,693	(1,872,963)
91,000	238,715	147,715	(49,083,776)	(67,962,072)	(18,878,296)	(1)	79,921	\$79,922
							(318,524)	
							(5,161,876)	
\$91,000	238,715	\$147,715	(\$49,083,776)	(67,962,072)	(\$18,878,296)	(\$1)	(5,400,479)	\$79,922
				67,962,072			5,400,479	
	\$238,715							

(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, 2012**

	REDEVELOPMENT AGENCY LOW MOD HOUSING			NONOBLIGATED CAPITAL PROJECTS		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental						
Interest and rentals	\$450,000	\$783,374	\$333,374		\$1,640	\$1,640
Charges for services						
Other		77,055	77,055			
Total Revenues	450,000	860,429	410,429		1,640	1,640
EXPENDITURES						
Current:						
Economic and community development	4,928,641	406,096	4,522,545			
Public works						
Human resources						
Non-departmental						
Other						
Police						
Capital outlay						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	4,928,641	406,096	4,522,545			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,478,641)	454,333	4,932,974		1,640	1,640
OTHER FINANCING SOURCES (USES)						
Transfers in	7,193,000	4,101,413	(3,091,587)			
Transfers out	(308,011)	(252,180)	55,831			
Total Other Financing Sources (Uses)	6,884,989	3,849,233	(3,035,756)			
NET CHANGE IN FUND BALANCES	\$2,406,348	4,303,566	\$1,897,218		1,640	1,640
EXTRAORDINARY ITEMS						
Assets transferred to Housing Successor		(30,554,060)				
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor		(9,209,363)				
NET CHANGE IN FUND BALANCES	\$2,406,348	(\$35,459,857)	\$1,897,218		1,640	\$1,640
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance (deficit) - July 1		35,459,857			700,217	
Fund balance, June 30					\$701,857	

**SEWER
CAPACITY CHARGES**

Final Budget	Actual	Variance Positive (Negative)
\$5,500	\$15,094	\$9,594
	(462)	(462)
350,000	185,082	(164,918)
<u>355,500</u>	<u>199,714</u>	<u>(155,786)</u>
2,500	2,500	
<u>2,500</u>	<u>2,500</u>	
<u>353,000</u>	<u>197,214</u>	<u>(155,786)</u>
<u>(750,000)</u>	<u>(543,076)</u>	<u>206,924</u>
<u>(750,000)</u>	<u>(543,076)</u>	<u>206,924</u>
(397,000)	(345,862)	51,138
<u><u>(\$397,000)</u></u>	<u><u>(345,862)</u></u>	<u><u>\$51,138</u></u>
	<u>831,308</u>	
	<u><u>\$485,446</u></u>	

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, 2012**

	<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	\$809,324	\$8,033,027	\$11,831,829	\$3,516,882	\$24,191,062
Restricted cash and investments				21,081	21,081
Receivables:					
Accounts			3,292		3,292
Accrued interest	2,062	22,188	30,518	9,342	64,110
Due from other funds				310,000	310,000
Deposit		125,000	46,010		171,010
Total current assets	<u>811,386</u>	<u>8,180,215</u>	<u>11,911,649</u>	<u>3,857,305</u>	<u>24,760,555</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable					
Depreciable, net accumulated depreciation	4,009			3,810,939	3,814,948
Total Assets	<u>815,395</u>	<u>8,180,215</u>	<u>11,911,649</u>	<u>7,668,244</u>	<u>28,575,503</u>
LIABILITIES					
Current liabilities:					
Accounts payable	130,579	91,830	50,725		273,134
Current portion of accrued insurance loss		712,000			712,000
Current portion of compensated absences	54,792		397,593		452,385
Net OPEB obligation			24,258,700		24,258,700
Current portion of long-term debt				260,829	260,829
Total current liabilities	<u>185,371</u>	<u>803,830</u>	<u>24,707,018</u>	<u>260,829</u>	<u>25,957,048</u>
Noncurrent liabilities:					
Accrued insurance loss		7,327,000			7,327,000
Compensated absences obligation	110,822		745,616		856,438
Noncurrent portion of long-term debt				1,795,553	1,795,553
Total noncurrent liabilities	<u>110,822</u>	<u>7,327,000</u>	<u>745,616</u>	<u>1,795,553</u>	<u>9,978,991</u>
Total Liabilities	<u>296,193</u>	<u>8,130,830</u>	<u>25,452,634</u>	<u>2,056,382</u>	<u>35,936,039</u>
NET ASSETS:					
Invested in capital assets, net of related debt	4,009			1,754,557	1,758,566
Unrestricted	515,193	49,385	(13,540,985)	3,857,305	(9,119,102)
Total Net Assets (Deficits)	<u>\$519,202</u>	<u>\$49,385</u>	<u>(\$13,540,985)</u>	<u>\$5,611,862</u>	<u>(\$7,360,536)</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$2,850,907	\$3,514,799	\$11,067,427	\$1,296,624	\$18,729,757
Total Operating Revenues	<u>2,850,907</u>	<u>3,514,799</u>	<u>11,067,427</u>	<u>1,296,624</u>	<u>18,729,757</u>
OPERATING EXPENSES					
Personnel expenses	1,435,332	509,245	9,975,835		11,920,412
OPEB expenses			8,108,000		8,108,000
Professional services	263,350	950,621	6,063		1,220,034
Program supplies	826,194			80,448	906,642
Insurance	7,566	159,775			167,341
Self-insurance and claims		1,931,891			1,931,891
Repair and maintenance	601,589			130,260	731,849
Utilities	29,795				29,795
Depreciation	1,056			655,979	657,035
Other	24,642		191,120		215,762
Total Operating Expenses	<u>3,189,524</u>	<u>3,551,532</u>	<u>18,281,018</u>	<u>866,687</u>	<u>25,888,761</u>
Operating Income (Loss)	<u>(338,617)</u>	<u>(36,733)</u>	<u>(7,213,591)</u>	<u>429,937</u>	<u>(7,159,004)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	11,654	121,033	166,932	49,954	349,573
Interest expense				(44,639)	(44,639)
Gain from disposal of capital assets				(48,036)	(48,036)
Other			221,375		221,375
Total Nonoperating Revenues (Expenses)	<u>11,654</u>	<u>121,033</u>	<u>388,307</u>	<u>(42,721)</u>	<u>478,273</u>
Net income (loss) before transfers	(326,963)	84,300	(6,825,284)	387,216	(6,680,731)
TRANSFERS					
Transfers in	118,093		550,000		668,093
Transfers out	(118,396)	(100,000)		(1,258)	(219,654)
Change in Net Assets	(327,266)	(15,700)	(6,275,284)	385,958	(6,232,292)
Net Assets - (deficits) July 1	<u>846,468</u>	<u>65,085</u>	<u>(7,265,701)</u>	<u>5,225,904</u>	<u>(1,128,244)</u>
Net Assets - (deficits) June 30	<u>\$519,202</u>	<u>\$49,385</u>	<u>(\$13,540,985)</u>	<u>\$5,611,862</u>	<u>(\$7,360,536)</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	<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	\$2,889,696	\$3,514,799	\$11,070,769	\$1,296,624	\$18,771,888
Cash payment to suppliers for goods and services	(1,753,516)	(1,110,396)	(8,714)	(210,708)	(3,083,334)
Cash payment to employees for services	(1,608,178)	(518,040)	(9,976,358)		(12,102,576)
Cash payment for judgments and claims		(1,952,891)			(1,952,891)
Other receipts (payments)				(697,434)	(697,434)
Net Cash Provided by Operating Activities	(471,998)	(66,528)	1,085,697	388,482	935,653
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Repayments from other funds				(135,000)	(135,000)
Transfers in	118,093		550,000		668,093
Transfers out	(118,396)	(100,000)		(1,258)	(219,654)
Net Cash Provided by Noncapital Financing Activities	(303)	(100,000)	550,000	(136,258)	313,439
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease				(286,510)	(286,510)
Interest payments				(44,639)	(44,639)
Proceeds from the sale of capital assets	1,050			107,662	108,712
Net Cash Used in Capital and Related Financing Activities	1,050			(223,487)	(222,437)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	14,168	130,906	176,440	53,077	374,591
Net Cash Provided by Investing Activities	14,168	130,906	176,440	53,077	374,591
Net Increase (Decrease) in cash and cash equivalents	(457,083)	(35,622)	1,812,137	81,814	1,401,246
Cash and cash equivalents, beginning	1,266,407	8,068,649	10,019,692	3,456,149	22,810,897
Cash and cash equivalents, ending	\$809,324	\$8,033,027	\$11,831,829	\$3,537,963	\$24,212,143
Reconciliation to Statement of Net Assets					
Cash and investments	\$809,324	\$8,033,027	\$11,831,829	\$3,516,882	\$24,191,062
Restricted cash and investments				21,081	21,081
Total cash and investments	\$809,324	\$8,033,027	\$11,831,829	\$3,537,963	\$24,212,143
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	(\$338,617)	(\$36,733)	(\$7,213,591)	\$429,937	(\$7,159,004)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	1,056			655,979	657,035
Other non-operating revenue			221,375		221,375
Net change in assets and liabilities:					
Accounts and lease receivables	38,789		3,342		42,131
Accounts payable	(193,906)	(8,795)	3,567	(680,646)	(879,780)
Other payable	(380)		(32,906)	(16,788)	(50,074)
Accrued insurance losses		(21,000)			(21,000)
OPEB obligations			8,108,000		8,108,000
Compensated absence obligations	21,060		(4,090)		16,970
Net Cash Provided by (Used in) Operating Activities	(\$471,998)	(\$66,528)	\$1,085,697	\$388,482	\$935,653

AGENCY FUND

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

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

**CITY OF SOUTH SAN FRANCISCO
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012**

SSF Employee Deferred Comp Trust Oversight				
	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and investments		\$39,930		\$39,930
Accrued interest		116		116
Total Assets		\$40,046		\$40,046
LIABILITIES				
Accounts payable		\$2,500		\$2,500
Other accrued liabilities		\$37,546		\$37,546
Total Liabilities		\$40,046		\$40,046

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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

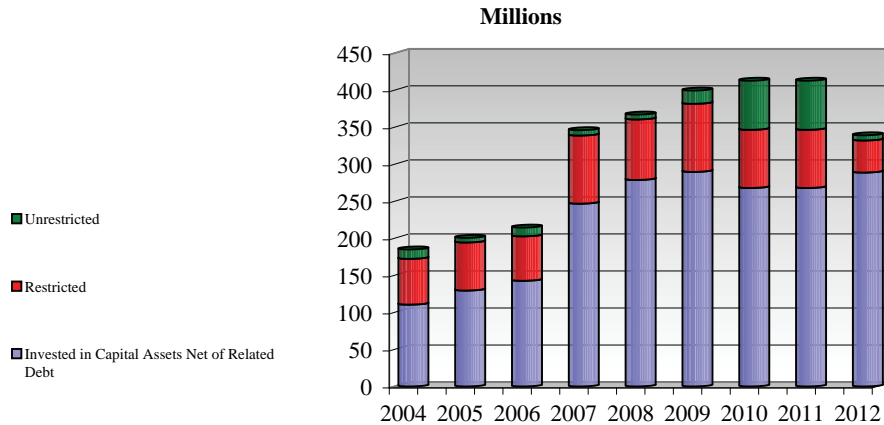
1. Collection and Use of 1% Special Transient Occupancy Tax

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 Nine 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
	2009	2010	2011	2012	
Governmental activities					
Invested in capital assets, net of related debt	\$237,441,155	\$209,507,012	214,246,561	\$218,218,696	
Restricted	86,962,890	78,625,094	163,669,353	43,321,286	
Unrestricted	21,455,067	65,537,953	(19,267,010)	(3,837,201)	
Total governmental activities net assets	\$345,859,112	\$353,670,059	\$358,648,904	\$257,702,781	
Business-type activities					
Invested in capital assets, net of related debt	\$52,347,955	\$58,522,676	\$66,113,596	\$70,653,841	
Restricted	4,971,538				
Unrestricted	(3,496,600)	792,921	9,292,189	10,877,105	
Total business-type activities net assets	\$53,822,893	\$59,315,597	\$75,405,785	\$81,530,946	
Primary government					
Invested in capital assets, net of related debt	\$289,789,110	\$268,029,688	\$280,360,157	\$288,872,537	
Restricted	91,934,428	78,625,094	163,669,353	43,321,286	
Unrestricted	17,958,467	66,330,874	(9,974,821)	7,039,904	
Total primary government net assets	\$399,682,005	\$412,985,656	\$434,054,689	\$339,233,727	

Source: City of South San Francisco, Department of Finance

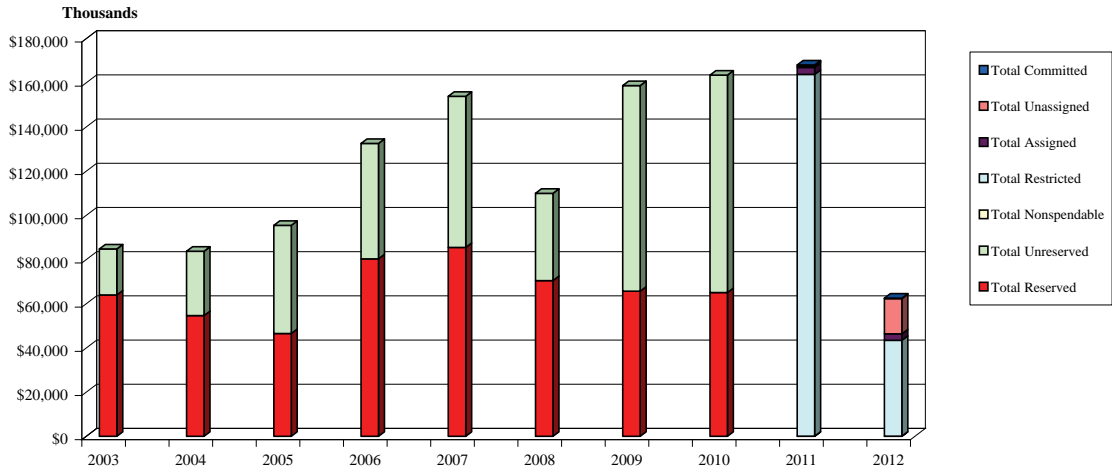
CITY OF SOUTH SAN FRANCISCO
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$7,801,328
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	20,749,323
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	23,330,208
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	21,269,281
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	11,641,892
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	4,754,760
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	8,702,949
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	3,328,244
Total Governmental Activities Expenses	64,625,418	66,020,803	77,765,659	83,126,914	86,187,723	105,874,546	103,844,591	102,099,172	101,577,985
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	19,446,739
Parking District	290,314	229,087	303,712	352,629	363,878	341,100	338,995	571,261	769,117
Storm Water	401,315	565,827	675,773	683,458	705,099	746,316	722,232	710,903	1,010,093
Total Business-Type Activities Expenses	14,498,887	15,274,547	15,859,598	15,741,796	17,409,321	18,637,106	20,005,494	20,560,123	21,225,949
Total Primary Government Expenses	\$79,124,305	\$81,295,350	\$93,625,257	\$98,868,710	\$103,597,044	\$124,511,652	\$123,850,085	\$122,659,295	\$122,803,934
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	\$2,032,292
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	3,697,665
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	2,599,149
Public Works	175,712	192,960	460,184	164,846	2,973,297	2,462,538	4,412,581	3,805,824	3,607,224
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	3,178,276
Library	154,795	172,309	240,238	192,445	233,753	240,542	187,380	168,505	143,971
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	4,968,383
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	5,650,685
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	1,471,416
Total Government Activities Program Revenues	29,777,646	21,786,722	25,708,625	34,177,661	28,089,883	32,770,328	25,158,899	27,927,578	27,349,061
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	19,310,286
Parking District	312,875	401,131	447,431	449,945	553,317	606,847	616,578	722,807	760,248
Storm Water	405,578	401,484	410,175	413,087	421,727	419,446	422,467	406,589	409,498
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	5,936,527
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	14,644,882	16,086,350	21,611,721	22,237,551	20,211,875	27,351,581	24,230,085	24,758,635	26,416,559
Total Primary Government Program Revenues	\$44,422,528	\$37,873,072	\$47,320,346	\$56,415,212	\$48,301,458	\$60,121,909	\$49,388,984	\$52,686,213	\$53,765,620
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)	(\$74,228,924)
Business-Type Activities	145,999	811,803	5,752,123	6,495,755	2,802,554	8,714,475	4,224,591	4,198,512	5,190,610
Total Primary Government Net Expense	(\$34,701,773)	(\$43,422,278)	(\$46,304,911)	(\$42,453,498)	(\$55,295,586)	(\$64,389,743)	(\$74,461,101)	(\$69,973,082)	(\$69,038,314)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$37,379,175
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	11,691,564
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	8,619,170
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	7,089,687
Motor Vehicle In-Lieu	2,782,118	2,979,413	4,463,069	411,098	267,061	183,193	192,035	211,503	168,214
Property taxes in lieu of vehicle license fees				4,206,799	4,608,649	5,563,165	5,224,547	5,086,144	5,153,384
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	2,384,207
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	9,300,137
Extraordinary Item	6,938								(107,717,428)
Transfers		66,315	(474,027)	(176,680)	(169,330)	(423,012)	(1,459,296)	(11,769,393)	(785,309)
Special item - Property taxes refund			(7,188,206)		(8,540,400)				
Cumulative effect from change in accounting method									
Total Governmental Activities	55,621,087	59,156,173	59,593,985	81,161,731	76,105,777	96,180,865	87,331,700	79,150,439	(26,717,199)
Business-Type Activities:									
Interest Earnings	55,196	32,791	80,119	359,041	69,777	244,887	175,188	122,283	149,242
Transfers	(6,938)	(66,315)	474,027	176,680	169,330	423,012	1,459,296	11,769,393	785,309
Total Business-Type Activities	48,258	(33,524)	554,146	535,721	239,107	667,899	1,634,484	11,891,676	934,551
Total Primary Government	\$55,669,345	\$59,122,649	\$60,148,131	\$81,697,452	\$76,344,884	\$96,848,764	\$88,966,184	91,042,115	(\$25,782,648)
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	(\$100,946,123)
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	6,125,161
Total Primary Government	\$20,967,568	\$15,700,371	\$13,843,220	\$39,243,954	\$21,049,298	\$32,459,021	\$14,505,083	\$21,069,033	(\$94,820,962)

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



	2003	2004	2005	2006	2007	2008	2009	2010	(b)	
									2011	2012
General Fund										
Reserved	\$1,234,937	\$364,447	\$421,700	\$453,567	\$732,903	\$283,435	\$554,692	\$889,186		
Unreserved	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	\$90,167
Committed									401,797	208,054
Assigned									771,849	840,365
Unassigned									15,049,168	17,347,445
Total General Fund	\$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	\$18,486,031
All Other Governmental Funds										
Reserved	\$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	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	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	\$43,364,540
Assigned									2,390,904	2,076,065
Unassigned									(14,353,252)	(1,388,956)
Total all other governmental funds	\$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	\$44,051,649

(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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Property Taxes	\$26,924,977	\$28,798,270	\$30,669,363	\$33,504,626
Other Taxes	19,291,374	19,227,646	19,804,438	22,157,878
Intergovernmental revenues	16,529,017	17,187,983	8,067,360	11,495,084
Special Assessments	43,214	472		
Interest and Rents	6,294,552	3,330,413	4,882,565	6,807,538
Licenses and permits	3,933,562	4,039,527	4,286,728	5,342,009
Charges for services	11,091,039	10,186,710	10,340,529	10,533,289
Fines and forfeitures	907,768	1,061,231	971,050	889,085
Other	1,474,351	1,537,775	1,609,388	2,065,054
Total Revenues	<u>86,489,854</u>	<u>85,370,027</u>	<u>80,631,421</u>	<u>92,794,563</u>
Expenditures				
Current:				
General government	5,789,321	4,282,592	4,428,283	4,211,157
Fire Department	11,398,309	13,427,723	13,867,143	14,713,658
Police Department	12,604,652	13,864,371	15,238,191	16,425,238
Public works	23,148,810	20,978,181	16,493,303	16,722,028
Recreation and Community Services	11,242,386	11,594,180	5,076,651	4,631,328
Library	4,151,880	4,469,947	4,413,828	4,064,649
Economic and Community Development	7,185,798	6,816,036	8,323,198	18,344,116
Other	1,517,998	2,132,294	1,115,641	1,169,699
Capital outlay	755,651	5,724,786	1,688,984	2,429,448
Debt service:				
Principal repayment	1,157,612	1,557,174	1,559,200	23,094,686
Interest and fiscal charges	2,682,359	2,629,544	2,438,467	2,393,177
Total Expenditures	<u>81,634,776</u>	<u>87,476,828</u>	<u>74,642,889</u>	<u>108,199,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,855,078</u>	<u>(2,106,801)</u>	<u>5,988,532</u>	<u>(15,404,621)</u>
Other Financing Sources (Uses)				
Transfers in	16,886,496	22,927,167	21,080,897	20,973,246
Transfers (out)	(17,057,396)	(23,160,229)	(19,833,372)	(20,890,788)
Tax allocation bonds issued				70,675,000
Premium on bonds				2,005,535
Payments to refunded bond escrow				(13,118,105)
Other debt proceeds	2,001,962	1,100,926	4,378,275	
Sale of capital assets		205,482	96,500	13,750
Total other financing sources (uses)	<u>1,831,062</u>	<u>1,073,346</u>	<u>5,722,300</u>	<u>59,658,638</u>
Net Change in fund balances before extraordinary item	<u>6,686,140</u>	<u>(1,033,455)</u>	<u>11,710,832</u>	<u>44,254,017</u>
Extraordinary item				
Net change in fund balances	<u>\$6,686,140</u>	<u>(\$1,033,455)</u>	<u>\$11,710,832</u>	<u>\$44,254,017</u>
 Debt service as a percentage of noncapital expenditures	 (a)	 3.8%	 4.7%	 21.6%

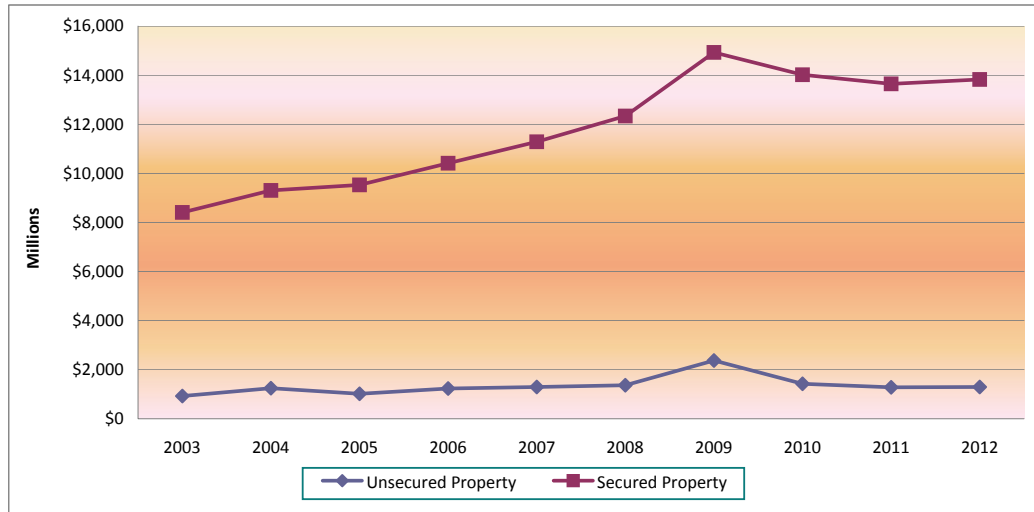
NOTE:

(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,

2007	2008	2009	2010	2011	2012
\$41,469,349	\$44,165,490	\$59,369,550	\$54,718,916	\$54,128,998	\$38,174,655
23,505,138	24,313,543	22,755,561	19,771,310	23,412,992	28,866,546
9,103,859	13,219,053	15,088,171	10,609,605	11,860,658	11,580,530
1,043,528	12,318,594	7,625,428	7,680,293	7,612,223	4,955,223
5,557,296	5,716,017	5,957,815	7,270,081	7,004,603	3,056,507
6,729,772	10,792,043	13,644,314	9,986,352	10,010,541	10,088,070
10,691,238	1,073,603	1,013,434	1,054,549	2,133,677	2,184,234
17,083,402	1,091,514	3,722,979	2,542,492	2,261,247	3,000,563
<u>115,183,582</u>	<u>112,689,857</u>	<u>129,177,252</u>	<u>113,633,598</u>	<u>118,424,939</u>	<u>101,906,328</u>
4,451,564	5,897,066	5,752,948	5,916,364	6,407,094	6,485,219
14,972,467	16,875,311	17,724,990	16,790,834	18,140,954	18,812,861
18,040,508	18,757,394	19,989,136	19,359,770	20,272,684	21,217,818
15,038,206	14,910,401	12,360,989	8,416,242	9,856,201	14,253,609
4,927,687	10,826,041	10,700,332	9,960,090	10,168,425	10,101,408
4,399,017	4,766,821	4,679,270	4,342,662	4,231,762	4,272,701
15,675,694	13,848,049	19,554,780	26,279,406	19,894,692	8,184,334
633,060	1,023,435	474,805			
844,744	36,544,741	4,247,021	6,724,022	6,969,052	8,894,514
8,610,556	1,692,296	1,755,426	1,887,434	1,842,000	1,752,000
5,500,469	5,441,036	4,571,150	4,255,050	4,274,170	1,817,764
<u>93,093,972</u>	<u>130,582,591</u>	<u>101,810,847</u>	<u>103,931,874</u>	<u>102,057,034</u>	<u>95,792,228</u>
<u>22,089,610</u>	<u>(17,892,734)</u>	<u>27,366,405</u>	<u>9,701,724</u>	<u>16,367,905</u>	<u>6,114,100</u>
14,505,346	20,182,014	18,754,214	18,047,351	88,175,882	108,413,018
(14,351,319)	(24,253,621)	(19,330,934)	(22,175,268)	(99,947,814)	(109,646,766)
<u>13,750</u>	<u>13,750</u>	<u>13,784</u>			
<u>167,777</u>	<u>(4,057,857)</u>	<u>(562,936)</u>	<u>(4,127,917)</u>	<u>11,771,932</u>	<u>(1,233,748)</u>
<u>22,257,387</u>	<u>(21,950,591)</u>	<u>26,803,469</u>	<u>5,573,807</u>	<u>4,595,973</u>	<u>4,880,352</u>
					<u>(110,397,363)</u>
<u>\$22,257,387</u>	<u>(\$21,950,591)</u>	<u>\$26,803,469</u>	<u>\$5,573,807</u>	<u>\$4,595,973</u>	<u>(\$105,517,011)</u>
13.9%	8.9%	6.8%	6.6%	6.7%	4.1%

**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					
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%
2012	5,579,044,758	1,581,852,456	4,967,158,758	403,895,119	12,531,951,091	1,295,085,027	13,827,036,118	13,827,036,118	0.37860%

Source: HdL Coren & Cone, San Mateo County Assessor 2011/12 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>	
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)
2012	0.000	1.000	0.0420	0.0000	1.0454	(1,18)

Notes:

- (1) Like other cities, South San Francisco includes several property tax rate areas with different rates. A mean average is indicated.
- (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.
- (18) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0420 percent, which includes SSFUSD bonds and San Mateo Jr College bond. 3 has a rate of 1.0893 percent and one at 1.0854 percent which includes Jefferson Union School bond, Brisbane ESD bonds & San Mateo JR College bonds and one has a rate of 1.0909 percent which includes San Bruno Park Elementary.

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	2011-12			2002-03		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$1,918,102,967	1	13.9%	\$713,291,613	1	8.6%
Slough BTC LLC	549,058,893	2	4.0%	82,902,340	6	1.0%
Slough SSF LLC De	467,741,887	3	3.4%			
ARE San Francisco	355,928,252	4	2.6%			
Britannia Pointe Grand LP	274,970,686	5	2.0%	98,593,050	4	1.2%
United Airlines	157,685,825	6	1.1%	346,739,010	2	4.2%
ASN Solaire LLC	144,242,296	7	1.0%			
Gateway Center LLC	132,623,657	8	1.0%	155,411,639	3	1.9%
Britannia Biotech Gateway LLP	129,898,536	9	0.9%			
Myers Peninsula Venture LLC	121,804,011	10	0.9%			
BNP Leasing Corporation	--	--	--	94,956,129	5	1.1%
SFO Fuel Company LLC	--	--	--	78,076,531	7	0.9%
Costco	--	--	--	65,107,757	9	0.8%
HMS Gateway Office LP	--	--	--	70,411,352	8	0.8%
Elan Pharmaceuticals Inc	--	--	--	55,690,442	10	0.7%
Subtotal	\$4,252,057,010		30.8%	\$1,761,179,863		21.2%

Total Net Assessed Valuation:

Fiscal Year 2010-2011	\$13,827,036,118
Fiscal Year 2001-2002	\$8,305,937,309

Source: HdL Coren & Cone, 2002-03 & 2011-12 Top Ten Property Taxpayers (Net Values)

San Mateo County Assessor 2002-03 & 2011-12 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, 2012

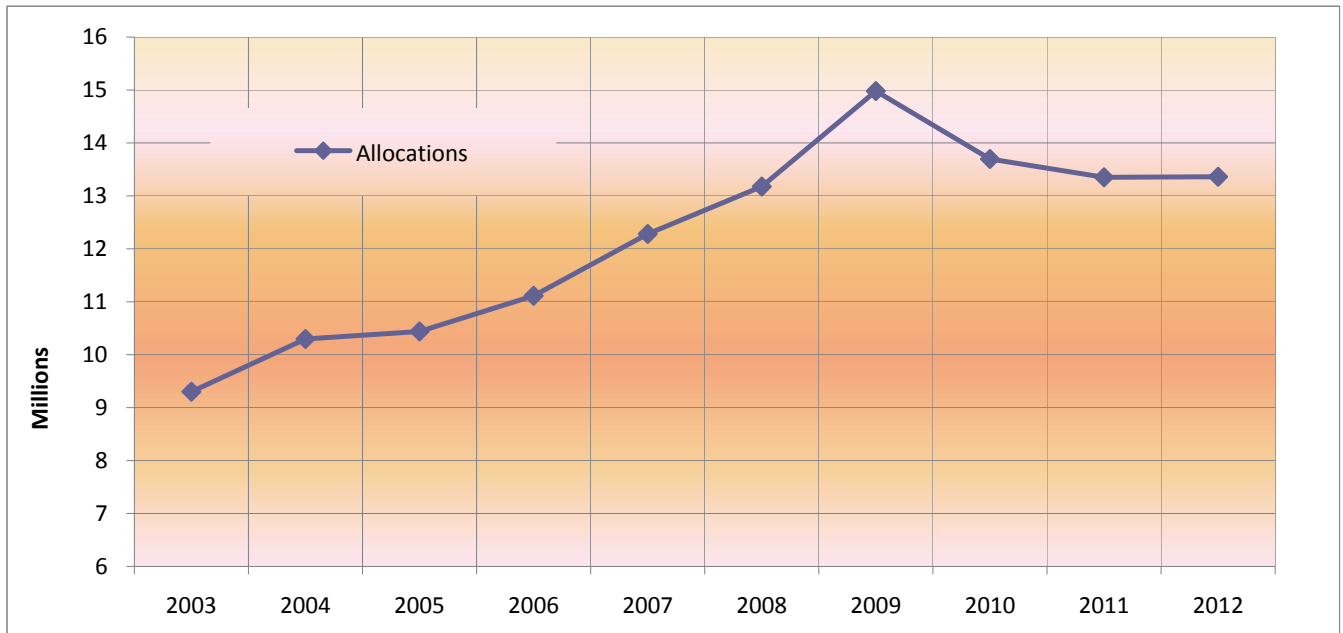
Property Tax Payer	Secured	Unsecured	Total Assessed Value	% of Total AV in Project Area	Land Use
Slough	\$892,193,309		\$892,193,309	21.09%	Industrial
Genentech	253,928,272	240,678,961	\$494,607,233	11.69%	Industrial, Office, R&D
Britannia Pointe Grand LP	404,869,222		\$404,869,222	9.57%	Industrial
BMR Gateway LLC	\$298,050,000		\$298,050,000	7.04%	Commercial
ARE San Francisco Exch LLC	209,777,218		\$209,777,218	4.96%	Industrial, Commercial
Gateway Center LLC DE	187,380,614	149,709	\$187,530,323	4.43%	Commercial
ASN Solaire LLC	144,242,296		\$144,242,296	3.41%	Residential
Costco Wholesale Corp	38,111,823	33,726,977	\$71,838,800	1.70%	Commercial
Elan Pharmaceuticals Inc.		71,073,650	\$71,073,650	1.68%	Industrial
HCP Oyster Point III LLC	56,517,860		\$56,517,860	1.34%	Unknown
Gateway Boulevard LLC	56,501,241		\$56,501,241	1.34%	Industrial
Broadway 801 Gateway Fee LLC	55,158,177		\$55,158,177	1.30%	Commercial
Theravance Inc.		41,747,394	\$41,747,394	0.99%	Industrial, Office, R&D
Broadway 701 Gateway Fee LLC	41,525,010		\$41,525,010	0.98%	Commercial
Oik Sierra Point LLC	40,522,807		\$40,522,807	0.96%	Commercial
Blue Line Transfer Inc.	38,061,176		\$38,061,176	0.90%	Industrial
Areus Inc.	32,563,369		\$32,563,369	0.77%	Commercial, Office
Exelixis Inc.		30,382,673	\$30,382,673	0.72%	Industrial
Felcor CSS Holdings LP	27,720,253		\$27,720,253	0.66%	Residential, Commercial
Amgen Inc		23,283,237	\$23,283,237	0.55%	Industrial
Total Top Twenty	2,777,122,647	441,042,601	3,218,165,248	76.08%	
Percent of AV	86.3%	13.7%		76.08%	

(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 ⁽⁵⁾	Collections	Delinquencies	Delinquent taxes as a Percent of
2003	1.00	(4)	9,300,314	(4)	(4)	0.0%
2004	1.00	(4)	10,296,831	(4)	(4)	0.0%
2005	1.00	(4)	10,438,333	(4)	(4)	0.0%
2006	1.00	(4)	11,112,993	(4)	(4)	0.0%
2007	1.00	(4)	12,281,105	(4)	(4)	0.0%
2008	1.00	(4)	13,177,156	(4)	(4)	0.0%
2009	1.00	(4)	14,979,798	(4)	(4)	0.0%
2010	1.00	(4)	13,697,389	(4)	(4)	0.0%
2011	1.00	(4)	13,351,506	(4)	(4)	0.0%
2012	1.00	(4)	13,360,854	(4)	(4)	0.0%

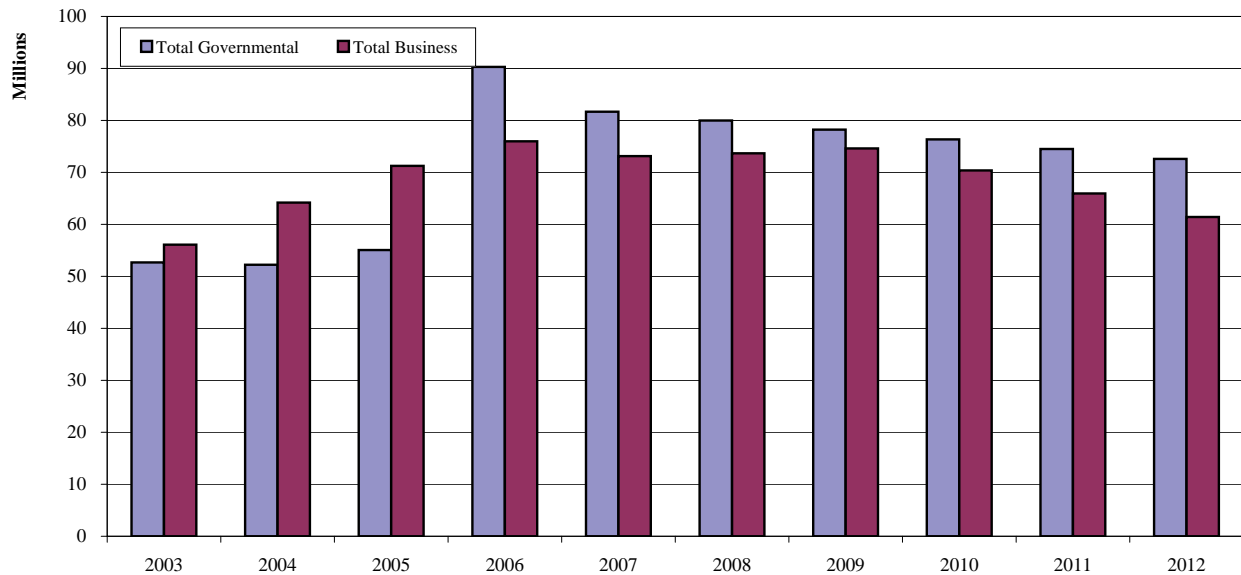
Notes:

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

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

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

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



Governmental Activities

Fiscal Year	RDA Tax Allocation Bonds	Lease Revenue Bonds	Certificates of Participation	Special Assessment Debt	Loans	Total
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
2012	64,815,000	0	4,445,000		3,324,000	72,584,000

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)
2003			56,090,490	56,090,490	108,770,782	7.46%	1,792.32
2004			64,195,566	64,195,566	116,431,903	7.77%	1,918.37
2005			71,251,939	71,251,939	126,307,351	7.96%	2,073.71
2006	6,000,000		69,978,799	75,978,799	166,267,511	9.89%	2,706.00
2007	6,000,000		67,133,165	73,133,165	154,811,321	8.55%	2,507.92
2008	5,790,000		67,878,194	73,668,194	153,654,054	8.07%	2,472.59
2009	5,575,000		69,025,322	74,600,322	152,830,756	7.78%	2,406.33
2010	5,350,000		65,028,410	70,378,410	146,721,410	7.53%	2,257.25
2011	5,120,000		60,831,038	65,951,038	140,452,038	7.32%	2,132.20
2012	4,885,000		56,530,946	61,415,946	133,999,946	n/a	n/a

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

Sources: City of South San Francisco

State of California, Department of Finance (population)

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

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

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2012**

2011-12 Assessed Valuation:	\$13,827,036,118
Redevelopment Incremental Valuation:	<u>(3,898,416,109)</u>
Adjusted Assessed Valuation:	\$9,928,620,009

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2012	% Applicable (1)	City's Share of Debt 6/30/12
San Mateo Community College District	\$595,569,994	7.582%	\$45,156,117
Jefferson Union High School District	117,104,054	1.590	1,861,954
South San Francisco Unified School District	95,887,755	86.059	82,520,043
Brisbane School District	7,145,437	12.000	857,452
City of Brisbane Marina Boulevard and Lagoon Road Reassessment District	4,195,000	24.216	1,015,861
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$131,411,427</u>

Ratio to 2011-12 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.....0.95%

<u>OVERLAPPING FUND DEBT:</u>	Total Debt	% Applicable (1)	City's Share of Debt 6/30/12
San Mateo County General Fund Obligations	\$324,979,816	7.582%	\$24,639,970
San Mateo County Board of Education Certificates of Participation	11,945,000	7.582	905,670
San Mateo County Flood Control District Certificates of Participation	22,650,000	55.749	12,627,149
South San Francisco Unified School District Certificates of Participation	1,276,931	86.059	1,098,914
TOTAL OVERLAPPING FUND DEBT:			<u>\$39,271,703</u>

<u>DIRECT GENERAL GOVERNMENT ACTIVITIES OBLIGATIONS:</u>	Total Debt	% Applicable (1)	City's Share of Debt 6/30/12
1988 Costco (Price Club) Note, 8.5%, due 12/6/13	\$2,270,000	10000.000%	\$2,270,000
Capital Leases Equipment	2,056,382	100.000	2,056,382
TOTAL DIRECT GENERAL GOVERNMENT ACTIVITIES OBLIGATIONS			<u>\$4,326,382</u>

Total Direct General Government Activities Debt	\$4,326,382
Total Overlapping Debt	\$170,683,130

COMBINED TOTAL DEBT \$175,009,512 (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, tax allocation bonds, and Successor Agency Debt.

<u>Ratios to Adjusted Assessed Valuation:</u>	
Combined Direct Debt	0.04%
Combined Total Debt	1.76%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

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

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2012**

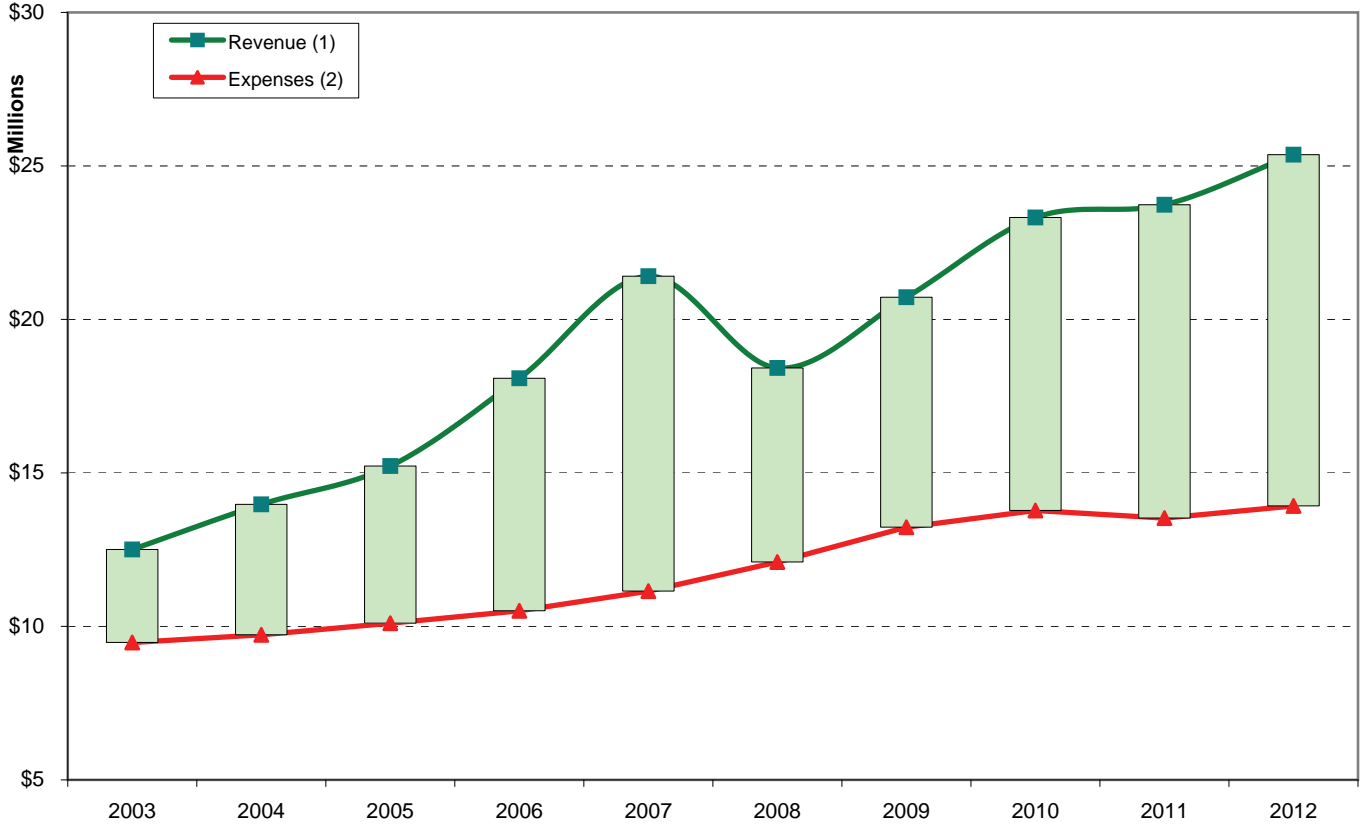
ASSESSED VALUATION:	\$13,827,036,118
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	518,513,854
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$518,513,854

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
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%
2012	518,513,854	0	518,513,854	0.00%

NOTE: (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

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

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



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (4)			Coverage
				Principal	Interest	Total	
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
2012	25,365,824	13,924,334	11,441,490	235,000	216,501	451,501	25.34

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

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

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

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

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

Source: City of South San Francisco, Department of Finance

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues					
Service Charges	\$13,455,322 (4)	\$15,770,470	\$17,486,418	\$18,087,695	\$19,193,259
Connection and Other Fees	340,945	162,599	24,720	31,670	117,027
Interest Income	20,977	231,431	162,621	106,230	119,011
Developer Fees	4,027,128	(44,468)			
Other Cities' Participation (1)	4,777,947	4,602,746	5,647,823	5,509,874	5,936,526
Total Revenues	<u>\$22,622,319</u>	<u>\$20,722,778</u>	<u>\$23,321,582</u>	<u>\$23,735,469</u>	<u>\$25,365,824</u>
Operating Expenses (2)	<u>\$12,219,926</u>	<u>\$13,228,883</u>	<u>\$13,228,883</u>	<u>\$13,527,544</u>	<u>\$13,924,334</u>
Wastewater System Net Revenues	<u>\$10,402,393</u>	<u>\$7,493,895</u>	<u>\$10,092,699</u>	<u>\$10,207,925</u>	<u>\$11,441,490</u>
Parity Debt Service (3)					
State Water Resources Control Board Loans	\$5,421,540	\$5,507,077	\$5,875,977	\$6,270,859	\$5,997,459
CSCDA Series 2005D Revenue Bonds	241,846	235,897	229,276	222,061	214,589
Total Parity Debt	<u>\$5,663,386</u>	<u>\$5,742,974</u>	<u>\$6,105,253</u>	<u>\$6,492,920</u>	<u>\$6,212,048</u>
Total Parity Debt Service Coverage	<u>1.84</u>	<u>1.30</u>	<u>1.65</u>	<u>1.57</u>	<u>1.84</u>

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

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

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

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

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

2006 RDA Revenue Bonds						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
2012	25,114,631	1,435,000	3,086,819	4,521,819	5.55	2012	25,114,631	205,000	89,645	294,645	85.24

(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						
2012	25,114,631	165,000	230,500	395,500	63.50						

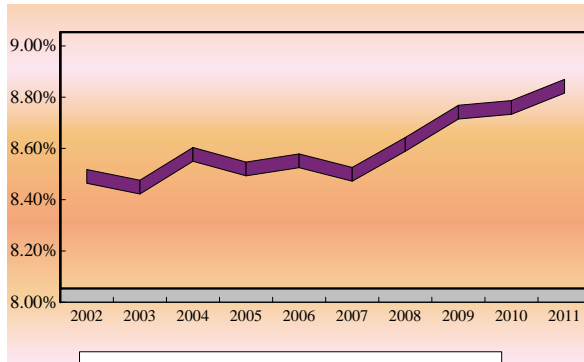
RDA All Non-housing (A)
Funding Source: RDA tax increment revenues

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
2012	25,114,631	1,600,000	3,317,319	4,917,319	5.11

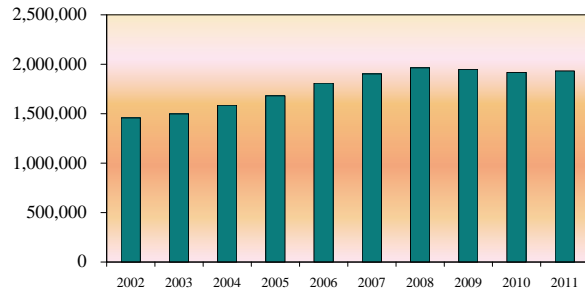
Note: Redevelopment Agencies abolished as of 1/31/2012.
Numbers for 2012 include the first and second RPTTF distributions received.

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

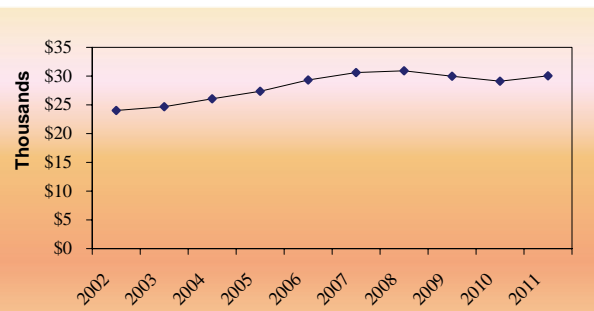
CITY OF SOUTH SAN FRANCISCO DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS



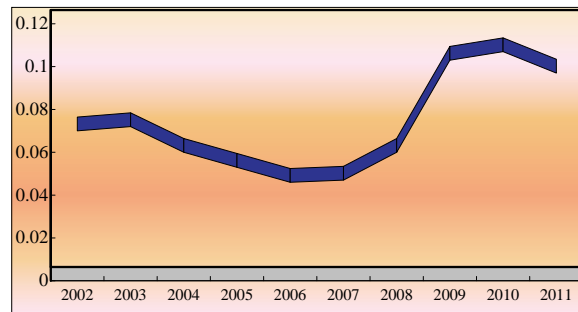
■ City Population as a % of County Population



■ City Personal Income (2) (in thousands)



◆ City Per Capita Personal Income (2)



■ City Unemployment Rate (3)

Year	Estimated City Population (1)	City Personal Income (2) (in thousands)	City Per Capita Personal Income (2)	City Unemployment Rate (3)	San Mateo County Population	City Population % of County
2002	60,687	1,458,245	24,029	7.00%	717,000	8.46%
2003	60,693	1,498,172	24,684	7.20%	720,630	8.42%
2004	60,909	1,586,667	26,050	6.00%	712,400	8.55%
2005	61,444	1,681,507	27,366	5.30%	723,453	8.49%
2006	61,729	1,810,075	29,323	4.60%	724,104	8.52%
2007	62,143	1,903,016	30,623	4.70%	733,496	8.47%
2008	63,512	1,964,028	30,924	6.00%	739,469	8.59%
2009	65,000	1,948,798	29,982	10.30%	745,858	8.71%
2010	65,872	1,918,061	29,118	10.70%	754,285	8.73%
2011	64,307	1,932,618	30,053	9.70%	729,443	8.82%

Notes:

** All data entered were updated to reflect the City of South San Francisco's current information available through HDL, Coren & Cone 2011-12 CAFR Statistical Report.

** 2012 information not yet available

Data Sources:

(1) Population: HDL/California State Dept of Finance. Estimated City's population as of January 2012

(2) Personal and per capita income: HDL, Coren & Cone

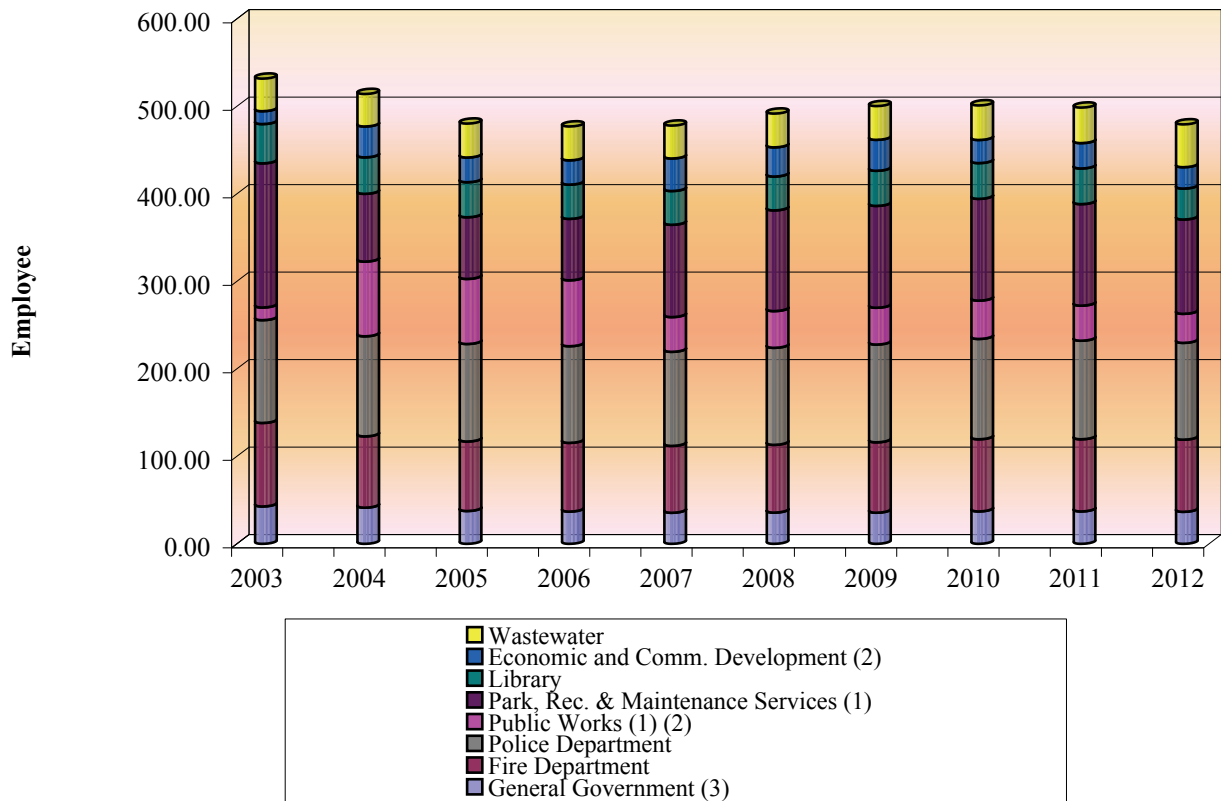
(3) Unemployment Data: HDL/California Employment Development Department

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

<u>Employer</u>	<u>2011-12</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	8,451	1	13.2%	3,200	1	5.3%
Costo Wholesalers (2 stores)	485	2	0.8%			
Amgen San Francisco LLC	451	3	0.7%			
Guardsmark LLC	347	4	0.5%			
American Etc Inc/ Royal Laundry	321	5	0.5%			
Bay Bread, LLC (2 stores)	288	6	0.4%			
Elan Pharmaceuticals (3 locations)	283	7	0.4%			
DBI Beverage	232	8	0.4%			
SBM Site Services, LLC	232	8	0.4%			
Oroweat/Entenmann's	233	9	0.4%			
Monogram Biosciences Inc	210	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>11,533</u>		<u>18.0%</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. Informations for 1998-2002 not available.

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



Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government (3)	42.70	41.30	37.50	36.88	35.48	35.67	35.60	37.00	37.00	36.60
Fire Department	95.48	81.48	79.48	78.48	76.48	77.48	80.48	82.48	82.48	82.48
Police Department	117.45	114.45	111.45	110.45	107.45	110.85	111.65	114.65	112.65	110.65
Public Works (1) (2)	14.48	85.37	74.37	75.37	39.76	42.00	42.10	43.85	40.05	33.13
Park, Rec. & Maintenance Services (1)	164.77	77.47	70.42	70.23	105.49	115.15	116.37	116.34	116.05	107.86
Library	44.89	41.69	40.09	39.15	38.54	38.68	40.21	40.81	40.81	35.34
Economic and Comm. Development (2)	14.75	35.23	28.25	27.75	37.21	33.35	35.35	26.45	28.95	24.45
Wastewater	37.19	37.19	38.75	38.74	37.59	38.59	38.59	39.54	40.64	48.87
Total	531.71	514.18	480.31	477.05	478.00	491.77	500.35	501.12	498.63	479.38

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 2011-12

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

	2006	2007	2008	2009	2010	2011	2012
Function/Program							
Public safety:							
Fire:							
Inspection permit issued	1,599	1,185	1,278	2,012	2,425	1,449	1,997
Police:							
Police calls for service	0	30,626	32,100	33,749	32,953	30,065	29,195
Law violations:							
Part I crimes	NA	1,948	2,165	2,206	2,195	1,905	2,012
Physical arrests (adult and juvenile)	NA	1,983	1,969	1,795	1,867	1,753	1,790
Traffic violations	NA	4,597	4,863	5,271	4,731	4,753	3,954
Parking violations	NA	25,062	22,787	23,038	14,999	19,031	19,108
Public works							
Street resurfacing (miles) (Eng Div)	2.01	NA	8.50	0.80	2.0	2.4	4.75
Potholes repaired (square miles)	NA	NA	0.25	0.25	0.50	0.23	0.37
Asphalt used for street repairs (tons)	NA	NA	463	463	656	169.07	420
Culture and recreation:							
Recreation class participants	25,675	23,567	24,011	24,976	21,602	24,702	26,737
Library:							
Total items borrowed	503,000	503,000	686,733	759,925 (3)	560,186	723,592	731,911
Items in collection	212,349	195,820	197,817	194,098 (3)	191,455	176,086	181,905
Wastewater							
Residential connections	16,268	16,274	16,274	16,637	16,698	16,510	16,466
Commercial connections	1,557	1,405	1,481	1,582	1,585	1,573	1,576
Other connections	168	133	133	136	136	136	140
Average daily sewage treatment (millions of gallons)	10.04	9.00	9.40	9.2	8.92	9.38	9.18

Note: N/A denotes information not available.

(1) Total Parking Citations reported is comprised of both handwritten and automated parking citations. Prior to 2007, the handwritten citations were only reported.

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program										
Public safety:										
Fire stations	5	5	5	5	5	5	5	5	5	5
Police stations	1	1	1	1	1	1	1	1	1	(7) 1
Police Fleet	39	39	40	41	41	(2) 45	(3) 48	(3) 48	52	51
Public works										
Miles of streets	127	127	127	127	127	127	127	127	127	127
Street lights	3,603	3,603	3,603	3,603	3,738	3,779	3,779	4,156	4,160	4,160
Parking District lights	20	20	20	20	20	20	20	20	20	20
Traffic Signals	67	67	69	70	70	70	70	73	74	74
Culture and recreation:										
Community services:										
City parks	30	30	30	30	25	28	28	28	28	28
City parks acreage	172	172	172	172	189	190	190	190	190	190
Playgrounds	19	19	19	19	24	24	24	24	24	24
City trails	8	8	8	8	6	6	6	6	6	6
Community gardens	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	4	4	4	4	4	4
Senior centers	2	2	2	2	2	2	2	2	(5) 1	1
Skate Park								(4) 1	1	1
Dog park								(4) 1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	7	7	7	7	7	7	7	7	7	7
Basketball Courts	15	15	15	15	12	12	12	12	12	12
Baseball/softball diamonds	8	8	8	8	11	11	11	11	11	11
Soccer/football fields	2	2	2	2	5	5	5	5	5	5
Library:										
City Libraries (6)	2	2	2	2	2	2	2	2	2	2
Wastewater										
Miles of sanitary sewers	164	164	164	164	164	164	164	164	164	164
Miles of storm sewers	125	125	125	125	125	125	125	125	125	125
Number of treatment plants	1	1	1	1	1	1	1	1	1	1

- (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.
(6) Community Learning Center not included on count as it is only a homework center not a library.

CITY OF SOUTH SAN FRANCISCO
Miscellaneous Information
Last Five Fiscal Years

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

	2008	2009	2010	2011	2012
Transient Occupancy Tax Detail					
8% TOT collected	\$6,309,586	\$5,491,903	5,173,933	6,472,744	7,757,253
1% Measure I Special Tax	788,698	686,488	646,742	719,194	861,917
Total TOT Collection	7,098,285	6,178,391	5,820,675	7,191,937	8,619,170
1% Measure I Special Tax Use					
Police	157,740	137,298	129,348	143,839	172,383
Fire	157,740	137,298	129,348	143,839	172,383
Library	157,740	137,298	129,348	143,839	172,383
Parks	157,740	137,298	129,348	143,839	172,383
Recreation	157,740	137,298	129,348	143,839	172,383
Total 1% Measure I Special Tax	\$788,698	\$686,488	646,742	719,194	861,917

* 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.