

# **CITY OF BURLINGAME, CALIFORNIA**

## **Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2011**



**James Nantell, City Manager**

**Jesus Nava, Finance Director & Treasurer**

**City of Burlingame, California**

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2011**

**Prepared by  
City of Burlingame Finance Department**

**CITY OF BURLINGAME, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

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## **INTRODUCTORY SECTION**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011



**Burlingame Finance Department**  
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January 27, 2012

To the Honorable Mayor, Members of the Council, and Citizens of Burlingame:

I am pleased to submit the Comprehensive Annual Financial Report of the City of Burlingame, California, for the fiscal year ended June 30, 2011. This financial report contains a complete set of audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Management takes responsibility for the accuracy of the data presented and the completeness and fairness of financial presentations and disclosures. Information contained in this report is based upon a comprehensive framework of internal control that has been established for this purpose. Management's Discussion and Analysis section of the financial report provides information on the city's financial position and should be read in conjunction with the financial statements.

As required by GAAP, the financial statements present the government and its component units that are considered to be fiscally interdependent. For financial reporting purposes, the city's basic financial statements include all funds, boards, commissions, and authorities that are controlled by or are dependent upon the Burlingame City Council.

The California Government Code requires an annual audit of the basic financial statements of the city. The accounting firm Brown Armstrong Accountancy Corporation performed the audit for fiscal year 2010-11. The independent auditor's report on the general purpose financial statements is included in the financial section of this document and states that the city's basic financial statements present fairly, in all material respects, the financial position of the city as of June 30, 2011, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. For the year ended June 30, 2011, no single audits were required in accordance with the provisions of the Single Audit Act.

### **Government Profile**

The City of Burlingame is a California general law city incorporated in 1908 that operates under the council-manager form of government. A five-member city council is elected at large to four-year terms and serves as the board of directors. The council selects a mayor and vice-mayor from its members annually. A city manager is appointed by the council and serves as the chief executive officer. The city manager is responsible for all municipal functions. A city attorney is appointed by the council to serve as chief legal advisor for the governing body and the administration. A city clerk is elected to a four-year term and serves as elections officer and clerk to the council and city. In November 2009, the voters approved a measure making the city clerk an appointed position upon completion of the four-year elected term.

Municipal services include police and fire protection; public works; community development; parks and recreation; library services; water, sewer, parking, solid waste and storm drainage. General government activities include finance, human resources, legal services and city administration. The city employs 192 full-time equivalent positions. Approximately 44 former fire department employees became personnel of Central County Fire on July 1, 2010. An executive team helps the city manager lead the city organization. It includes 8 department directors, the city attorney and the city clerk.

The Burlingame city limits contain approximately six square miles. The city is located in San Mateo County, on the western shore of the San Francisco Bay approximately 10 miles south of the City of San Francisco. At the time of report issuance, the California Department of Finance's Demographic Research Unit had not yet released demographic data for the City of Burlingame for 2011. However, as of January 1, 2010, the California Department of Finance's Demographic Research Unit, reported a population of 29,342 for the City of Burlingame, and it estimated a +0.79% increase in population for the entire San Mateo County during 2011.

The state's finance department also reports that Burlingame has 12,981 housing units within the city limits. Approximately fifty-one percent are owner-occupied. According to San Mateo Data Quick, the 2011 median price of an average, single-family home in the city was \$999,000, an increase of 1.94% from prior year, and well above the San Mateo County median of \$700,000. According to Kiplinger, California experienced 3.6% growth in median home prices for the twelve month period ending June 30, 2011. The median age of city residents is 40.6 years. Wikipedia.org estimates mean household income at \$118,900. The City has 6,539 active business licenses, and ABAG estimates that there are 22,910 jobs in the City.

### **Budget Process**

The City adopts an annual budget for all funds. Major funds include the General, Capital Projects, Debt Service, Water, Sewer, Parking and Building. Annual appropriations lapse at the end of the fiscal year for all funds except Capital Projects. Budgets are prepared on the same basis of accounting as the associated financial statements.

The perennial budget process starts in January. The city prepares a five-year forecast of operating and maintenance expenditures for the General Fund. In addition, the city's capital needs are reviewed and updated in preparation for the five-year capital program. The City Council uses the information to set budget strategies that address citizen needs within the resources at hand.

With Council guidance, departments prepare their budgets during March and April. All budgets are reviewed by the Finance Department, which prepares the final document. The city manager's proposed budget is delivered to the council in May. The council reviews and adopts the budget in June.

Quarterly financial reports are presented to help Council assess and evaluate budget performance during the year. Budget amendments within departments are approved by the city manager. Increases in department appropriations require Council approval.

### **Assessment of Economic Condition**

The economic outlook for Burlingame has stabilized and improved. The expectation is for low-to-moderate revenue growth in the General Fund. Economically sensitive revenues have rebounded as indicated by solid growth in sales tax revenues and transient occupancy tax collections. Property taxes are also expected to grow as the housing market rises modestly due to improving real estate market conditions state-wide.

The State of California continues to struggle with on-going budget deficits. The state faces a projected \$9.2 billion deficit in fiscal year 2013 and future annual budget gaps of \$5 billion or less. The Governor continues to pursue various program and service realignment scenarios in an effort to balance the state budget, including deep cuts in Medi-Cal, CalWORKs, education and other programs. Recently, Assembly Bill 26, which eliminates local redevelopment agencies was upheld by the California State Supreme Court, and resulted in the dissolution of redevelopment agencies as part of a major restructuring of government. This will provide \$1.7 billion in estimated property tax revenue which the Governor proposes to use for education and other essential services. Burlingame is unaffected by the end of redevelopment because it does not have a redevelopment agency. Overall, the City of Burlingame continues to plan accordingly for future budget uncertainties at the state level.

Unemployment in California continues to be among the highest in the nation. The expectation is for state employment to reach pre-recession levels by 2016. San Mateo County unemployment remains comparatively low. As of the end of fiscal year 2011, the U.S. Bureau of Labor Statistics reported an unemployment rate of 11.3% for the State of California and 7.9% for San Mateo County.



## **Property Taxes**

Burlingame has 8,613 taxable parcels with a net assessed value in the secured property roll of \$6.7 billion in FY11, of which 68% consists of residential properties, and 23% of industrial and commercial properties. The total assessed value subject to taxes increased by nearly 1% in FY11. Property tax is currently the city's largest revenue source. It accounts for approximately 28% of General Fund revenue in FY11. Property tax receipts grew by 9% in FY11, an increase of over \$1 million.

## **Sales and Use Taxes**

Burlingame is a highly desirable residential community and upscale commercial location with attractive shopping districts. Burlingame neighbors the Town of Hillsborough, an affluent residential community. Burlingame businesses serve the commercial needs of Hillsborough residents, which accounts for the upscale nature of the retail stores. Numerous national retailers are located in the Burlingame Avenue Business District making it competitive with regional shopping malls. In addition, the city is known for its chic restaurants and nightclubs that attract patrons from throughout the entire San Francisco Bay Area. The city owns and manages most of the parking spaces located within the shopping districts and works with local merchants to maximize the shopping experience.

Sales and use taxes account for 17% of General Fund revenue in FY11. The top twenty-five sales tax producers in Burlingame account for over 50% of total sales tax revenue. They include the Apple Store and the various automobile dealerships located on the famed Burlingame Auto Row.

Sales and use taxes declined dramatically between 2008 and 2010. In 2011, receipts rebounded, resulting in a year-over-year growth of \$1.8 million. The increase was due to adjustments of "triple-flip" allocations to Burlingame as well as increases in gross receipts as a result of heightened consumer activity.

The California Fiscal Recovery Financing Act (a.k.a. "the triple-flip") diverts 25% of annual sales tax collections to the State for the repayment of the California deficit bonds. The State repays the city by making available an equal amount of state property tax revenue from its general fund.

## **Tourism and Business Travel**

Burlingame's 13 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO). A total of 3,742 hotel rooms are available for rental. Burlingame hotel occupancy rates increased in FY11 and averaged 77% per month as compared to 70% in FY10. Transient occupancy taxes (TOT) are the city's second largest revenue source and account for 28% of all general fund revenues. Tax receipts for 2011 increased by \$3.1 million from prior year and totaled \$13.4 million.

According to the Airports Council International, SFO was the 9th busiest airport in the nation in 2010 with 26 million passengers. More than half of all Bay Area passenger travel occurs at SFO. For fiscal year 2011, SFO reported a 4.0% increase in total passenger volume due to the post-recession return of business and international travel.

## **Financial Information**

Accounting System and Budgetary Control: All governmental and fiduciary fund types use the modified accrual basis of accounting. Revenues are recorded when measurable and available, rather than when received. Expenditures are recorded when the liability is incurred, rather than when paid. The proprietary funds are accounted for using the accrual basis of accounting.

All governmental fund types are accounted for on a spending or funds flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets.

**Internal Controls:** City management is responsible for establishing and maintaining adequate internal controls to ensure that city assets are protected from loss, theft or misuse and to assure that adequate accounting data is compiled to allow for the preparation of financial statements that conform to generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived, and that cost-benefit analysis requires prudent estimates and judgments by management.

The Finance Department establishes internal accounting controls to provide management reasonable assurance regarding the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining asset accountability. The city's finance staff and the independent auditor consider the internal controls over financial reporting in planning and performing the annual audit. The independent auditors test the city's internal controls and make inquiries into the staff's knowledge of fraud or the occurrence of fraud.

**Cash Management:** The city pools cash from all operating sources to manage cash flow and invest idle funds. The Finance Director serves as the City's Treasurer and manages the portfolio of funds in accordance with the council adopted investment policy and Government Code Sections 53601 and 56535. The director submits a monthly investment report to the Council. The Council also reviews and approves the city's investment policy annually in January.

**Risk Management:** The city is a member of the Association of Bay Area Governments Pooled Liability Assurance Network Corporation (ABAG PLAN), a non-profit public benefit corporation established to provide liability insurance, claims, risk management and legal defense services to participating members. The program provides the city with liability coverage up to a maximum of \$10 million with the city maintaining a self-insured retention of \$250,000. The city also maintains workers' compensation coverage to a maximum of \$5 million with a self-insured retention of \$500,000. The city maintains reserves for all claims below its self-insured retention in a separate internal service fund, and charges the costs of the program to operating departments. The City is in compliance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

**Debt Administration:** As of June 30, 2011, the city has \$49.7 million in outstanding general debt obligations. The enterprise funds have an additional outstanding debt totaling \$60.7 million. The city issued Storm Drainage Revenue Bonds in July 2010 to fund storm drain improvements and refinanced the Lease Revenue Bonds – Corporation Yard, Series 2001. In December 8, 2011, the city also refunded the Water and Wastewater Revenue Bonds, Series 2003 through the issuance of the Water and Wastewater Refunding Revenue Bonds, Series 2011. This transaction will be included in next year's CAFR, but a note has been included about this important subsequent event after year-end. During fiscal year 2011, the City also executed a lease purchase agreement for communications and information technology modernization initiatives for \$1.5 million as approved by City Council. Further information regarding the City's debt obligations are detailed in the Notes to Basic Financial Statements.

### **Certificates of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2010. To receive the award, a government must publish a readable and well organized annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and will submit it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

Special thanks go to Mary Asturias, our former Financial Services Manager who retired in November 2011, to Amy Bernardo, our Accountant, and to Diana Truong, the city's new Financial Services Manager. All have devoted long hours to the audit and the completion of the annual financial report.

Thanks also go to the City Council and the members of the Council Audit Committee for their review of the city CAFR. The Council has great trust and confidence in the financial information it receives; hopefully, it has been instrumental in helping them make important decisions.

Finally, a special thanks to the city manager and the department directors for their help in conducting the financial operations of the city in a responsible and prudent manner. The citizens of Burlingame are fortunate to have such people as caretakers of their public affairs.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Jesús Nava", with a stylized, cursive script.

Jesús Nava  
Finance Director/Treasurer



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Burlingame  
California

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

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



*Linda C. Dandison*

President

*Jeffrey R. Emer*

Executive Director

## **CITY OF BURLINGAME, CALIFORNIA**

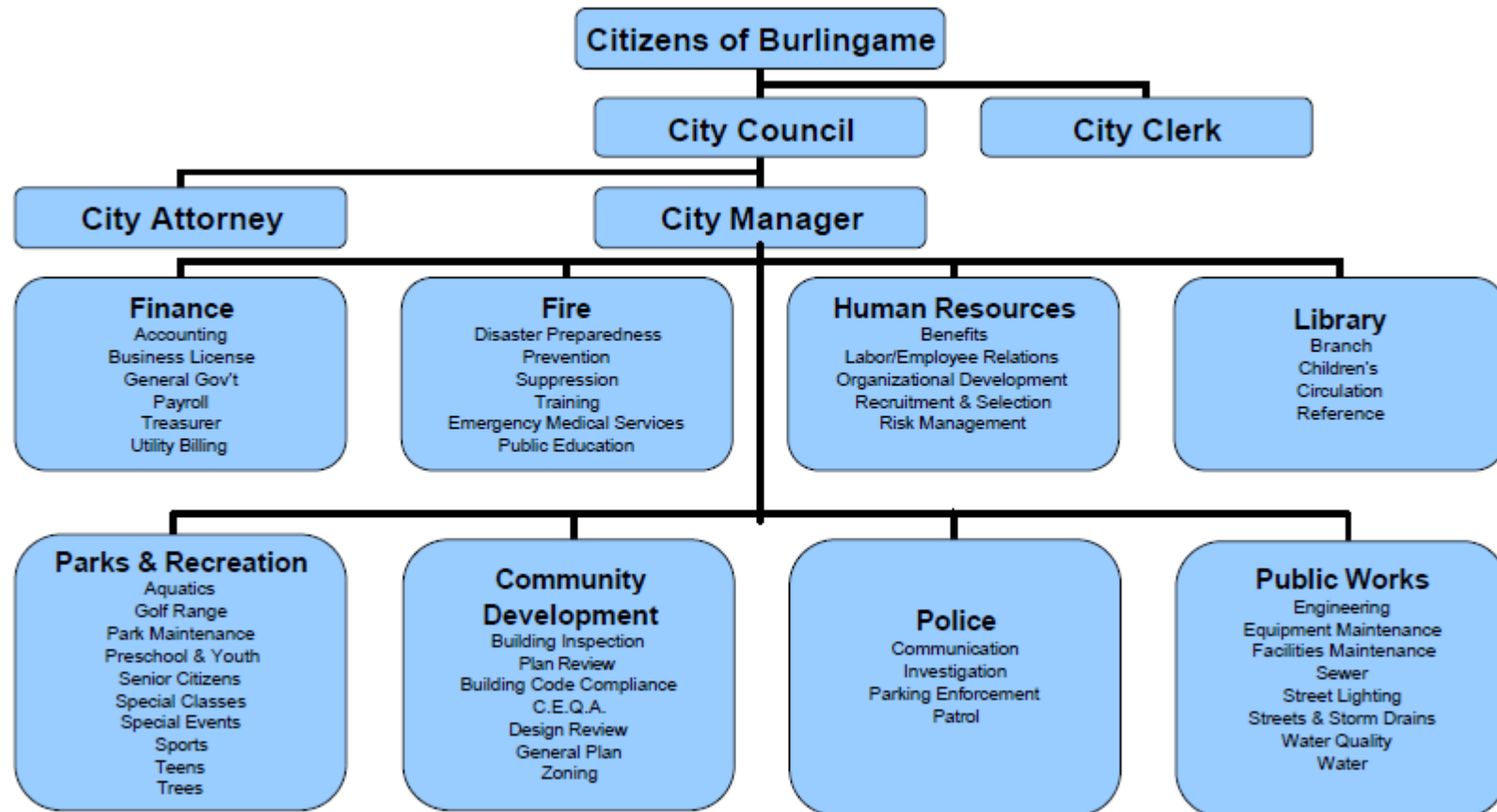
### **ELECTED OFFICIALS**

Mayor ..... Terry Nagel  
Vice Mayor ..... Jerry Deal  
Council Member ..... Michael Brownrigg  
Council Member ..... Cathy Baylock  
Council Member ..... Ann Keighran  
City Clerk ..... Mary Ellen Kearney

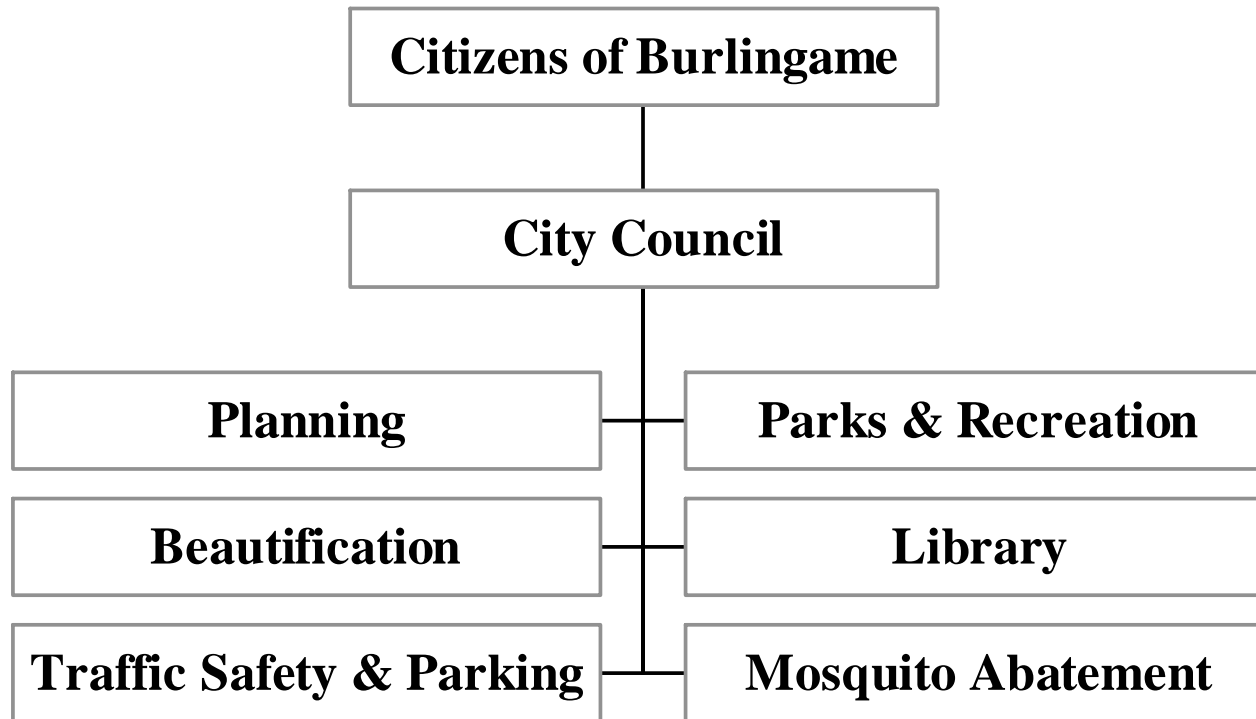
### **APPOINTED OFFICIALS**

City Manager ..... James Nantell  
City Attorney ..... Gus Guinan  
Community Development Director ..... Bill Meeker  
Director of Public Works ..... Syed Murtuza  
Finance Director/Treasurer ..... Jesús Nava  
Fire Chief ..... Don Dornell  
Human Resources Director ..... Deirdre Dolan  
Librarian ..... Patricia Harding  
Parks and Recreation Director ..... Jim Skeels  
Police Chief ..... Edward Wood

**CITY OF BURLINGAME, CALIFORNIA  
ORGANIZATIONAL CHART**

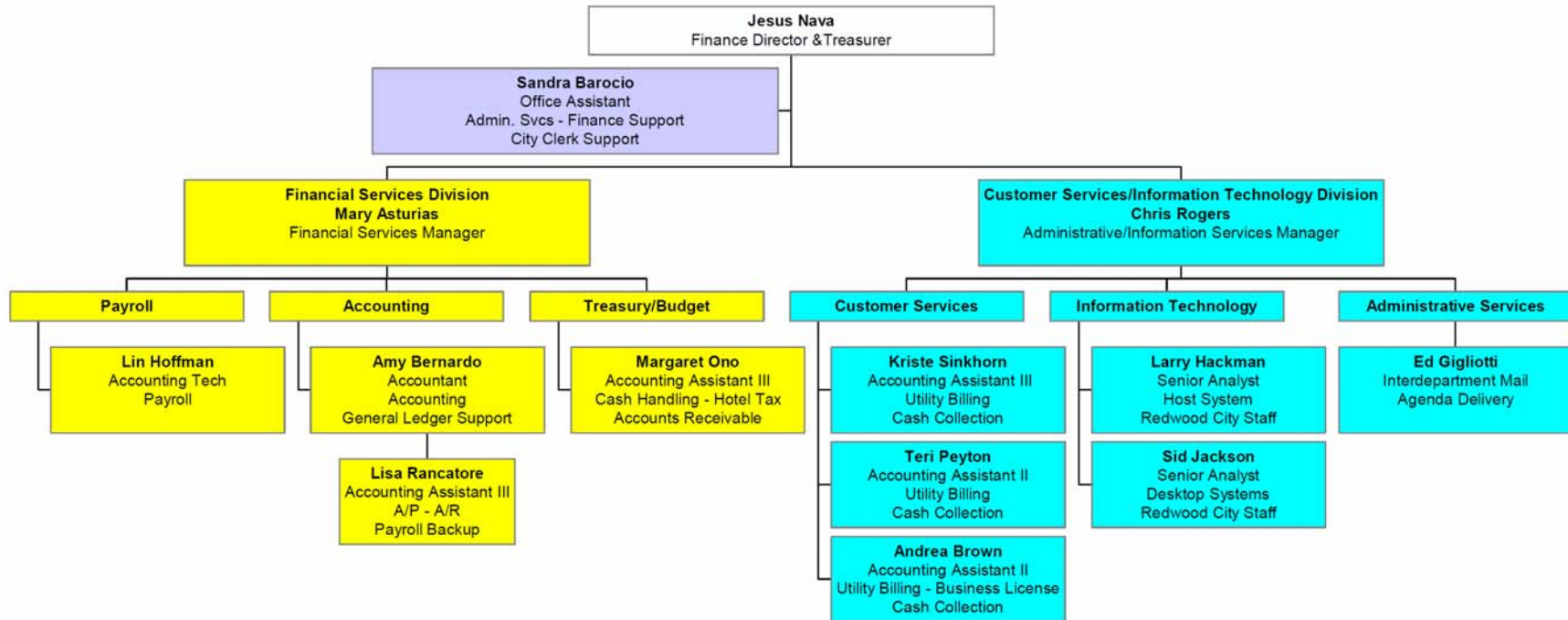


**CITY OF BURLINGAME, CALIFORNIA  
ADVISORY COMMISSIONS**





**CITY OF BURLINGAME, CALIFORNIA  
FINANCE DEPARTMENT ORGANIZATION CHART FOR FISCAL YEAR 2010-11**



# CITY OF BURLINGAME ORGANIZATIONAL COMPASS

The City of Burlingame is an organization that exists to serve and benefit the community. We deliver unsurpassed municipal services that enhance the quality of life for our citizens. As employees of the City of Burlingame, we recognize the leadership role we play in the community and we hold ourselves accountable to those we serve. We value the partnership that exists between the organization and community and strive to foster and maintain that relationship. As such, we are committed to the tenets of the Organizational Compass:

## COMMUNITY SERVICE THAT IS RESPONSIVE TO AND MEETS THE NEEDS OF THE PUBLIC BY:

- Being dedicated to the community we serve
- Involving and understanding our community
- Anticipating and adapting to the changing needs of our citizens

## AN ETHICAL ORGANIZATION THAT INTERACTS WITH THE PUBLIC AND EACH OTHER IN AN HONEST AND PROFESSIONAL MANNER BY:

- Treating people with respect and dignity
- Taking responsibility for our decisions, statements and actions to the organization and community
- Dealing with differences and conflicts in a professional, respectful and authentic fashion

## ONE ORGANIZATION THAT FOSTERS POSITIVE RELATIONSHIPS AND TEAMWORK BY:

- Being part of the solution
- Creating and maintaining constructive relationships while respecting individual contributions
- Focusing on the issues and needs of the organization and community
- Encouraging behavior that builds confidence and self-esteem
- Emphasizing self-initiative, constant improvement and employee involvement

## POSITIVE LEADERSHIP THAT IS NURTURING AND FORWARD-THINKING BY:

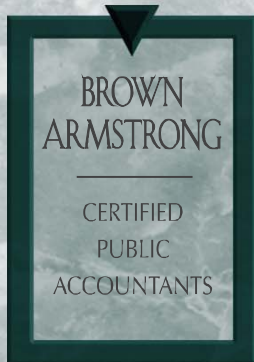
- Recognizing the leadership role all employees play in the community
- Encouraging innovation and creativity
- Leading by example
- Being supportive, humanistic and compassionate

As City employees we embrace the Organizational Compass and will be guided by its points.

## **FINANCIAL SECTION**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
of the City of Burlingame  
Burlingame, California

### MAIN OFFICE

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SUITE 908B  
PASADENA, CALIFORNIA 91101  
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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the City as of June 30, 2010, were audited by other auditors, whose report dated January 28, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

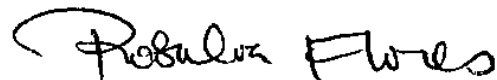


REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 20 and the Required Supplementary Information on pages 85 to 90, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements. The supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Roberto Flores", is written over the printed name of the firm.

Bakersfield, California  
January 27, 2012

**CITY OF BURLINGAME, CALIFORNIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2011. This information should be read together with the transmittal letter, financial statements and notes to the financial statements to better understand the city's financial position.

The City has prepared its annual financial report in accordance with GAAP and all GASB pronouncements that affect the City of Burlingame.

**Financial Highlights for Fiscal Year 2010-2011 (ending June 30)**

- City assets exceed liabilities by \$165.6 million, or a \$9.8 million increase since last year.
- Net assets increased 6% as compared to an increase of 0.9% in the prior year.
- OPEB liability increased from \$7.1 million to \$11.3 million as recorded on Statement of Net Assets. The City continues to fund the annual costs of retiree health insurance premiums in cash.
- \$2.7 million of unrestricted general fund balance was assigned to fund a reserve for future other post employment obligation (OPEB) costs.
- General fund revenues increased by \$6.5 million in fiscal year 2010-11, an increase of 17.8% over prior year performance of \$36.7 million. The increase in revenue was driven by higher collections of sales and use and transient occupancy tax.
- No mid-year budget realignments were required in fiscal year 2010-11 compared to \$1.7 million in reductions that were required in fiscal year 2009-10.
- The general fund ending fund balance increased \$5.1 million to \$11.8 million. Of this amount, \$10.2 million has been assigned by a joint designation from City Council and the Finance Director.
- The current ratio of the general fund is 4.3, which represents the ratio of current assets to current liabilities.
- The City refunded the Lease Revenue Bonds, Series 2001 and issued the Lease Revenue Refunding Bonds, Series 2010 and the Storm Drainage Revenue Bond, Series 2010.

**Overview of the Financial Statements**

This section introduces the reader to the city's three basic financial statements: 1) government-wide; 2) fund financial statements; and, 3) notes to the financial statements. The report also contains supplemental information to help the reader develop a full understanding of the city's financial activities.

**Government-Wide Statements**

The government-wide financial statements include the "**Statement of Net Assets**" and the "**Statement of Activities and Changes in Net Assets**." These statements provide a broad overview of the City's finances. They are presented in a manner that is similar to private-sector business.

The "**Statement of Net Assets**" presents complete information on the City's assets and liabilities, with the difference between the two reported as net assets. Changes in net assets that occur over time may serve as an indicator of the City's financial position.

The “**Statement of Activities and Changes in Net Assets**” presents information showing how the City’s net assets changed during the most recent fiscal year. All changes in net assets are reported using the “accrual basis of accounting.” Changes are reported when the underlying event causing the changes occurs, regardless of the timing of the related cash flows. Therefore, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal years, such as revenues related to uncollected taxes or earned but unused employee leave.

Both government-wide financial statements distinguish between governmental activities (city functions that are supported by taxes and intergovernmental revenue) and other activities that are self-supporting. The self-supporting functions are called “business-type activities” or enterprise funds. They are intended to recover all or a significant portion of their costs through user fees and charges for service.

Governmental activities include administration; public safety (police, fire and 911-dispatch); public works; community development; parks, recreation and library; shuttle bus; and, interest on long-term debt.

The self-supporting, business-type activities include water; sewer; parking; solid waste management and building inspections.

### **Fund Financial Statements**

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Burlingame uses fund accounting to ensure and demonstrate compliance with finance-related legal and accounting requirements. The City of Burlingame’s funds can be divided into three categories: governmental, proprietary and fiduciary.

### **Governmental Funds**

Governmental funds account for tax supported functions reported as governmental activities in the government-wide financial statements. Governmental funds use the “current financial resources” measurement focus, with an emphasis on having sufficient resources to meet expenditures in the short term – a 12 month fiscal year. These statements focus on how cash and other financial assets can be readily converted to available resources for spending on city services. They also show fund balances that are left at the end of the fiscal year and distinguish between amounts that are restricted versus funds that are available for spending.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both of the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental activities and governmental funds.

The city has three major governmental funds: General, Capital Projects, and Debt Service. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for these funds. Financial information for the remaining governmental funds is combined into a single, aggregated presentation called Non-major Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located elsewhere in the report.

### **Proprietary Funds**

Proprietary funds are used to account for services and activities for which a fee is charged to customers in exchange for city provided goods or services. Proprietary funds use the “economic resources” measurement focus, which concentrates on how transactions and events have affected the fund’s “total economic resources.” The City of Burlingame maintains two different types of propriety funds.

*Business-Type Activities or Enterprise Funds.* These are funds that are used to report business-type activities in the government-wide financial statements. The city has five enterprise funds: Water, Sewer, Parking, Waste Management and the Building fund.



**Internal Service Funds.** These funds are used to allocate costs internally among the city's functions. The City uses internal service funds to account for the maintenance and replacement of its fleet and rolling stock; maintenance of city buildings and facilities; risk management; information technology; and, administrative support. These funds are included in the governmental activities of the government-wide financial statements because their activities support governmental activities. The internal service funds are then combined into a single, aggregated presentation in the proprietary fund financial statements. Individual data for the internal service funds is provided in the form of combining statements.

## **Fiduciary Funds**

Fiduciary funds are used to account for financial resources held for the benefit of parties outside the city government. The City of Burlingame holds these funds in a custodial capacity or as an agent for individuals, private organizations, or other governmental units such as the State of California or the U.S. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the City of Burlingame's governmental activities.

## **Notes to the Financial Statements**

The notes to the financial statements provide detailed information that help the reader gain a full understanding of the data provided in both the government-wide and fund financial statements.

## **Required Supplemental Information**

Required supplementary information is also included in the report. It provides information about the City's obligation to provide pension benefits to employees; the budget-to-actual information for the City's general, capital projects and major special revenue funds; and the disclosure of the **modified approach** used for reporting infrastructure capital assets.

## **Government-Wide Financial Analysis**

All financial statements are presented in conformance with GASB 34, Basic Financial Statements and Management's Discussion and Analysis (MD&A) – for State and Local Governments. Prior-year information is made available for a comparative analysis of government-wide data.

## **Analysis of Net Assets**

The City had total net assets of \$165.6 million as of June 30, 2011. Net assets were increased by 6.3% from prior year total net assets of \$155.8 million. Assets as of the end of June 30, 2011 were \$311.1 million, reflecting an 8% change from prior year due to a \$14.7 million increase in current assets and a \$8.27 million growth in capital assets. Liabilities also increased by 10% or \$13.1 million to \$145.5 million.

The largest portion of the city's net assets (54%) is invested in capital assets totaling \$89.9 million. Capital assets are the aggregate value of land, buildings and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The city's capital assets cannot be sold and used to liquidate liabilities. The remaining \$75.7 million in net assets are a combination of cash and investments, restricted and unrestricted. A portion of these assets, \$2.9 million is restricted for debt service, with \$2.2 million reserved for street repair and maintenance and \$3.5 million reserved for storm drainage capital improvements, including minor reserves for public safety expenditures. Unrestricted net assets total \$67.0 million, a 8.8% increase from the prior year. Higher revenue collections accounted for most of this growth, including the impact of the new storm drainage fee, growth in general fund revenues, and rate adjustments for the water, sewer and solid waste enterprises.

At the end of the fiscal year, both governmental and business-type activities had positive net assets.

**City of Burlingame's  
Comparative Statement of Net Assets  
June 30, 2011  
(Amounts In Millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>		<b>Difference</b>	<b>Total % Change</b>
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>		
<b>Assets:</b>								
Current and other assets	\$ 66.17	\$ 85.22	\$ 34.64	\$ 30.32	\$ 100.81	\$ 115.54	\$ 14.73	14.6%
Capital assets	98.51	99.91	88.76	95.62	187.27	195.54	8.27	4.4%
<b>Total assets:</b>	<b>\$ 164.67</b>	<b>\$ 185.13</b>	<b>\$ 123.40</b>	<b>\$ 125.95</b>	<b>\$ 288.07</b>	<b>\$ 311.07</b>	<b>\$ 23.00</b>	<b>8.0%</b>
<b>Liabilities:</b>								
Current liabilities	\$ 10.69	\$ 12.68	\$ 6.22	\$ 6.63	\$ 16.91	\$ 19.30	\$ 2.39	14.1%
Other liabilities	0.61	0.78	0.73	1.01	1.34	1.79	0.45	33.7%
Long term liabilities	47.62	62.21	66.43	62.17	114.05	124.38	10.33	9.1%
<b>Total liabilities:</b>	<b>\$ 58.92</b>	<b>\$ 75.67</b>	<b>\$ 73.38</b>	<b>\$ 69.81</b>	<b>\$ 132.30</b>	<b>\$ 145.48</b>	<b>\$ 13.17</b>	<b>10.0%</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt	\$ 59.94	\$ 51.52	\$ 30.76	\$ 38.41	\$ 90.70	\$ 89.93	\$ (0.77)	-0.8%
Restricted	3.51	8.67	-	-	3.51	8.67	5.16	146.8%
Unrestricted	42.30	49.26	19.26	17.74	61.56	67.00	5.44	8.8%
<b>Total net assets:</b>	<b>\$ 105.75</b>	<b>\$ 109.45</b>	<b>\$ 50.02</b>	<b>\$ 56.14</b>	<b>\$ 155.77</b>	<b>\$ 165.60</b>	<b>\$ 9.83</b>	<b>6.3%</b>

**City of Burlingame**  
**Statement of Activities and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2011**  
**(Amounts in Millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>% Change</b>
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	
<b>Revenues:</b>							
Program revenues:							
Charges for Services	\$ 4.82	\$ 8.09	\$ 27.47	\$ 31.16	\$ 32.29	\$ 39.25	21.6%
Operating grants and contributions	2.04	2.21	-	-	2.04	2.21	8.4%
Capital grants and contributions	3.41	3.19	0.02	-	3.43	3.19	-7.0%
General revenues:			-				
Property taxes	13.35	13.31	-	-	13.35	13.31	-0.3%
Sales taxes	6.28	8.04	-	-	6.28	8.04	28.1%
Transient Occupancy taxes	10.34	13.40	-	-	10.34	13.40	29.6%
Franchise Tax - unrestricted	0.99	1.12	0.44	-	1.44	1.12	-5.4%
Business License tax	0.87	0.95	-	-	0.87	0.95	-154.9%
Interest and Investment Income	0.62	0.80	-	(1.14)	0.62	(0.34)	-154.8%
Intergovernmental taxes	0.40	2.97	-	-	0.40	2.97	635.3%
<b>Total revenues:</b>	<b>43.13</b>	<b>54.09</b>	<b>27.93</b>	<b>30.01</b>	<b>71.06</b>	<b>84.10</b>	<b>18.2%</b>
<b>Expenses:</b>							
General Government	5.35	6.80	-	-	5.35	6.80	27.1%
Public Safety	21.05	21.14	-	-	21.05	21.14	0.4%
Public Works	8.45	8.51	-	-	8.45	8.51	0.7%
City Planning	2.32	1.75	-	-	2.32	1.75	-24.6%
Parks, Recreation and Library	9.19	10.48	-	-	9.19	10.48	14.0%
Shuttle Operations	0.13	0.32	-	-	0.13	0.32	146.2%
Financing Activities	1.88	2.66	-	-	1.88	2.66	41.5%
Water	-	-	9.37	9.57	9.37	9.57	2.1%
Sewer Service	-	-	10.17	9.51	10.17	9.51	-6.5%
Waste Management	-	-	0.69	0.94	0.69	0.94	36.2%
Parking	-	-	1.30	1.45	1.30	1.45	11.5%
Building	-	-	1.07	1.14	1.07	1.14	6.5%
<b>Total expenses:</b>	<b>48.37</b>	<b>51.67</b>	<b>22.60</b>	<b>22.61</b>	<b>70.97</b>	<b>74.27</b>	<b>4.6%</b>
Increase/(decrease) in net assets before transfers	(5.25)	2.42	5.33	7.41	0.09	9.83	10822.2%
Transfers	5.45	1.28	(5.45)	(1.28)	-	-	n/a
<b>Change In Net Assets</b>	<b>0.20</b>	<b>3.70</b>	<b>(0.11)</b>	<b>6.12</b>	<b>0.09</b>	<b>9.83</b>	<b>10822.2%</b>
Net assets - beginning	105.55	105.75	50.13	50.02	155.68	155.77	0.1%
<b>Net assets - ending</b>	<b>\$ 105.75</b>	<b>\$ 109.45</b>	<b>\$ 50.02</b>	<b>\$ 56.14</b>	<b>\$ 155.77</b>	<b>\$ 165.60</b>	<b>6.3%</b>

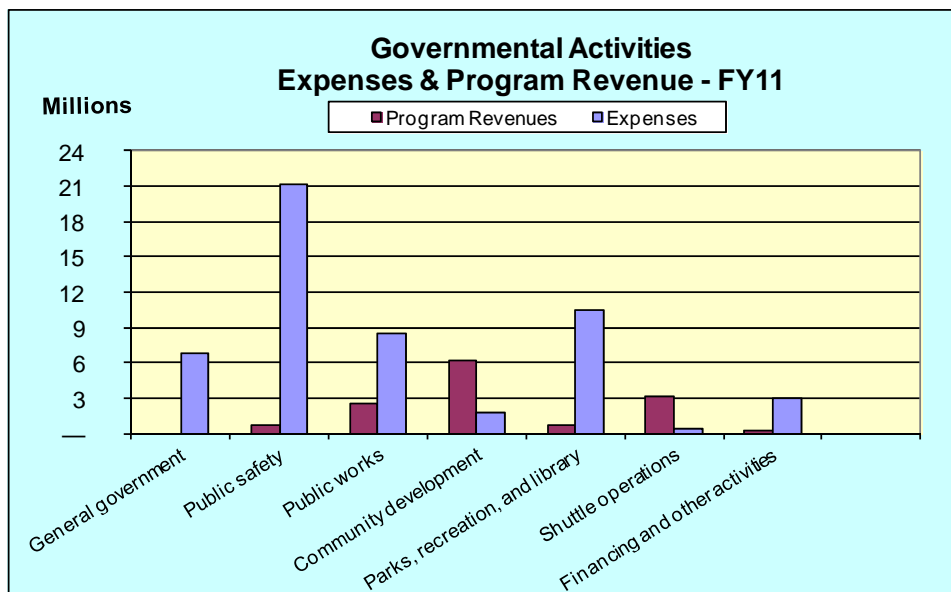
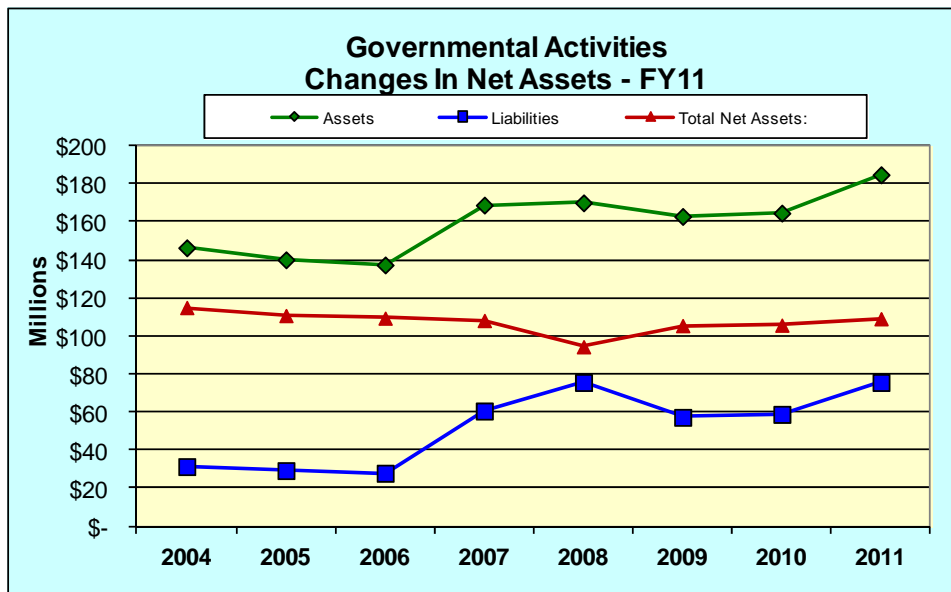
### **Governmental Activities**

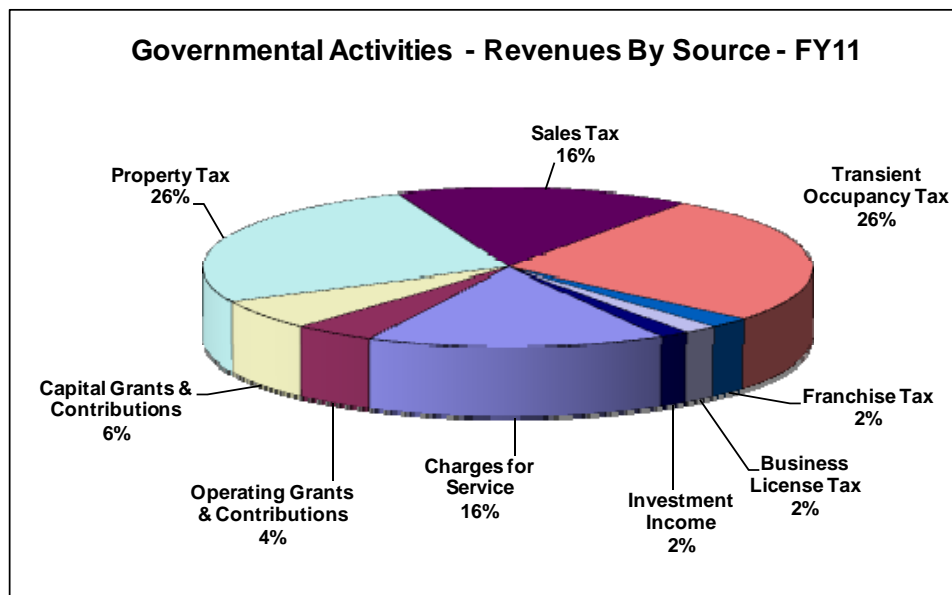
Governmental net assets totaled \$109.4 million and increased by \$3.7 million from fiscal year 2009-10. Governmental assets grew by \$20.5 million mostly due to an increase in cash from proceeds relating to bond issuances during the fiscal year, receipts from the storm drainage fee previously issued in the prior year, and stronger revenue performance.

The storm drainage fund was added as a special revenue fund in fiscal year 2009-10 to fund needed improvements to the City's infrastructure. The voter approved initiative requires that the funds be accounted for separately given their intended purpose. The voters approved the new fee in May 2009, and revenues are collected through property tax bills. The storm drain fee will sunset in 30 years. It is not a major fund and is combined with other small funds under the heading of Non-major Governmental Funds in the government-wide and fund financial statements. A separate accounting of the storm drainage fund can be found in the Combining Statements for Non-major Governmental Funds located in the Required Supplementary Information section of the CAFR.

Governmental revenues totaled \$54.09 million, an increase of \$10.96 million or 25.4% from prior year. This was due primarily to 28.1% growth in sales tax revenue, reflective of economic recovery as a result of collections from auto dealerships, and higher customer turnover at old and new retail stores that opened in the business improvement districts this past year. A 29.6% increase in transient occupancy tax was due in part to a 2% increase in the tax rate previously enacted and higher occupancy rates as a result of tourism and higher passenger volumes from the neighboring San Francisco Airport.

Governmental expenditures totaled \$52.0 million, an increase of \$3.3 million from fiscal year 2009-10 expenditures of \$48.37 million reflecting greater control over departmental spending. The majority of governmental expenditures are financed from city taxes. Program revenues collected by the governmental activities totaled \$13.5 million covering 26% of expenditures. The remaining 74% of governmental expenditures were financed from taxes.





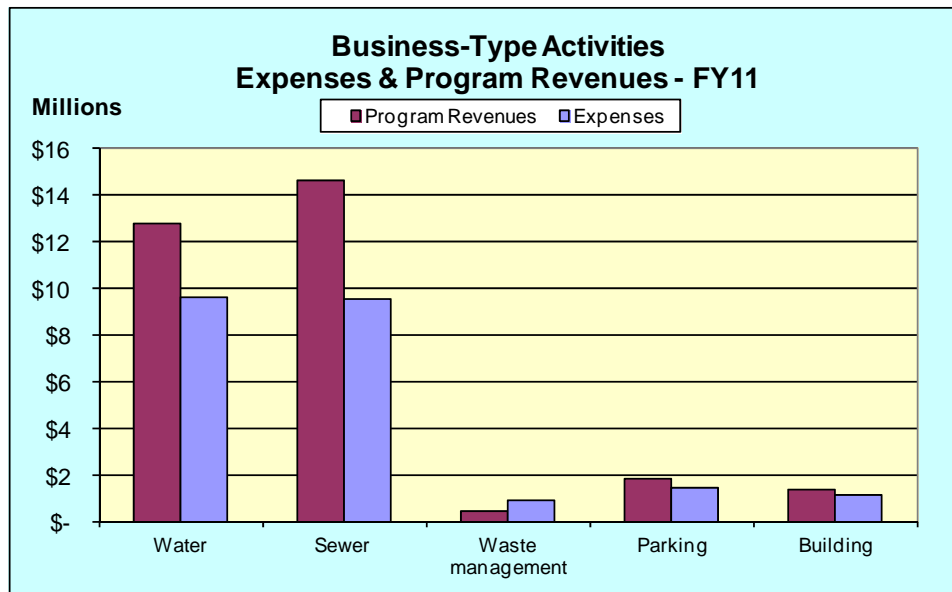
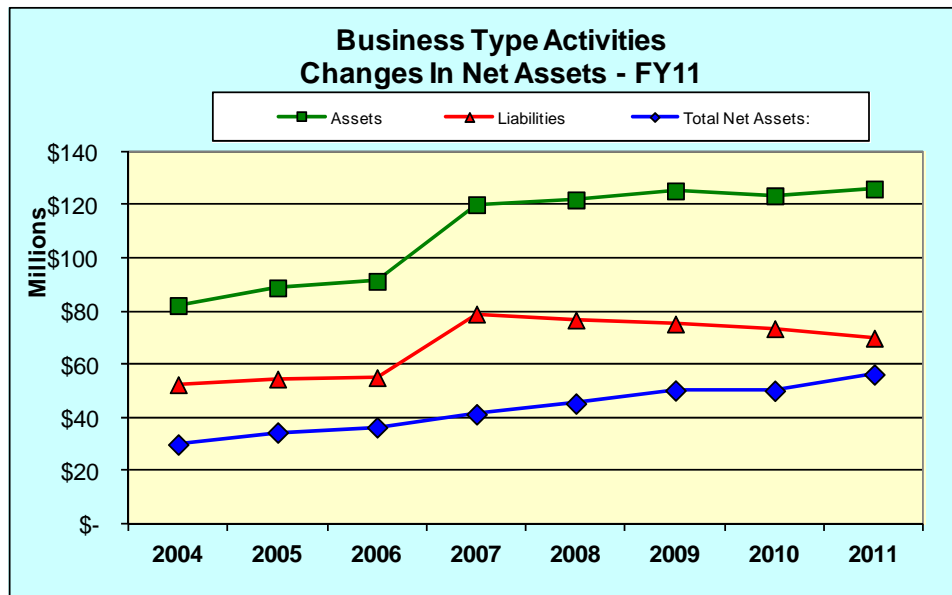
### Business-Type Activities

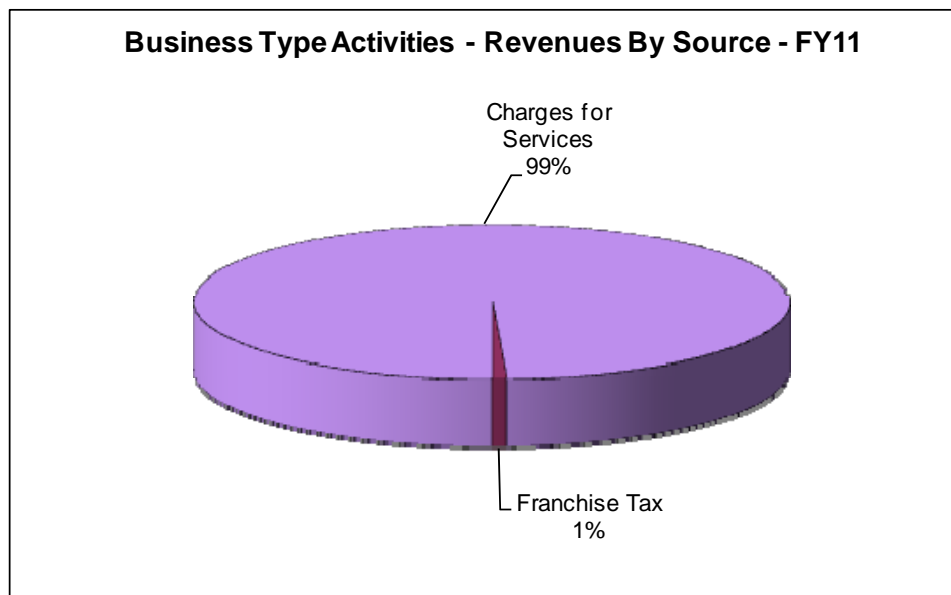
Net assets in the business-type activities increased by \$6.1 million or 12.2% from ending net assets of \$50 million in the prior year. In fiscal year 2010-11, the enterprise funds produced total operating revenue of \$31.2 million, an increase of \$3.3 million or an 11.2% growth from fiscal year 2009-10 revenues of \$27.93 million. Charges for services of \$31.2 million represented most of the business-type revenue. Performance by the Building Fund improved in fiscal year 2010-11, reflecting \$1.4 million in charges for services offset by \$1.1 million in operating costs, for a year-end change in net assets of \$0.3 million. The Building Fund was established during fiscal year 2009 with the intent of making that operation self-sustaining. The revenue recorded in fiscal year 2010-11 included \$92,711 in one-time building fund deposits had been forfeited by City clients and had accumulated over a number of years.

Business-type expenses totaled \$23.8 million and included operating expenses of \$22.6 million, and net non-operating expenses of \$1.3 million. Expenses remained flat since the prior year due to control of operating expenditures by each of the departments.

The City continues to review the status of its obligation to mediate closure and post-closure activities relating to the City's old landfill. For fiscal year 2010-11, the City will issue a Landfill Assurance Report which attests to the ability of the City to fulfill its related obligation. A copy of this report can be requested from the Finance Director at City Hall, 501 Primrose Road, Burlingame, CA.

Business-type revenues exceeded expenses by \$7.4 million. Unlike the governmental activities, program revenues cover total expenses in the business-type activities. The City is able to adjust water, sewer, solid waste and parking rates to cover all current and future liabilities.





## **Financial Analysis of the City's Funds**

### **Governmental Funds**

Governmental funds provide information on the short-term inflows, outflows, and balances of resources that are available for spending, usually a 12 month period. The goals of the funds are to have sufficient resources available to finance city services within each fiscal year. In particular, the unassigned fund balance may serve as a measure of city funds that are available for spending in the short-term. The General Fund, Capital Projects Fund and the Debt Service Fund are reported here.

### **General Fund**

The General Fund is the City's main operating fund. Revenues and expenditures are monitored year-round to maintain a balanced budget. General fund revenues were \$43.3 million, reflecting a \$6.6 million increase from prior year performance of \$36.7 million. Expenditures totaled \$34.5 million, representing a \$1.3 million reduction compared to prior year expenditures of \$35.8 million. Revenues were sufficient to cover all operating expenditures. Revenues minus operating costs before transfers were \$8.7 million. The general fund transferred \$3.1 million to the debt service fund to pay for governmental debt and \$1.4 million to the capital projects fund to pay for project expenditures. Detailed notes on the transfers can be found in the Intra-fund Transfer section in the Notes to Basic Financial Statements.

General fund balance as of June 30, 2011 was \$11.9 million, representing an increase of \$5.0 million from the \$6.8 million in fund balance in fiscal year 2009-10. Of this amount, \$10.2 million relates to assigned amounts resulting from discretionary designations by City Council and the Finance Director to hold certain amounts assigned, which can be modified throughout the year based on recommendations by the Finance Director. The remaining \$1.7 million represents unassigned amounts.

Descriptions of discretionary unassigned fund balance are as follows:

The Economic Stability Reserve is available to protect and preserve city services from dramatic drops in general fund revenues that are highly sensitive to economic conditions, mainly sales taxes and transient occupancy taxes.

The Catastrophic Reserve is available to make repairs and reconstruct city buildings and facilities that may be damaged by natural disasters or acts of war and terrorism.

The OPEB Retiree Health Reserve is available to minimize and defray the costs and financial liability associated with retiree health care commitments as reported in accordance with GASB Statement 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

The Contingency Reserve covers unexpected expenses that may arise during the course of the fiscal year.

The City Council and the Finance Director reserve the right to change the amounts of each general fund balance assignment and to appropriate any and all assigned funds it collectively deems necessary to continue the operations of the city. Historically the City Council and the Finance Director have been reluctant to expend any assigned amounts as indicated by the chart. Decisions to use assigned funds has been limited to preserving important City services during periods of revenue losses.

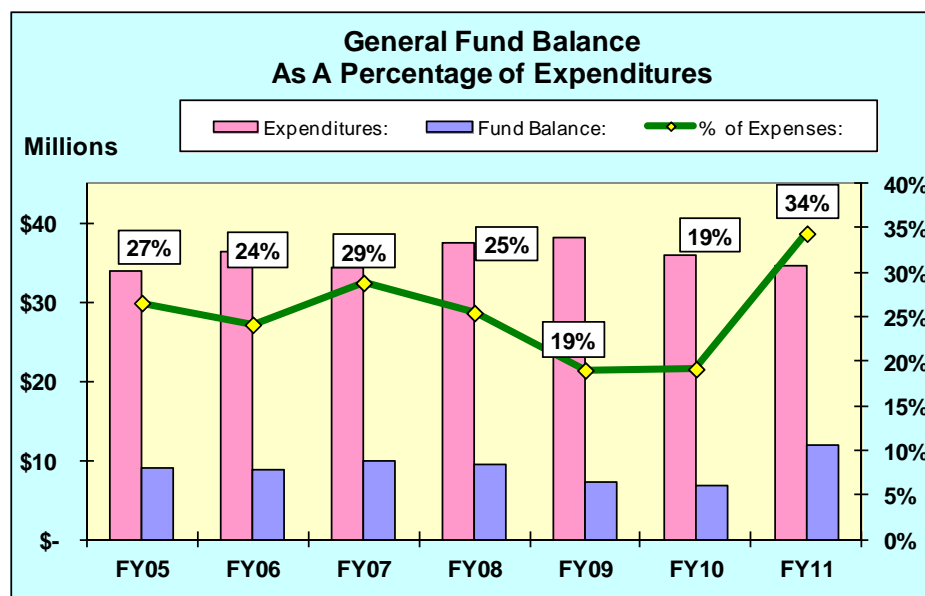
**City of Burlingame  
Council Designated General Fund Reserves**

	FY06	FY 07	FY08	FY09	FY10	FY11
Economic Stability Reserve	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 5,000,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
OPEB Reserve	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	2,700,000
Contingency Reserve	500,000	500,000	500,000	400,000	400,000	500,000
Total Designated Reserves:	<u>\$ 7,300,000</u>	<u>\$ 7,300,000</u>	<u>\$ 7,300,000</u>	<u>\$ 7,200,000</u>	<u>\$ 7,200,000</u>	<u>\$ 10,200,000</u>

As a measure of the general fund's liquidity, it is useful to compare its fund balance to annual operating expenditures. As of June 30, 2011, the fund balance of \$11.8 million represents 34.3% of general fund operating expenditures of \$34.5 million.

**General Fund Balance As A Percentage of Operating Expenditures**

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
<b>Expenditures:</b>	\$ 33,859,029	\$ 36,251,636	\$ 34,311,274	\$ 37,531,733	\$ 38,046,279	\$ 35,817,177	\$ 34,533,995
<b>Fund Balance:</b>	8,994,688	8,747,237	9,889,737	9,550,260	7,230,704	6,855,586	11,867,384
<b>% of Expenses:</b>	26.57%	24.13%	28.82%	25.45%	19.01%	19.14%	34.36%





## **Capital Projects Fund**

The Capital Projects Fund accounts for the resources used to acquire, develop and construct capital improvements or to purchase major capital equipment. The City capitalizes equipment that costs at least \$5,000 and has an estimated useful life in excess of one year. Structures, improvements and infrastructure with a value of at least \$250,000 are also capitalized. All capital assets are valued at historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. For more information on capital assets, visit the Notes to Basic Financial Statements under Capital Assets.

The Capital Projects Fund had revenue of \$0.4 million, most of it from grants. Projects were funded mainly by the \$20.3 million in transfers from other funds. In fiscal year 2010-11, the general fund contributed \$1.6 million; debt service paid \$3.6 million; Measure A and gas tax provided \$1.5 million; and the Water fund contributed \$6.7 million while the Sewer fund contributed \$6.9 million for the construction of projects.

Capital project expenditures totaled \$7.1 million in fiscal year 2010-11, a decrease of \$1.9 million from expenditures of \$9 million in fiscal year 2009-10. The Capital Projects fund balance at the end of the fiscal year was \$7.2 million, or a \$3.7 million increase from prior year. The entire fund balance is assigned for the construction of capital projects.

The neighborhood storm drainage improvements continued in fiscal year 2010-11. The storm drainage fee generated \$2.5 million in revenue which is slightly higher than the \$2.4 million reflected in the fiscal year 2010-11 adopted budget. The funds are dedicated to debt service on the use of storm drainage revenue bonds and to pay for improvements in cash.

## **Debt Service Fund**

The Debt Service fund is used to account for resources used to repay general long-term debt and to record the payment of principal and interest as well as other expenditures related to debt administration.

The reduction in general government debt was \$7.6 million in fiscal year 2010-11, due to debt service payments and the refunding of the Lease Revenue Bonds, Series 2010 and the issuance of Storm Drainage Revenue Bonds, Series 2010. Transfers from the general fund finance the majority of the debt expenditures. The general fund contributed \$3.1 million. Water and sewer funds contributed \$451,745 each for their share of the annual debt service on the 2006 Pension Obligation bonds. Debt service expenditures represent principal payments, interest charges and fiscal agent fees on all existing governmental debt.

As of June 30, 2011, the balance of governmental debt was \$49.7 million, an increase of \$12.7 million from the prior year balance of \$37.0 million. This was primarily due to a reclassification of Lease Revenue Refunding Bonds, Series 2010 to governmental activities, although debt service payments on behalf of the Water and Sewer funds will continue to be transferred to the Debt Service Fund to satisfy their annual obligation. There are no plans to add to governmental debt with the exception of the Storm Drainage Revenue Bonds, Series 2010 which have their own voter-approved pledge of revenue – the storm drainage fee. Issuance of storm drainage revenue bonds will not affect general fund revenues.

Governmental debt as of June 30, 2011 consists of:

- 2004 Lease Revenue Refunding Bonds - Main Library Reconstruction (Burlingame Finance Authority)
- 2006 Pension Obligation Bonds – Taxable (City of Burlingame)
- 2010 Storm Drainage Revenue Bonds (Burlingame Financing Authority) – Series 2010A-1 Tax-Exempt and Series 2010A-2 Taxable Build America Bonds
- 2010 Lease Revenue Refunding Bonds – Corporation Yard (Burlingame Financing Authority)
- 2011 Lease Purchase Agreement for Communication and Information Technology Modernization

A more detailed description of the City's outstanding debt and the long-term obligations associated with each issue can be found in the Notes to Basic Financial Statement under Long-Term Debt.

### **Proprietary Funds**

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. Five enterprise funds are reported in the CAFR: Water, Sewer, Waste Management, Parking and the Building Enterprise fund.

### **Water Fund**

The Water fund continues to maintain a strong financial position. Ending net assets increased by 2.8% due to stronger revenue performance. Unrestricted net assets totaled \$12.1 million, or a slight decline of \$1.2 million from prior year. The City has set aside \$7.5 million with the intent of using these funds for the following purposes: \$2.0 million for capital improvements; \$1.5 million for rate stabilization; and \$1.8 million for unanticipated operating needs.

#### **Water Fund Ending Net Assets**

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Ending Net Assets:</b>	\$ 8,034,398	\$ 8,811,056	\$ 11,606,673	\$ 13,696,066	\$ 16,972,844	\$ 16,341,966	\$ 16,804,345
<b>Dollar Change:</b>	1,214,278	776,658	2,795,617	2,089,393	3,276,778	(630,878)	462,379
<b>Percentage Change:</b>	17.80%	9.67%	31.73%	18.00%	23.92%	(3.72%)	2.83%

Water revenues increased in fiscal year 2010-11 by \$1.2 million, reflecting a year-over-year increases of 2.8%. A 7.3% rate increase went into effect on January 1, 2011 for all customer classes.

#### **Water Fund Revenues**

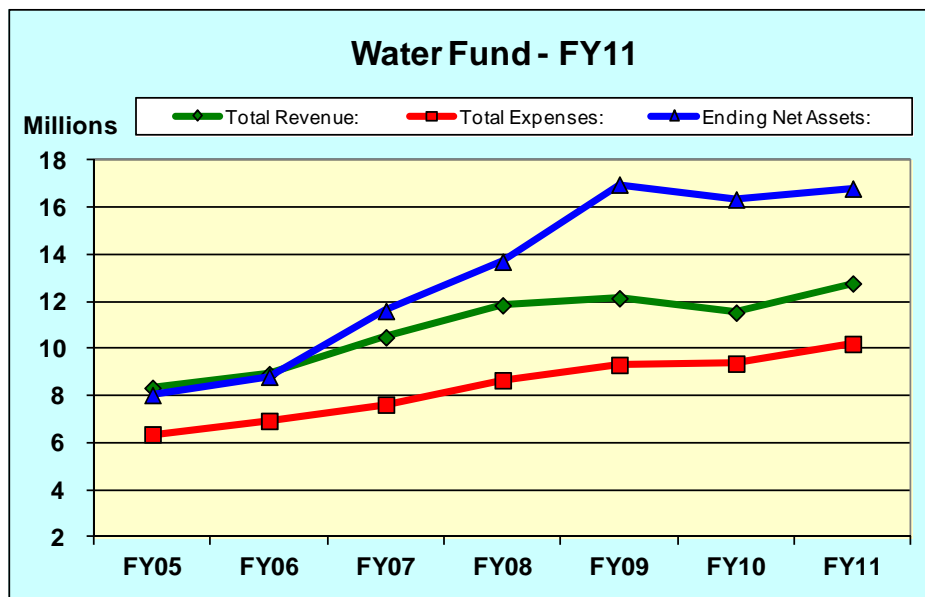
	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Operating Revenue:</b>	\$ 8,095,556	\$ 8,726,049	\$ 10,131,904	\$ 11,119,428	\$ 11,800,380	\$ 11,515,884	\$ 12,734,554
<b>Non Operating Revenue:</b>	243,235	197,016	352,325	725,507	344,228	19,402	37,815
<b>Total Revenue:</b>	8,338,791	8,923,065	10,484,229	11,844,935	12,144,608	11,535,286	12,772,369
<b>Dollar Change:</b>	1,079,799	584,274	1,561,164	1,360,706	299,673	(609,322)	1,237,083
<b>Percentage Change:</b>	14.88%	7.01%	17.50%	12.98%	2.53%	(5.02%)	10.72%

Water fund expenses include both operating expenses and interest expense on debt. Water expenses increased by 8.9% from prior year.

#### **Water Fund Expenditures**

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Operating Expenses:</b>	\$ 5,730,256	\$ 6,060,215	\$ 6,876,958	\$ 7,520,399	\$ 8,209,956	\$ 8,498,014	\$ 9,569,097
<b>Non Operating Expenses:</b>	632,802	874,068	751,789	1,141,889	1,105,174	872,041	637,194
<b>Total Expenses:</b>	6,363,058	6,934,283	7,628,747	8,662,288	9,315,130	9,370,055	10,206,291
<b>Dollar Change:</b>	407,906	571,225	694,464	1,033,541	652,842	54,925	836,236
<b>Percentage Change:</b>	6.85%	8.98%	10.01%	13.55%	7.54%	0.59%	8.92%

The Water fund will finance future capital improvements with cash and proceeds of debt. The current plan is to construct approximately \$3 million in water improvements annually. At the end of the fiscal year, the Water fund still had funds on hand for capital improvements associated with the Water & Wastewater Revenue Bond, Series 2007.



## Sewer Fund

The Sewer fund's financial position is stable. Net assets continue to grow consistently, reflecting the continued investment in capital assets. Net assets totaled \$31.1 million, a growth of 22%. The largest portion on net assets, \$26.7 million or 85% is invested in capital assets, net of related debt. The remaining \$4.5 million is unrestricted, reflecting a decrease of \$0.3 million from prior year. Approximately 25% of revenue is irrevocably pledged to the prompt payment of debt service relating to future payments of principal and interest of \$44.1 million for revenue bonds previously issued.

### Sewer Fund Ending Net Assets

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
<b>Ending Net Assets:</b>	\$ 20,668,589	\$ 21,583,862	\$ 22,971,774	\$ 24,234,647	\$ 25,313,300	\$ 25,570,147	\$ 31,193,968
<b>Dollar Change:</b>	3,229,598	915,273	1,387,912	1,262,873	1,078,653	256,847	5,623,821
<b>Percentage Change:</b>	18.52%	4.43%	6.43%	5.50%	4.45%	1.00%	21.99%

Sewer fund revenue increased in fiscal year 2010-11 by 21.9% due primarily to higher costs of service relating to treatment of sanitary flows. A 14.0% rate increase went into effect on January 1, 2011, for all customer classes.

### Sewer Fund Revenues

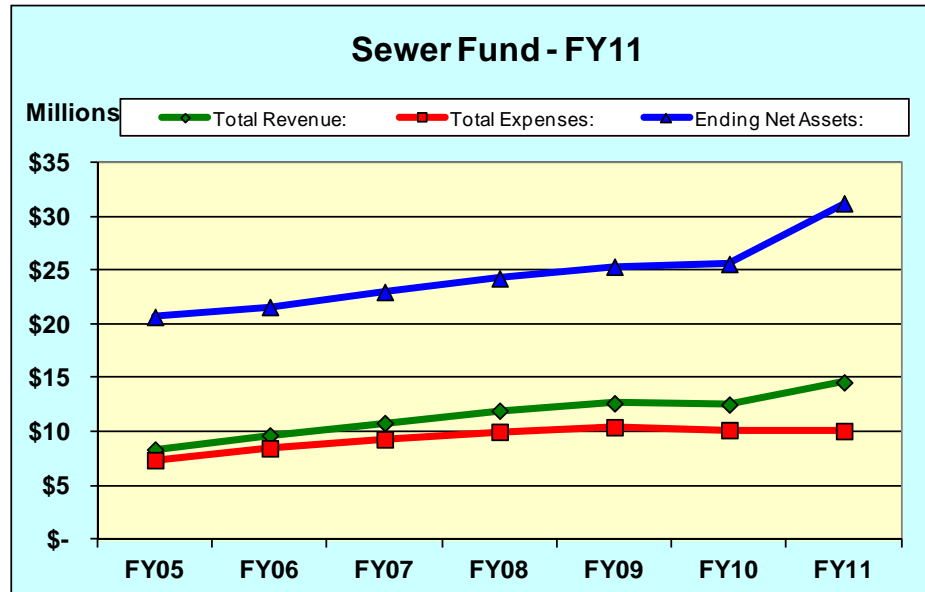
	FY05	FY06	FY07	FY08	FY09	FY10	FY11
<b>Total Revenue:</b>	\$ 8,377,602	\$ 9,686,100	\$ 10,825,343	\$ 11,970,651	\$ 12,657,780	\$ 12,538,504	\$ 14,597,556
<b>Dollar Change:</b>	(667,383)	1,308,498	1,139,243	1,145,308	687,129	(119,276)	2,059,052
<b>Percentage Change:</b>	(7.38%)	15.62%	11.76%	10.58%	5.74%	(0.94%)	16.42%

Sewer fund expenses remained relatively flat, with no major expenditure issues to report.

### Sewer Fund Expenditures

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
<b>Total Expenses:</b>	\$ 7,388,761	\$ 8,486,404	\$ 9,323,220	\$ 10,011,428	\$ 10,441,785	\$ 10,170,433	\$ 10,085,065
<b>Dollar Change:</b>	(1,274,797)	1,097,643	836,816	688,208	430,357	(271,352)	(85,368)
<b>Percentage Change:</b>	(14.71%)	14.86%	9.86%	7.38%	4.30%	(2.60%)	(0.84%)

Like the Water fund, the Sewer fund also will finance future capital improvements on a *pay-as-you-go* basis. The sewer rate structure includes the buildup of a capital improvements reserve to pay for capital improvements to the wastewater treatment plant and sewer collection system.



## Parking Fund

The goals of the Parking fund are to cover the costs of operating and improving the city's parking districts and to produce sufficient revenue to reinvest in the capital assets of the Burlingame and Broadway Avenue shopping districts, which are served by the city parking lots.

**Parking Fund Ending Net Assets**

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
<b>Ending Net Assets:</b>	\$ 7,585,025	\$ 7,412,262	\$ 7,605,881	\$ 7,691,361	\$ 7,688,218	\$ 7,745,386	\$ 7,803,285
<b>Dollar Change:</b>	(29,967)	(172,763)	193,619	85,480	(3,143)	57,168	57,899
<b>Percentage Change:</b>	(0.39%)	(2.28%)	2.61%	1.12%	(0.04%)	0.74%	0.75%

Parking fund net assets remain relatively flat compared to prior years. Net assets total \$7.8 million, with most relating to investments in capital assets.

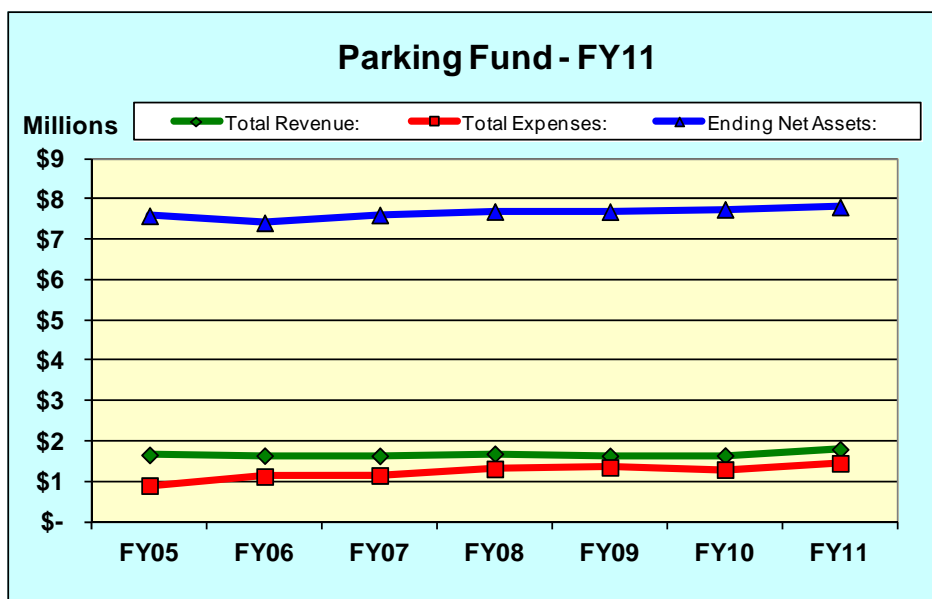
Parking revenue increased by 9.5% due to growth in the downtown employee parking permit program. The City will consider an increase in parking rates in fiscal year 2011-12, as well as the formation of a special property owner assessment district to finance improvements in downtown Burlingame.

**Parking Fund Revenues**

	FY05	FY06	FY07	FY08	FY09	FY10	FY11
<b>Total Revenue:</b>	\$ 1,661,679	\$ 1,644,401	\$ 1,637,729	\$ 1,691,139	\$ 1,639,867	\$ 1,645,227	\$ 1,801,535
<b>Dollar Change:</b>	378,327	(17,278)	(6,672)	53,410	(51,272)	5,360	156,308
<b>Percentage Change:</b>	29.48%	(1.04%)	(0.41%)	3.26%	(3.03%)	0.33%	9.50%

Parking fund expenses increased by 12% in fiscal year 2010-11 due to increases in operating expenses. The Parking Fund also made the eighth of 10 payments to the General Fund for past capital improvements to the Broadway Avenue Business District. This is the fourth consecutive year where there will be no transfer to the capital projects due to lack of available funding.

Parking Fund Expenditures							
	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Total Expenses:	\$ 901,646	\$ 1,127,164	\$ 1,154,110	\$ 1,315,659	\$ 1,353,010	\$ 1,298,059	\$ 1,453,636
Dollar Change:	191,242	225,518	26,946	161,549	37,351	(54,951)	155,577
Percentage Change:	26.92%	25.01%	2.39%	14.00%	2.84%	(4.06%)	11.99%



### General Fund Budgetary Highlights

Detailed information on variances can be found in the Budgetary Comparison Schedule – General Fund.

The fiscal year 2010-11 adopted general fund budget assumed modest gains in revenue, or 3% growth. Budgeted revenues for the fiscal year were \$39.8 million. Final collections totaled \$43.3 million, an increase of \$6.5 million or 17.8% from prior year.

Increases in general fund revenue were mostly due to the following:

- Sales and use tax revenue increased by \$1.8 million or 28.1%.
- Transient occupancy tax increased by \$3.1 million or 29.6%.

General fund revenues are expected to continue a stabilization trend over the next fiscal year and possibly realize additional gains as the economy continues to reflect modest improvement.

General Fund Revenue							
	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Total Revenue	\$ 34,824,712	\$ 38,381,180	\$ 41,603,028	\$ 43,378,480	\$ 40,190,363	\$ 36,725,735	\$ 43,266,203
Dollar Change	1,969,540	3,556,468	3,221,848	1,775,452	(3,188,117)	(3,464,628)	6,540,468
Percentage Change	5.99%	10.21%	8.39%	4.27%	(7.35%)	(8.62%)	17.81%

The fiscal year 2010-11 adopted general fund budget assumed operating expenditures of \$35.7 million. Unlike fiscal year 2009-10, the City did not enact mid-year budget realignments due to stronger general fund revenue performance and continued monitoring of operating expenditures to reduce unfavorable variances.

General Fund Operating Expenditures							
	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Total Operating Expenditures	\$ 33,859,029	\$ 36,251,636	\$ 34,311,274	\$ 37,531,733	\$ 38,046,279	\$ 35,817,177	\$ 34,533,995
Dollar Change	2,386,539	2,392,607	(1,940,362)	3,220,459	514,546	(2,229,102)	(1,283,182)
Percentage Change	7.58%	7.07%	(5.35%)	9.39%	1.37%	(5.86%)	(3.58%)

## **Capital Assets and Debt Administration**

### **Capital Assets**

The City uses the modified approach for roads and parking lots as an alternative to depreciation. Improvements that lengthen their useful life are not capitalized unless the improvements increase their service potential. Rather, maintenance costs are expensed in the period incurred. The City maintains an inventory of the roads and parking lots and performs periodic assessments to establish the condition levels.

Additional information is found in the CAFR's Required Supplementary Information, Section 2, Modified Approach for the City's Infrastructure.

As reported in the *Statement of Net Assets*, capital assets for the governmental and business-type activities totaled \$195.5 million on June 30, 2011, net of depreciation. Capital assets increased by approximately 4% from fiscal year 2009-10. The investments in capital assets include: land; construction in progress; buildings; improvements; machinery and equipment; park facilities; roads; streets; and bridges.

Capital Assets, Net of Accumulated Depreciation June 30, 2011 (Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2010	2011	% Change	2010	2011	% Change	2010	2011	% Change
Land and other assets not being depreciated	\$ 43.34	\$ 45.10	4.1%	\$ 10.03	\$ 16.90	68.4%	\$ 53.37	\$ 62.00	16.2%
Facilities, infrastructure and equipment	55.17	54.81	-0.7%	78.72	78.72	0.0%	133.89	133.53	-0.3%
Total:	\$ 98.51	\$ 99.91	1.4%	\$ 88.76	\$ 95.62	7.7%	\$ 187.27	\$ 195.53	4.4%

All depreciable capital assets were depreciated from their acquisition date to the end of the current fiscal year for the government-wide statement presentation. Governmental fund financial statements record capital asset purchases as expenditures in the year. Ongoing projects are accounted for as "construction in progress." Additional information about Capital Assets is found in the Notes to the Financial Statements.

### **Long-Term Obligations**

As of June 30, 2011, the City had total long-term obligations of \$134.63 million, an increase of 8.5% from prior year. More than half of all long-term debt relates to business-type activities of the Water and Sewer Enterprises due to lease revenue and revenue bonds previously issued to support various capital projects overseen by each enterprise. Therefore obligations continue to decrease as long-term debt is paid off in both the governmental and business-type activities.

Landfill closure liabilities continue to increase to cover the cost of closure and post-closure costs of the former City landfill. The increase in FY11 was \$0.5 million or 18.3%. The costs of monitoring and maintaining the former landfill are recovered through a portion of the solid waste rates charged to city customers.

<b>Outstanding Long-Term Obligations</b> <b>June 30, 2011</b> <b>(Amounts In Millions)</b>									
	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			<b>Total</b>		
	<b>2010</b>	<b>2011</b>	<b>% Change</b>	<b>2010</b>	<b>2011</b>	<b>% Change</b>	<b>2010</b>	<b>2011</b>	<b>% Change</b>
Bonds Due in More than One Year	\$ 34.43	\$ 46.78	35.9%	\$ 62.72	\$ 57.29	-8.7%	\$ 97.15	\$ 104.07	7.1%
Bonds Due Within One Year	2.55	2.91	14.2%	3.61	3.43	-4.8%	6.16	6.35	3.1%
Claims and Litigation	6.64	6.64	0.0%	-	-	n/a	6.64	6.64	0.0%
Landfill Closure	-	-	n/a	2.57	3.04	18.3%	2.57	3.04	18.3%
OPEB obligation	5.95	9.42	58.5%	1.12	1.91	70.0%	7.07	11.33	60.3%
Compensated Absences	4.04	2.74	-32.3%	0.47	0.47	0.9%	4.51	3.21	-29.0%
<b>Total:</b>	<b>\$ 53.60</b>	<b>\$ 68.49</b>	<b>27.8%</b>	<b>\$ 70.49</b>	<b>\$ 66.14</b>	<b>-5.8%</b>	<b>\$ 124.10</b>	<b>\$ 134.63</b>	<b>8.5%</b>

### Debt Administration

The City has a AA underlying general obligation rating and a AA+ rating for its water and wastewater debt as issued by Standard and Poor's Rating Service. Both ratings have been reaffirmed. The Burlingame Finance Authority has eight outstanding bond issues, which includes a loan with the State of California Water Resources Control Board for improvements to the wastewater treatment plant and a taxable bond issue for pension obligations.

A long-term financial plan for the Storm Drainage Fund was prepared in anticipation of the City's first issuance of storm drainage revenue bonds. The bonds were issued in July 2010. The City also issued the Lease Revenue Refunding Bonds, Series 2010 to defease the outstanding portion of the Lease Revenue Bonds, Series 2001 previously issued to construct the Corporation Yard. The refunding occurred in September 2010.

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
Governmental Debt:	\$ 13,613,386	\$ 12,792,946	\$ 43,927,097	\$ 41,362,068	\$ 39,206,629	\$ 36,977,024	\$ 49,690,340
Business-Type Debt:	51,010,014	51,352,675	75,461,019	72,693,189	69,338,107	66,325,722	60,723,806
<b>Total</b>	<b>\$ 64,623,400</b>	<b>\$ 64,145,621</b>	<b>\$ 119,388,116</b>	<b>\$ 114,055,257</b>	<b>\$ 108,544,736</b>	<b>\$ 103,302,746</b>	<b>\$ 110,414,146</b>

The City has no general obligation debt. As of June 30, 2011, the City's general obligation debt limit is \$262 million, which represents 3.75% of total assessed valuation based on assessments at 100% of full market value, in accordance with California Government Code Section 43605. Additional information pertaining to the City's outstanding long-term debt can be found under Long-Term Debt in the Notes to the Financial Statements and in the Statistical Section under "Legal Debt Margin Information."

### Economic Factors and Next Year's Budget and Rates

The following factors were taken into consideration in preparing the fiscal year 2011-12 budget:

**Revenue Projections:** The City prepared a five-year forecast of revenues and expenditures for the General fund. The City Council adopted a two-percent (2%) revenue growth projection for fiscal year 2011-12 based on the average historical revenue growth over the prior ten years. General fund revenue is expected to grow by 3% overall given modest improvements in fiscal year 2010-11 revenue performance.

**Expenditures:** General fund operating expenditures decreased slightly by \$1.3 million or 4% from the prior year.

**Employee Costs:** Modest salary adjustments were included in the budget based on memorandums of understanding with employee bargaining groups, ranging from 0% to 3%.

The City plans to reach favorable agreements with its employee bargaining groups on medical premium contributions; pensions and retiree health benefits.

The City will investigate the establishment of an irrevocable trust to fund the annual required contributions for retiree health benefits (OPEB). The City has assigned \$2.7 million of General fund balance as a reserve to soften potential impacts of future retiree health costs.

**General Fund Capital Improvements:** The City Council earmarked \$2.3 million for capital improvements.

**Water & Sewer Rate Adjustments:** Water and sewer adjustments will be implemented in January 2012. Water and sewer rates are expected to increase by an average of 7.2% and 13.9% respectively primarily due to higher cost of water purchased from the San Francisco Public Utilities Commission.

**Solid Waste Rate Adjustments:** Solid waste rate adjustments will be implemented in February 2012 and are expected to increase by approximately 25% due primarily to variances in revenue collections that have resulted in shortfalls. The City provides solid waste services through a joint exercise of powers agreement (JPA) and a franchise with a private contractor.

#### **Requests for Information**

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Individuals are encouraged to make inquiries or requests for additional financial information at:

Burlingame Finance Department  
501 Primrose Road  
Burlingame, CA 94010-3997  
(650) 558-7222



**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 37,341,423	\$ 21,892,679	\$ 59,234,102
Receivables (net of uncollectible amounts of \$40,170 for business-type activities):			
Accounts	7,777,519	-	7,777,519
Due from consumers	-	4,907,520	4,907,520
Internal balances	1,379,108	(1,379,108)	-
Intergovernmental	-	504,189	504,189
Inventory	56,318	-	56,318
Prepaid items	477,332	-	477,332
Cash and investments, restricted	9,001,539	3,505,245	12,506,784
Net pension asset	28,397,413	-	28,397,413
Unamortized bond issuance cost (deferred charges)	784,458	892,946	1,677,404
Capital assets:			
Land and other assets not being depreciated	45,102,213	16,897,155	61,999,368
Facilities, infrastructure, and equipment, net of depreciation	54,808,791	78,727,556	133,536,347
<b>Total assets</b>	<b>185,126,114</b>	<b>125,948,182</b>	<b>311,074,296</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 3,566,317	\$ 1,923,729	\$ 5,490,046
Retentions payable	1,167,251	-	1,167,251
Accrued payroll	1,199,224	-	1,199,224
Accrued interest	468,974	728,730	1,197,704
Deposits	718,479	980,394	1,698,873
Unearned revenue	63,875	28,847	92,722
Claims and judgments:			
Due in one year	1,547,885	-	1,547,885
Due in more than one year	5,092,115	-	5,092,115
Compensated absences:			
Due in one year	1,570,858	355,520	1,926,378
Due in more than one year	1,165,273	114,350	1,279,623
Landfill closure and post closure costs:			
Due in one year	-	184,109	184,109
Due in more than one year	-	2,858,315	2,858,315
Net OPEB obligation due in more than one year	9,421,756	1,907,791	11,329,547
Long-term debt:			
Due in one year	2,912,261	3,433,576	6,345,837
Due in more than one year	46,778,079	57,290,230	104,068,309
<b>Total liabilities</b>	<b>75,672,347</b>	<b>69,805,591</b>	<b>145,477,938</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	51,520,610	38,406,150	89,926,760
Restricted for:			
Debt service	2,912,261	-	2,912,261
Storm drainage	3,502,788	-	3,502,788
Street repair and maintenance	2,188,696	-	2,188,696
Public safety	69,923	-	69,923
Total restricted	8,673,668	-	8,673,668
Unrestricted	49,259,489	17,736,441	66,995,930
<b>Total net assets</b>	<b>\$ 109,453,767</b>	<b>\$ 56,142,591</b>	<b>\$ 165,596,358</b>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,803,248	\$ 616,370	\$ 108,992	\$ -	\$ 725,362
Public safety	21,141,216	2,202,412	330,649	-	2,533,061
Public works	8,514,210	1,713,404	1,421,855	3,095,501	6,230,760
Community development	1,752,075	744,018	-	-	744,018
Parks, recreation, and library	10,475,123	2,744,025	245,826	93,614	3,083,465
Shuttle operations	323,834	71,986	102,851	-	174,837
Financing and other activities	2,655,299	-	-	-	-
Total governmental activities	51,665,005	8,092,215	2,210,173	3,189,115	13,491,503
Business-type activities:					
Water	9,569,097	12,734,554	-	-	12,734,554
Sewer	9,508,659	14,566,587	-	-	14,566,587
Waste management	936,410	652,584	-	-	652,584
Parking	1,453,636	1,801,535	-	-	1,801,535
Building	1,141,131	1,404,154	-	-	1,404,154
Total business-type activities	22,608,933	31,159,414	-	-	31,159,414
Total governmental	\$ 74,273,938	\$ 39,251,629	\$ 2,210,173	\$ 3,189,115	\$ 44,650,917

**General revenues**

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Franchise tax, unrestricted

Business license tax

Intergovernmental, taxes, fees, and permits

Total taxes

**Investment income (expense)**

**Transfers to other funds**

**Total general revenues and transfers**

**Change in net assets**

**Net assets at beginning of year**

**Net assets at ending of year**

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF ACTIVITIES (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (6,077,886)	\$ -	\$ (6,077,886)
(18,608,155)	-	(18,608,155)
(2,283,450)	-	(2,283,450)
(1,008,057)	-	(1,008,057)
(7,391,658)	-	(7,391,658)
(148,997)	-	(148,997)
(2,655,299)	-	(2,655,299)
<u>(38,173,502)</u>	<u>-</u>	<u>(38,173,502)</u>
-	3,165,457	3,165,457
-	5,057,928	5,057,928
-	(283,826)	(283,826)
-	347,899	347,899
-	263,023	263,023
<u>-</u>	<u>8,550,481</u>	<u>8,550,481</u>
<u>(38,173,502)</u>	<u>8,550,481</u>	<u>(29,623,021)</u>
13,310,194	-	13,310,194
8,040,542	-	8,040,542
13,404,078	-	13,404,078
1,115,666	-	1,115,666
954,504	-	954,504
<u>2,965,696</u>	<u>-</u>	<u>2,965,696</u>
39,790,680	-	39,790,680
804,930	(1,144,816)	(339,886)
<u>1,282,369</u>	<u>(1,282,369)</u>	<u>-</u>
<u>41,877,979</u>	<u>(2,427,185)</u>	<u>39,450,794</u>
3,704,477	6,123,296	9,827,773
<u>105,749,290</u>	<u>50,019,295</u>	<u>155,768,585</u>
<u>\$ 109,453,767</u>	<u>\$ 56,142,591</u>	<u>\$ 165,596,358</u>

See accompanying Notes to the Basic Financial Statements.



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

The **General Fund** accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, parks, and recreation.

The **Capital Projects Fund** accounts for City capital projects funded by the General Fund or other governmental funds, or any projects funded by multiple sources.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs (other than those paid for by the Proprietary Funds).

**CITY OF BURLINGAME, CALIFORNIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 10,350,734	\$ 232,243	\$ 7,701,885	\$ 6,479,101	\$ 24,763,963
Receivables (net of allowance for collectibles of \$0)	5,159,560	-	2,216,124	286,484	7,662,168
Prepaid expenditures	2,799	474,533	-	-	477,332
Cash and investments, restricted	-	9,001,539	-	-	9,001,539
<b>Total assets</b>	<u>\$ 15,513,093</u>	<u>\$ 9,708,315</u>	<u>\$ 9,918,009</u>	<u>\$ 6,765,585</u>	<u>\$ 41,905,002</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 518,863	\$ 1,230,500	\$ 1,554,543	\$ 69,256	\$ 3,373,162
Retentions payable	-	-	1,167,251	-	1,167,251
Accrued payroll	1,199,224	-	-	-	1,199,224
Deposits	718,479	-	-	-	718,479
Unearned revenue	63,875	-	-	-	63,875
Deferred revenue	1,145,268	-	-	-	1,145,268
<b>Total liabilities</b>	<u>3,645,709</u>	<u>1,230,500</u>	<u>2,721,794</u>	<u>69,256</u>	<u>7,667,259</u>
<b>Fund balances:</b>					
Reserved for:					
Nonspendable	2,799	474,533	-	-	477,332
Restricted	-	-	-	5,755,902	5,755,902
Assigned	10,200,000	8,003,282	7,196,215	940,427	26,339,924
Unassigned	1,664,585	-	-	-	1,664,585
<b>Total fund balances</b>	<u>11,867,384</u>	<u>8,477,815</u>	<u>7,196,215</u>	<u>6,696,329</u>	<u>34,237,743</u>
<b>Total liabilities and fund balances</b>	<u>\$ 15,513,093</u>	<u>\$ 9,708,315</u>	<u>\$ 9,918,009</u>	<u>\$ 6,765,585</u>	<u>\$ 41,905,002</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**Fund balance – total governmental funds** **\$ 34,237,743**

Amounts reported for governmental activities in the statement of net assets are different because:

**CAPITAL ASSETS**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 97,965,724

**DEFERRED REVENUE**

State Proposition 1A loan was not available to pay for the current-period expenditures and, therefore, it is deferred in the governmental fund financial statements. 1,145,268

**LONG-TERM ASSETS AND LIABILITIES**

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Compensated absences (2,640,712)

Long-term debt (48,870,000)

Net OPEB obligation (9,421,756)

Unamortized bond premium represents amounts previously paid to issue long-term debt. This is amortized over the life of the bonds. (820,340)

Unamortized bond issuance costs represent amounts previously paid to issue long-term debt. This is amortized over the life of the bonds. 784,458

The proceeds of the pension obligation bonds were used to pre-pay the City's unfunded CalPERS actuarial liability. This prepayment is not reported in the governmental funds but is recorded in the statement of net assets as a net pension asset. 28,397,413

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (468,974)

**ALLOCATION OF INTERNAL SERVICES FUND NET ASSETS**

Internal service funds are used by management to charge the costs of fleet management, building maintenance, information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statements of net assets. 9,144,943

**Net assets of governmental activities** **\$ 109,453,767**

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 13,310,194	\$ -	\$ -	\$ -	\$ 13,310,194
Sales and use taxes	8,040,542	-	-	-	8,040,542
Transient occupancy taxes	13,404,078	-	-	-	13,404,078
Other taxes	2,415,918	-	-	-	2,415,918
Licenses and permits	96,716	-	-	-	96,716
Fines, forfeitures, and penalties	967,582	-	-	57,285	1,024,867
Investment income	644,379	61,250	-	97,654	803,283
Motor vehicle in lieu tax	148,089	-	-	-	148,089
Intergovernmental	195,238	-	-	1,304,450	1,499,688
Charges for services	3,618,259	-	-	-	3,618,259
Grant revenue	99,489	-	367,660	195,204	662,353
Other revenue	325,719	-	57,416	2,964,607	3,347,742
<b>Total revenues</b>	<b>43,266,203</b>	<b>61,250</b>	<b>425,076</b>	<b>4,619,200</b>	<b>48,371,729</b>
<b>EXPENDITURES:</b>					
Current:					
General government	5,254,079	-	147,942	56,020	5,458,041
Public safety	17,228,871	-	-	149,218	17,378,089
Public works	2,939,652	-	2,768,926	4,965	5,713,543
Community development	730,577	-	-	-	730,577
Parks, recreation, and library	8,368,827	-	182,729	68,750	8,620,306
Shuttle operations	-	-	-	139,181	139,181
Other	11,989	-	-	5,000	16,989
Capital outlay	-	-	4,023,000	-	4,023,000
Debt service:					
Principal	-	7,525,834	-	-	7,525,834
Interest	-	2,425,395	-	-	2,425,395
<b>Total expenditures</b>	<b>34,533,995</b>	<b>9,951,229</b>	<b>7,122,597</b>	<b>423,134</b>	<b>52,030,955</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,732,208</b>	<b>(9,889,979)</b>	<b>(6,697,521)</b>	<b>4,196,066</b>	<b>(3,659,226)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	988,285	4,991,961	20,294,523	37,000	26,311,769
Transfer out	(4,708,695)	(7,606,136)	(9,928,233)	(2,786,336)	(25,029,400)
Other financing sources (uses):					
Proceeds from Storm Drainage Bonds, Series 2010	-	10,015,325	-	-	10,015,325
Proceeds from master equipment lease - principal	-	1,500,000	-	-	1,500,000
Proceeds from Lease Revenue Refunding, Series 2010	-	8,784,892	-	-	8,784,892
Other Uses - bond issuance costs	-	(304,850)	-	-	(304,850)
<b>Total other financing (uses) sources</b>	<b>(3,720,410)</b>	<b>17,381,192</b>	<b>10,366,290</b>	<b>(2,749,336)</b>	<b>21,277,736</b>
<b>Net change in fund balances</b>	<b>5,011,798</b>	<b>7,491,213</b>	<b>3,668,769</b>	<b>1,446,730</b>	<b>17,618,510</b>
<b>FUND BALANCES:</b>					
Beginning of year	6,855,586	986,602	3,527,446	5,249,599	16,619,233
End of year	<u>\$ 11,867,384</u>	<u>\$ 8,477,815</u>	<u>\$ 7,196,215</u>	<u>\$ 6,696,329</u>	<u>\$ 34,237,743</u>

See accompanying Notes to the Basic Financial Statements.



**CITY OF BURLINGAME, CALIFORNIA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Net change in fund balances – total governmental funds** \$ 17,618,510

Amounts reported for governmental activities in the statement of activities are different because:

**CAPITAL ASSETS TRANSACTIONS**

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

The capital outlay expenditures are added back to fund balance. 4,023,866

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance. (2,560,457)

**LONG-TERM DEBT PROCEEDS AND PAYMENTS**

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from issuance of debt	(20,300,218)
Accrued interest calculated on bonds payable	(262,117)
Amortization of bond premium	61,068
Issuance costs incurred during the period	304,850
Amortization of issuance costs	(29,720)
Amortization of net pension asset	(720,628)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets:

Principal payments 7,525,834

**ACCRUAL OF NONCURRENT ITEMS**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

This change reflects a decrease in compensated absences that occurred during the year.	1,283,284
Net other post-employment benefits obligation expense	(3,472,211)

**ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY**

Internal Service Funds are used by management to charge the costs of certain activities, such as fleet management, building maintenance, information technology, and risk management, to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in net assets - All Internal Service Funds	232,416
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<b>Change in net assets of governmental activities</b>	<b>\$ 3,704,477</b>
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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

The **Water Fund** is used to account for the provision of water services to residents of Burlingame and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in these funds, including, administration, operations, maintenance, financing, and billing/collections.

The **Sewer Fund** is used to account for the provision of sewer services to the residents of Burlingame and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in these funds, including, administration, operations, maintenance, financing, and billing/collections.

The **Waste Management Fund** is used to account for the provision of solid waste services to the residents of Burlingame, excluding the revenues and expenditures associated with the collection, processing, and disposal of solid waste and recyclable materials which are provided by a solid waste provider servicing member cities of the South Bay Waste Management Authority.

The **Parking Fund** is used to account for the activities of the City's downtown parking districts.

The **Building Fund** was established to account for the activities of the City's building permits and inspection division.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 12,550,218	\$ 3,373,902	\$ 1,901,480
Receivables (net of uncollectible amounts of \$40,170):			
Due from consumers	1,778,230	3,067,205	62,085
Due from other governments	-	504,189	-
Inventory	-	-	-
Total current assets	<u>14,328,448</u>	<u>6,945,296</u>	<u>1,963,565</u>
Noncurrent assets:			
Cash and investments, restricted	1,597,756	1,907,489	-
Advances to other funds	-	-	-
Capital assets:			
Land and other assets not being depreciated	2,639,145	8,506,162	-
Facilities, infrastructure, and equipment, net of depreciation	28,145,157	49,304,751	3,744
Unamortized bond issuance cost	550,771	342,175	-
Total noncurrent assets	<u>32,932,829</u>	<u>60,060,577</u>	<u>3,744</u>
<b>Total assets</b>	<u><u>\$ 47,261,277</u></u>	<u><u>\$ 67,005,873</u></u>	<u><u>\$ 1,967,309</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,591,695	\$ 186,760	\$ 109,192
Accrued interest	295,956	432,774	-
Deposits	11,425	-	-
Unearned revenue	28,847	-	-
Claims and litigation due in one year	-	-	-
Bonds and loans payable due in one year	1,011,656	2,421,920	-
Compensated absences due in one year	143,059	119,972	7,709
Landfill closure and post closure liability	-	-	184,109
Total current liabilities	<u>3,082,638</u>	<u>3,161,426</u>	<u>301,010</u>
Noncurrent liabilities:			
Advances from other funds	-	1,379,108	-
Bonds payable	26,653,172	30,637,058	-
Landfill closure and post closure liability	-	-	2,858,315
Other post-employment benefits obligation payable	653,337	603,087	55,799
Claims and litigation	-	-	-
Compensated absences	67,785	31,226	-
Total noncurrent liabilities	<u>27,374,294</u>	<u>32,650,479</u>	<u>2,914,114</u>
<b>Total liabilities</b>	<u><u>30,456,932</u></u>	<u><u>35,811,905</u></u>	<u><u>3,215,124</u></u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	4,717,230	26,659,424	3,744
Unrestricted assets (deficit)	<u>12,087,115</u>	<u>4,534,544</u>	<u>(1,251,559)</u>
<b>Total net assets (deficit)</b>	<u><u>\$ 16,804,345</u></u>	<u><u>\$ 31,193,968</u></u>	<u><u>\$ (1,247,815)</u></u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF NET ASSETS (Continued)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

Enterprise Funds			Governmental
Parking Fund	Building Fund	Total	Activities - Internal Service Funds
\$1,152,527	\$2,914,552	\$ 21,892,679	\$ 12,577,460
-	-	4,907,520	-
-	-	504,189	115,351
-	-	-	56,318
<u>1,152,527</u>	<u>2,914,552</u>	<u>27,304,388</u>	<u>12,749,129</u>
-	-	3,505,245	-
-	-	-	1,379,108
5,751,848	-	16,897,155	-
1,273,904	-	78,727,556	1,945,280
-	-	892,946	-
<u>7,025,752</u>	<u>-</u>	<u>100,022,902</u>	<u>3,324,388</u>
<u>\$ 8,178,279</u>	<u>\$ 2,914,552</u>	<u>\$ 127,327,290</u>	<u>\$ 16,073,517</u>
\$ 7,696	\$ 28,386	\$ 1,923,729	\$ 193,155
-	-	728,730	-
-	968,969	980,394	-
-	-	28,847	-
-	-	-	1,547,885
-	-	3,433,576	-
38,334	46,446	355,520	79,739
-	-	184,109	-
<u>46,030</u>	<u>1,043,801</u>	<u>7,634,905</u>	<u>1,820,779</u>
-	-	1,379,108	-
-	-	57,290,230	-
-	-	2,858,315	-
323,990	271,578	1,907,791	-
-	-	-	5,092,115
4,974	10,365	114,350	15,680
<u>328,964</u>	<u>281,943</u>	<u>63,549,794</u>	<u>5,107,795</u>
<u>374,994</u>	<u>1,325,744</u>	<u>71,184,699</u>	<u>6,928,574</u>
7,025,752	-	38,406,150	1,945,280
<u>777,533</u>	<u>1,588,808</u>	<u>17,736,441</u>	<u>7,199,663</u>
<u>\$ 7,803,285</u>	<u>\$ 1,588,808</u>	<u>\$ 56,142,591</u>	<u>\$ 9,144,943</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>OPERATING REVENUES:</b>			
Water sales	\$ 12,546,845	\$ -	\$ -
Sewer service charges:			
Burlingame users	-	13,000,430	-
Other agencies	-	1,432,931	-
Special surcharges	154,813	9,606	-
Parking fee	-	-	-
Charges for services	-	-	-
Other revenue	32,896	123,620	652,584
<b>Total operating revenues</b>	<b>12,734,554</b>	<b>14,566,587</b>	<b>652,584</b>
<b>OPERATING EXPENSES:</b>			
Salaries and benefits	2,210,755	2,174,688	229,853
Supplies and services	372,329	226,882	11,414
Water purchase	4,093,270	-	-
Contractual services	633,764	3,488,887	73,193
Communication and utilities	62,758	52,194	198
Maintenance	124,879	304,639	500,761
Depreciation and amortization	1,821,661	2,581,313	3,086
Other operating expenses	-	-	-
Insurance claims and expenses	249,681	680,056	117,905
<b>Total operating expenses</b>	<b>9,569,097</b>	<b>9,508,659</b>	<b>936,410</b>
<b>Operating income (loss)</b>	<b>3,165,457</b>	<b>5,057,928</b>	<b>(283,826)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	37,815	30,969	-
Interest expense	(637,194)	(576,406)	-
<b>Net nonoperating revenues (expenses)</b>	<b>(599,379)</b>	<b>(545,437)</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>2,566,078</b>	<b>4,512,491</b>	<b>(283,826)</b>
Transfers in	5,287,761	8,659,116	-
Transfers out	(7,391,460)	(7,547,786)	-
<b>Change in net assets</b>	<b>462,379</b>	<b>5,623,821</b>	<b>(283,826)</b>
<b>NET ASSETS:</b>			
Beginning of year	16,341,966	25,570,147	(963,989)
End of year	<u>\$ 16,804,345</u>	<u>\$ 31,193,968</u>	<u>\$ (1,247,815)</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS (Continued)  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Enterprise Funds			Governmental
Parking Fund	Building Fund	Total	Activities - Internal Service Funds
\$ -	\$ -	\$ 12,546,845	\$ -
-	-	13,000,430	-
-	-	1,432,931	-
-	-	164,419	-
1,801,535	-	1,801,535	-
-	1,404,154	1,404,154	5,518,956
-	-	809,100	35,928
<u>1,801,535</u>	<u>1,404,154</u>	<u>31,159,414</u>	<u>5,554,884</u>
1,025,303	777,540	6,418,139	997,522
47,940	26,885	685,450	298,499
-	-	4,093,270	-
52,965	163,270	4,412,079	1,484,975
22,743	4,617	142,510	78,552
126,302	102,356	1,158,937	271,965
43,839	-	4,449,899	541,547
42,483	-	42,483	-
92,061	66,463	1,206,166	1,809,908
<u>1,453,636</u>	<u>1,141,131</u>	<u>22,608,933</u>	<u>5,482,968</u>
<u>347,899</u>	<u>263,023</u>	<u>8,550,481</u>	<u>71,916</u>
-	-	68,784	160,500
-	-	(1,213,600)	-
-	-	(1,144,816)	160,500
347,899	263,023	7,405,665	232,416
-	-	13,946,877	-
(290,000)	-	(15,229,246)	-
57,899	263,023	6,123,296	232,416
<u>7,745,386</u>	<u>1,325,785</u>	<u>50,019,295</u>	<u>8,912,527</u>
<u>\$ 7,803,285</u>	<u>\$ 1,588,808</u>	<u>\$ 56,142,591</u>	<u>\$ 9,144,943</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from consumers	\$ 12,556,843	\$ 11,984,115	\$ 776,964
Receipts from other governments	-	1,584,261	-
Receipts from transactions with other funds	-	-	-
Payments to suppliers	(4,656,728)	(4,971,939)	(131,035)
Payment to employees for services	(1,939,716)	(1,955,536)	(200,872)
<b>Net cash provided by (used in) operating activities</b>	<b>5,960,399</b>	<b>6,640,901</b>	<b>445,057</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers to other funds	(5,946,338)	(7,104,313)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(5,946,338)</b>	<b>(7,104,313)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on long-term debt	(3,521,142)	(2,080,774)	-
Interest paid on long-term debt	(714,190)	(673,055)	-
Acquisition of capital assets	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(4,235,332)</b>	<b>(2,753,829)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on investments	37,815	30,969	-
<b>Net cash provided by (used in) investing activities</b>	<b>37,815</b>	<b>30,969</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,183,456)</b>	<b>(3,186,272)</b>	<b>445,057</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	18,331,430	8,467,663	1,456,423
End of year	<u>\$ 14,147,974</u>	<u>\$ 5,281,391</u>	<u>\$ 1,901,480</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 3,165,457	\$ 5,057,928	\$ (283,826)
Adjustments for noncash activities:			
Depreciation and amortization	1,821,661	2,581,313	3,086
Changes in assets and liabilities:			
Receivables	(190,024)	(998,211)	124,380
Deposits	(1,525)	-	-
Inventory	-	-	-
Other assets	-	-	-
Accounts payable/claims and litigation	879,953	(219,281)	101,000
Landfill closure liability	-	-	471,436
OPEB obligation	266,583	237,821	27,953
Compensated absences	4,456	(18,669)	1,028
Unearned revenue	13,838	-	-
Total adjustments	2,794,942	1,582,973	728,883
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 5,960,399</b>	<b>\$ 6,640,901</b>	<b>\$ 445,057</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:</b>			
Cash and investments – current	\$ 12,550,218	\$ 3,373,902	\$ 1,901,480
Cash and investments, restricted	1,597,756	1,907,489	-
<b>Cash and cash equivalents on statement of cash flows</b>	<b>\$ 14,147,974</b>	<b>\$ 5,281,391</b>	<b>\$ 1,901,480</b>

See accompanying Notes to the Basic Financial Statements.



**CITY OF BURLINGAME, CALIFORNIA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Enterprise Funds			Governmental Activities - Internal Service Funds
Parking Fund	Building Fund	Total	
\$ 1,810,694	\$ 1,672,687	\$ 28,801,303	\$ -
-	-	1,584,261	-
-	-	-	6,524,801
(382,058)	(458,308)	(10,600,068)	(3,940,166)
<u>(879,933)</u>	<u>(660,513)</u>	<u>(5,636,570)</u>	<u>(1,018,858)</u>
<u>548,703</u>	<u>553,866</u>	<u>14,148,926</u>	<u>1,565,777</u>
 (290,000)	 -	 (13,340,651)	 -
<u>(290,000)</u>	<u>-</u>	<u>(13,340,651)</u>	<u>-</u>
 -	 -	 (5,601,916)	 -
-	-	(1,387,245)	-
<u>(29,388)</u>	<u>-</u>	<u>(29,388)</u>	<u>(481,317)</u>
<u>(29,388)</u>	<u>-</u>	<u>(7,018,549)</u>	<u>(481,317)</u>
 -	 -	 68,784	 160,500
<u>-</u>	<u>-</u>	<u>68,784</u>	<u>160,500</u>
229,315	553,866	(6,141,490)	1,244,960
<u>923,212</u>	<u>2,360,686</u>	<u>31,539,414</u>	<u>11,332,500</u>
<u>\$ 1,152,527</u>	<u>\$ 2,914,552</u>	<u>\$ 25,397,924</u>	<u>\$ 12,577,460</u>
 \$ 347,899	 \$ 263,023	 \$ 8,550,481	 \$ 71,916
43,839	-	4,449,899	541,547
9,159	-	(1,054,696)	72,637
-	268,533	267,008	-
-	-	-	1,710
-	-	-	897,280
2,436	(94,717)	669,391	2,023
-	-	471,436	-
142,327	111,063	785,747	-
3,043	5,964	(4,178)	(21,336)
<u>-</u>	<u>-</u>	<u>13,838</u>	<u>-</u>
<u>200,804</u>	<u>290,843</u>	<u>5,598,445</u>	<u>1,493,861</u>
<u>\$ 548,703</u>	<u>\$ 553,866</u>	<u>\$ 14,148,926</u>	<u>\$ 1,565,777</u>
 \$ 1,152,527	 \$ 2,914,552	 \$ 21,892,679	 \$ 12,577,460
-	-	3,505,245	-
<u>\$ 1,152,527</u>	<u>\$ 2,914,552</u>	<u>\$ 25,397,924</u>	<u>\$ 12,577,460</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	Agency Funds
	<hr/>
<b>ASSETS</b>	
Cash and investments	\$ 464,564
Accounts receivable	<hr/> 903,900
<b>Total assets</b>	<hr/> <b>\$ 1,368,464</b> <hr/>
 <b>LIABILITIES</b>	
Accounts payable	\$ 244,209
Deposits	204,160
Due to other governments	<hr/> 920,095
<b>Total liabilities</b>	<hr/> <b>\$ 1,368,464</b> <hr/>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA  
INDEX TO THE NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**CITY OF BURLINGAME, CALIFORNIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Definition of the Reporting Entity**

The City of Burlingame (the City) was incorporated in 1908 as a California general law city. Burlingame is a full-service city providing all municipal services, including police, fire, library, parks, recreation, street and storm drain maintenance, and water and sewage treatment. It is governed by a five member City Council, who are each elected to a four year term. The Mayor of the City is a one-year rotating chair on City Council. As a government agency, the City is exempt from both federal income taxes and state franchise taxes.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City as the primary government. For financial reporting purposes, the City's financial statements include all funds, boards and commissions, and authorities that are controlled by or are dependent on the City's legislative branch, the City Council. Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt, or the City's obligation to fund any deficits that may occur.

**Blended Component Units**

The following units are legally separate component units for which the City is financially accountable, and therefore, the related financial activities have been blended with the City's financial reporting:

**Burlingame Financing Authority**

In November 1995, the City formed an authority known as the Burlingame Financing Authority (Authority). The Authority provides services entirely to the City. The purpose of this Authority is to issue bonds to finance the construction of public capital improvements through the lease of certain land and existing improvements. The facilities are leased by the Authority to the City pursuant to a lease agreement.

In December 1995, bond proceeds were used by the Authority to pay the costs of reconstructing a library facility within the City. In July 2004, the Authority did a refunding of these 1995 Lease Revenue bonds. In March 1998, bond proceeds were used by the Authority to refinance the 1991 Wastewater Treatment Certificates of Participation and construct a new sewer collection pipeline. In August 2001, bond proceeds were used by the Authority to reconstruct a public works corporation yard within the City. In April 2003, March 2004, and April 2007, bond proceeds were used by the Authority to finance improvements to the City's Water System and Wastewater System. In 2010, the Authority issued Lease Revenue Refunding Bonds, Series 2010 to defease the Lease Revenue Bonds, Series 2001 as well as storm drainage revenue bonds to finance improvements to the City's storm drainage system.

The Authority is comprised of members of the City Council and was formed with the assistance of the City's Redevelopment Agency. The City and the Authority have a financial and operational relationship and the financial activities of the Authority have been included in the financial statements of the City as a blended component unit. The Authority's financial activities are presented in the financial statements in the Debt Service Fund. The books and records of the Authority are maintained by the City. Additional financial data for the Authority may be obtained from the City Department of Finance, 501 Primrose Road, Burlingame, CA 94010.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **A. Definition of the Reporting Entity** (Continued)

#### **Burlingame Redevelopment Agency**

The Redevelopment Agency was established in November 1995 and is a component of the City. The Redevelopment Agency has been and continues to be inactive.

#### **Non-Disclosed Organizations**

There are other agencies that provide services with the City, which are independently governed, and also maintain financial books and records that are separate from the City. The *Agency Funds* are used to account for fiduciary funds held by the City in a custodial capacity or as an agent for individuals, private organizations, and other government units or funds. The City's basic financial statements, except for certain cash held by the City as a fiscal agent, do not reflect the operations of the Burlingame School District; the Burlingame Library Trustees; the Hotel, Downtown Burlingame, and Broadway Business Improvement District; and the Central County Fire Department.

#### **Central County Fire Department**

Effective July 1, 2010, the Burlingame Fire employees became employees of Central County Fire Department (CCFD). Furthermore, CCFD is a stand-alone employer recognized by California Public Employees Retirement System (CalPERS), the Internal Revenue Service, and the California Franchise Tax Board.

The CCFD is a Joint Powers Authority (JPA) which provides fire, emergency medical, and disaster preparedness services to the City and Town of Hillsborough. CCFD is governed by a four member board of directors and a Chief Administrative Officer. Generally, the City is allocated 60% of total direct costs in support of the ongoing operations and maintenance of CCFD, whose administration, books, and records are maintained by the Town of Hillsborough and are therefore, subject to a separate annual audit. This cost allocation is reflected as a receivable (if total actual direct costs are less than budgeted or expected direct costs) or payable (if total actual direct costs exceed budgeted or expected direct costs) on the City's statement of net assets. Additional information can be found in the CCFD Comprehensive Annual Financial Report.

### **B. Basis of Accounting, Measurement Focus, and Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

When an expense is incurred for purposes for which both restricted and unassigned assets are available, it is the policy of the City to apply restricted assets first, and then unrestricted assets as they are needed.

#### **Government-Wide Financial Statements**

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary Activities of the City are not included in these statements.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's current and long-term assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets as of June 30. The Statement of Activities presents changes in net assets since the beginning of the fiscal year.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **B. Basis of Accounting, Measurement Focus, and Presentation** (Continued)

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. Property tax revenue is recognized in the year of levy, and all other revenue is recognized when services have been rendered. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regards to interfund activities, payables and receivables, including the corresponding deferred revenues. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure.

#### **Governmental Fund Financial Statements**

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources and transactions except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs (other than those paid for by the Proprietary Funds).

The *Capital Projects Fund* is used to account for resources used to acquire or develop facilities or major capital equipment.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **B. Basis of Accounting, Measurement Focus, and Presentation** (Continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are taxpayer-assessed tax revenues (property taxes, sales taxes, transient occupancy taxes, franchise taxes, etc.), certain grant revenues, and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

#### **Proprietary Fund Financial Statements**

The City reports the following major proprietary (enterprise) funds:

The *Water Fund* is used to fund accounts for the activities of the City's water supply system.

The *Sewer Fund* is used to fund accounts for the activities of the City's sewage collection system and the Wastewater Treatment Plant.

The *Waste Management Fund* is used to account for the landfill closure costs and post closure monitoring services, City recycling programs, and operating and maintenance expenses related to solid waste services.

The *Parking Fund* is used to account for the activities of the City's downtown parking districts.

The *Building Fund* is used to account for the activities of the City's building division.

The *Internal Service Funds* are used to account for the servicing of the self-insurance, vehicle maintenance and acquisition, facilities maintenance, and information technology maintenance and acquisition programs of City departments or agencies on a cost-reimbursement basis.

Proprietary Fund Financial Statements include a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Fund Net Assets; and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as FASB Statements and Interpretations, APB Opinions, and ARBs of the Committee on Accounting Procedure issued on or before November 30, 1989.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **B. Basis of Accounting, Measurement Focus, and Presentation** (Continued)

#### **Proprietary Fund Financial Statements** (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. The primary operating revenues of the City's enterprise and internal service funds include water and sewer service, connection fees, sewer discharge permits, revenues from solid waste management and franchise fees, building inspections, parking fees and permits, and also, information technology support, vehicle and facilities maintenance for various departments in the City. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses. The City does not typically incur costs or earn revenues relating to nonoperating activities.

#### **Fiduciary Fund Financial Statements**

The *Agency Funds* are used to account for the resources held by the City in a custodial capacity or as an agent for individuals, private organizations, other government units such as the State of California, and/or other funds. The City maintains agency funds for the library trustees; the State of California for seismic fees; Hotel, Downtown Burlingame, and Broadway business improvement district fees; Central County Fire Department (CCFD); specialized training and Emergency Medical Systems (EMS) training fund; the elementary and high school districts; unclaimed property from the police department; the building standards administration; for the Quality of Work Life Committee; and for the Hillsborough contract services.

Fiduciary Fund Financial Statements include a Statement of Net Assets and represent the related activity for the City's Agency Funds. The Agency Funds are accounted for using the accrual basis of accounting.

### **C. Basis of Budgeting**

The City adopts an annual budget for all City funds. Consistent with most governmental entities, the City's budget is based on a modified accrual basis of accounting under which revenues are recognized in the period they become available and measurable, and expenditures are recognized in the period the related liability is incurred.

The City budget includes information regarding estimated costs (or outlays) and revenue (or cash inflows) for identified programs, projects, and levels of service to meet the needs of the City. All annual appropriations lapse at the end of the fiscal year except in the Capital Projects Fund because capital improvement projects typically span more than one fiscal year. Appropriations for capital projects lapse when projects are completed, placed into service, or accounted for as capital assets or abandoned at the discretion of the City and/or City Council.

Budget amendments that increase department appropriations require approval by City Council. Budgetary re-allocations within departments are approved by the City Manager. Quarterly financial reports are presented to the City Council as part of ongoing assessment and evaluation of budgetary performance during the fiscal year.

Budgetary financial data is included in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances in order to properly compare these amounts to actual expenditures.

#### **Budget Development and Adoption**

Each January, forecasts for salaries and benefits for the ensuing year are completed and presented to the City Council at a budget policy setting meeting as part of the mid-year budget review in March. The City Council considers this information to set budget parameters and provide direction on the City's new financial plan. The City Council may review and approve budgetary revenue assumptions and may make adjustments to city fees for services at its discretion.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **C. Basis of Budgeting** (Continued)

#### **Budget Development and Adoption** (Continued)

City departments submit budget requests in April, and budget requests are reviewed by the Finance Department for technical compliance to City budget instructions. The Proposed Budget is prepared and delivered to the City Council in May. The City Council reviews the Proposed Budget during a series of budget study sessions in May before the final budget is formally adopted in June.

By request of the City Council, the City includes a long-term forecast of the General Fund, which includes the ensuing fiscal year and the succeeding five years for a total of six budget years. The forecast is designed to provide clarity on potential and future revenue and expenditure scenarios, providing additional context for the financial decisions made by the City Council. Revenue assumptions are based on historical collections. Expenditure assumptions are based on known factors such as collective bargaining agreements, current pay and benefit policies, consumer price indices, and other available information from expert third-parties or governing authorities.

### **D. Cash, Cash Equivalents, and Investments**

#### **Pooled Investments and Investment by City Treasury**

Cash of the respective funds is pooled and invested principally in U.S. Treasury and agency securities and short-term investments such as the State of California Local Agency Investment Fund (LAIF) and the San Mateo County Investment Pool (SMCIP).

The State LAIF is a pool of State cash and investments and those of California cities and local agencies. The State's investment policy is consistent with the City's policy, and, although State and City investments are pooled, the State does not have access to City funds. The State Treasurer administers LAIF, which charges for the service by retaining a percentage of investment earnings, not to exceed 0.25%. State regulations permit the City to place up to \$40,000,000 in the LAIF, plus any bond proceeds related to construction of a City facility.

The SMCIP is managed by the County Treasurer, and, as required by State law, an investment advisory committee made up of representatives of those cities and local agencies who invest in the pool meets quarterly with the Treasurer to review the investment portfolio. The County's investment policy is consistent with the City's policy, and although the City's and County's investments are pooled, the County does not have access to City funds.

#### **Valuation**

For the purposes of the Statement of Cash Flows, the City considers cash and cash equivalents to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest income from the investment of pooled cash is allocated to the funds based on monthly cash balances.

Investments are presented at fair value except as noted below. The fair value of participants' position in the investment pools is the same as the value of the investment pools' shares and investment income includes changes in fair value (i.e., realized and unrealized gains or losses). Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities, notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost which approximates market value.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **D. Cash, Cash Equivalents, and Investments** (Continued)

#### Valuation (Continued)

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

For purposes of the Statement of Cash Flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

### **E. Receivables**

All receivables are shown net of an allowance for uncollectible accounts.

The water and sewer utilities are billed bi-monthly. Revenue is recorded as billed to customers on a cyclical basis. The City accrues for unbilled water and sewer services at June 30.

### **F. Interfund Transfers**

Interfund transfers are generally recorded as transfers except for the following types of transactions:

1. Charges for services, which are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as unbilled receivables at the end of the fiscal year.
2. Reimbursements for services performed, which are recorded as a reduction of expenditure in the performing fund, and an expenditure of the requesting fund.

### **G. Interfund Receivables and Payables**

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund financial statements.

### **H. Capital Assets**

Capital assets, which include land, roads and parking lots, buildings and structures, improvements other than buildings, machinery and equipment, infrastructure assets, and construction in progress are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The City capitalizes equipment that costs at least \$5,000 and has an estimated useful life in excess of one year. Structures and improvements and infrastructure with a value of at least \$250,000 are capitalized.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### H. Capital Assets (Continued)

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed and donated capital assets are valued at their estimated fair market value on the date contributed. Capital outlay is recorded as expenditures in the General, Capital Projects, and other governmental funds and as an asset in the government-wide financial statements to the extent that the City's capitalization threshold is met. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Except for roads and parking lots covered by the modified approach, depreciation has been provided on capital assets excluding land and construction in progress. 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 Statement of Net Assets 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.

<u>Type of Asset</u>	<u>Years</u>
Buildings and structures	10-100
Improvements	10-100
Machinery and equipment	5-15
Infrastructure	10-100

The modified approach is an alternative to depreciation that may be applied for eligible infrastructure capital assets. The City has elected to follow the modified approach for paved roads and parking lots. No depreciation is reported for these assets nor are amounts capitalized in connection with improvements that lengthen the lives of the roads and parking lots, unless the improvements also increase their service potential. Rather, costs for both maintenance and preservation of these assets are expensed in the period incurred. The City maintains an inventory of the roads and parking lots and performs periodic condition assessments to establish the condition levels of the systems.

### Intangible Assets

In 2010, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 established accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The statement also provides authoritative guidance that specifically addresses the nature of the intangible assets that are internally created by the governmental entity. Examples of intangible assets include easements, land use rights, and computer software. The City capitalizes intangible assets with an acquisition cost of at least \$5,000 and an estimated useful life in excess of one year.

Artwork and historical artifacts of the City held for public exhibition or promotion of education and public service rather than financial gain are not capitalized and are expensed when incurred.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **I. Compensated Employee Absences**

The City permits its employees to accumulate vacation up to two years entitlement and sick leave up to 1440, 1560 or 2080 or unlimited hours depending on the bargaining unit. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement or termination. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination.

Whereas, at retirement, vacation is compensated at 100% of accumulated hours, sick leave is compensated at 25% or by a tiered plan of accumulated hours to a maximum of 360, 430, 520, 540, or 600 hours depending upon varying restrictions of the bargaining units. Upon termination, only accrued vacations are compensated. Such cash payments or absences are recognized as expenditures of the governmental funds in the year of payment. The General Fund is typically used to liquidate the liability for compensated absences in the governmental funds.

Estimated unpaid vacation pay and sick pay at June 30 is accrued and recorded in the government-wide and proprietary fund financial statements. The estimated obligation includes an amount for salary-related payments (i.e., payroll taxes) associated with the vacation pay or sick leave. All retired or terminated employees as of June 30 have been compensated for any accumulated vacation or sick leave.

### **J. Inventories**

Inventories are reported at a cost basis. The cost is recorded, using weighted average, as an expenditure at the time an individual item is consumed rather than when purchased.

### **K. Property Taxes**

Property taxes are collected for a twelve-month period effective July 1 by the San Mateo County (the County) Tax Collector. Property tax is levied each September 1 on the assessed values as of the prior January 1 for all real and personal property located in the City. Once the levy rates are approved, the actual claim to property taxes arises and is enforceable. Taxes are billed once a year in late October and are payable in two equal installments due by December 10 and April 10 (of the following year). Taxes are considered delinquent if paid after the due dates. The assessed value at January 1, 2010, upon which the 2010-11 levies were based, was approximately \$7.2 billion for both secured and unsecured property according to public assessment roll information available publicly from the San Mateo County Assessor.

As a result of the implementation of Article XIII (a) of the California State Constitution in fiscal year 1978-1979, the City does not have the power to levy property taxes or to set property tax rates based on the financial requirements of the various funds. Instead, the City receives remittances from the County. These remittances are based either on a flat 1% rate applied to the fiscal year 1975-1976 full value of the property, or on 1% of the sales price of the property on sales transactions and construction which occurs after the fiscal year 1975-1976 valuation. Values on properties (exclusive of increases related to sales transactions and construction) can rise at a maximum of 2% per year or the amount of increases to the California Consumer Price Index, whichever is less. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Article XIII (a), Section 1B, of the California State Constitution allows property taxes in excess of the 1% limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters.

On October 12, 1993, the County Board of Supervisors adopted and implemented the Alternative Method of Tax Apportionment (Teeter Plan). The Teeter Plan applies to secured taxes only and provides a consistent predictable cash flow for taxes because they are apportioned to the City as if the tax levy had been collected in full.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Long-Term Liabilities

#### Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs and refunding losses, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

#### Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### M. Pollution Remediation Obligations

The City has adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which includes instructions for governments on the financial reporting and disclosure of a liability relating to pollution remediation. According to GASB Statement No. 49, the City is required to estimate its expected outlays for pollution remediation and accrue for the corresponding liability if any obligating events requiring reporting and disclosure occur:

- The City is compelled to take pollution remediation action because of an imminent endangerment.
- The City violates a pollution prevention-related permit or license.
- The City is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible part for remediation, or as a government entity responsible for sharing costs.
- The City is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The City commences or legally obligates itself to commence pollution remediation.

The City has included a provision for landfill closure and post closure relating to the activities of the Waste Management Fund as a noncurrent liability in its Statement of Net Assets.

Proprietary Fund Financial Statements use the same principles those used in the Government-Wide Financial Statements.

### N. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, attempts to improve the usefulness of governmental fund balance information by providing the users of financial information clearly defined categories of fund balance and the constraints placed on the City's fund balances.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### N. Fund Balance (Continued)

GASB Statement No. 54 requires governmental fund balances to be reported using five new categories, which take into consideration the makeup and intended use of the various fund balances. The hierarchy of the five possible classifications of fund balance is:

- **Nonspendable** fund balance generally means that it is not expected to be converted to cash (e.g., inventories, prepaid expenses, land held for resale) for use by the government or the amount is required to be maintained intact (e.g., the principal of an endowment).
- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (e.g., creditors, grantors), constitutional provisions or laws (e.g., state law, city charter, or voter referendum), or through enabling legislation (i.e., legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers (including voters).
- **Unrestricted** fund balance includes three categories:
  - **Committed** fund balance includes amounts that can be used only for the specific purposes determined by formal action of the government's highest level of decision-making authority (e.g., City Council). Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
  - **Assigned** fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official to whom the governing body delegates the authority. In governmental funds, other than the General Fund, assigned fund balance represents all amounts that are not classified as restricted or committed. Resources in governmental funds other than the General Fund are to be used for the specific purpose of that fund.
  - **Unassigned** fund balance is a residual (surplus) classification used for the General Fund only and includes amounts not contained in the other classifications. Unassigned amounts in the General Fund are technically available for any purpose. However, if a governmental fund, other than the General Fund, has a fund balance *deficit*, it will be reported as a negative amount in the unassigned classification in that fund. A surplus will never be reported in a Governmental Fund other than the General Fund; GASB Statement No. 54 prohibits reporting any excess balances in other funds. Balances must be assigned to a specific purpose in all but the General Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by unrestricted, committed, assigned, and unassigned resources as they are needed.

#### Committed/Assigned Fund Balance

The City Council's current designation of General Fund balance constitutes an "assignment of intention" to use certain amounts for specific purposes. Therefore, the City Council's designated fund balance reserves are considered "Assigned" and will be reported as such. The annual budget has traditionally designated the amounts to be reserved by the City Council and purpose of the fund reservations. That practice will continue and each year the City Council will provide direction on the assignment of fund balance and the amounts to be assigned.

By resolution, the City Council has provided the Finance Director and Treasurer the authority to assign these uses to General Fund balance together with the amounts of each assignment in accordance with City Council policies and direction.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### N. Fund Balance (Continued)

#### Committed/Assigned Fund Balance (Continued)

The aggregate balance of assigned fund balance was \$10,200,000 as of June 30, 2011. The breakdown is shown below:

- *Economic Stability Reserve*: Available to protect and preserve City services from dramatic drops in General Fund revenues that are highly sensitive to economic conditions, mainly sales taxes and transient occupancy taxes. The balance at June 30, 2011, was \$5,000,000.
- *Catastrophic Reserve*: Available to make repairs and reconstruct City buildings and facilities that may be damaged by natural disasters or acts of war and terrorism. The balance at June 30, 2011, was \$2,000,000.
- *OPEB Retiree Health Reserve*: Available to minimize and defray the costs and financial liability associated with retiree healthcare commitments as reported in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The balance at June 30, 2011, was \$2,700,000.
- *Contingency Reserve*: Available to cover unexpected expenses that may arise during the course of the fiscal year that were not considered during budget planning. The balance at June 30, 2011, was \$500,000.

#### Restricted Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

- *Invested in Capital Assets, Net of Related Debt* – This amount consists of all capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- *Restricted Net Assets* – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation. As of June 30, 2011, the government-wide Statement of Net Assets reported restricted assets of \$8,673,688 relating to governmental activities and \$0 relating to business-type activities.
- *Unrestricted Net Assets* – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.” This represents the remaining net assets of the City which are not restricted for any purpose stated above.

Pursuant to the terms of City’s Indentures, certain revenues are irrevocably pledged to the punctual payment of debt service on certain outstanding revenue and refunding bonds. Such revenues are not used for any other purpose while any revenue and refunding bonds are outstanding, except as expressly permitted by the Indentures. These amounts are recorded on the Statement of Net Assets as restricted, and may include principal and interest amounts set aside to pay for debt service, unspent bond proceeds, and amounts that have been restricted for future capital projects.

The City also maintains certain restricted amounts that are held in trust, which primarily consist of various project and construction funds held by an outside fiscal agent. These typically relate to previously issued revenue bonds for the Water and Sewer proprietary funds.

The City treats net assets created from specially designated revenues for street repair and maintenance as restricted, which relate to revenues from Measure A and the City’s local share of the gas tax.

Net assets created by revenues received from federal and state grants and subventions are treated as restricted by the outside agency.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **O. Self-Insurance for Risk Management and Workers' Compensation**

The City is self-insured for general liability, property damage, and workers' compensation claims. Internal service funds are used to account for the City's self-insurance activities. It is the City's policy to provide in each fiscal year, by premiums charged to affected operating funds, amounts sufficient for self-insurance program expenses and reserves associated with claims. Additional reserves are maintained to protect against unusual losses beyond normal experience. The Risk Management Internal Service Fund estimated liability for claims and contingencies is actuarially determined and includes claims incurred but not reported.

### **P. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Q. Implementation of New GASB Pronouncements**

In 2011, the City adopted new accounting standards in order to conform to the following GASB Statements, which were effective for the City's fiscal year ending June 30, 2011:

#### **GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* was effective this fiscal year. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The hierarchy segregates fund balance in the governmental funds from the former reserved and unreserved (or undesignated and designated) to nonspendable, restricted, committed, or assigned balances in governmental funds other than the General Fund with positive fund balances and unassigned balances.

#### **GASB Statement No. 59, Financial Instruments Omnibus**

GASB Statement No. 59 updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. More information relating to the City's investment of pooled cash and cash held with City Treasury can be found in Note 2.

### **R. Future GASB Pronouncements**

Several GASB Statements were previously issued and will be effective for fiscal year 2012. The City will analyze the effect of the following pronouncements for implementation:

#### **GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans**

GASB Statement No. 57 establishes guidance on valuation to provide consistency and comparability in the reporting of post-employment benefits other than pensions for municipal governments.

#### **GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements**

GASB Statement No. 60 establishes guidance on the reporting of revenue and expenses from service concession activities.

## NOTE 2 – CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested to enhance interest earnings in accordance with City investment policy guidelines established by the City Treasurer. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

The City has the following cash and investments at June 30:

	Government-Wide Statement of Net Assets			Funds Financials	
	Governmental	Business-Type	Total	Fiduciary Funds	
	Activities	Activities		Statement of	Total
				Net Assets	
Cash and investments held with Treasury	<u>\$ 37,341,423</u>	<u>\$ 21,892,679</u>	<u>\$ 59,234,102</u>	<u>\$ 464,564</u>	<u>\$ 59,698,666</u>
Restricted cash held by fiscal agent	<u>\$ 9,001,539</u>	<u>\$ 3,505,245</u>	<u>\$ 12,506,784</u>	<u>\$ -</u>	<u>\$ 12,506,784</u>

The City's cash and investments at June 30 in more detail:

	Fair Value
<b>City Treasury:</b>	
<i>Deposits:</i>	
Deposit	<u>\$ 15,950,396</u>
Total deposits	<u>15,950,396</u>
<i>Investments:</i>	
U.S. Government Securities	31,028,553
South Bayside Waste Management	3,000,000
San Mateo County Investment Pool	4,849,679
Local Agency Investment Fund	<u>4,870,038</u>
Total investments	<u>43,748,270</u>
<b>Total City Treasury</b>	<u>59,698,666</u>
<b>Restricted Cash and Investments:</b>	
Cash held by fiscal agent (Bank of New York (BNY))	9,796,289
Cash held by fiscal agent (Deutsche Bank)	1,499,027
Cash held by fiscal agent (California Asset Management Program (CAMP))	<u>1,211,468</u>
<b>Total restricted cash and investments</b>	<u>12,506,784</u>
<b>Total cash and investments</b>	<u>\$ 72,205,450</u>

### A. Deposits

The carrying amounts of the City's cash deposits were \$15,950,396 at June 30. Bank balances before reconciling items were \$16,893,855 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

**NOTE 2 – CASH AND INVESTMENTS** (Continued)**A. Deposits** (Continued)

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**Interest Rate Risk

To minimize the City's exposure to fair value losses caused by rising interest rates, the City's investment policy limits its investment portfolio to a maturity of less than 5 years. Those over two years will be confined to U.S. Government and Agency securities and bond, notes, warrants, or other indebtedness of the local agency, or any local agency within this state.

	Investment Maturities in Years					
	Fair Value	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years
<b>U.S. Agencies</b>						
Federal Home Loan Bank	\$ 5,992,200	\$ -	\$ -	\$ -	\$ -	\$ 5,992,200
Federal Home Loan Mortgage Corp	6,030,521	-	-	-	-	6,030,521
Fannie Mae	9,010,050	-	-	-	1,001,450	8,008,600
Federal Farm Credit Bank	9,995,782	-	-	-	-	9,995,782
<b>Municipal Bonds</b>						
South Bayside Waste Management	3,000,000	-	-	-	-	3,000,000
<b>External Pool</b>						
State of California - LAIF	4,870,038	4,870,038	-	-	-	-
San Mateo County Investment Pool	4,849,679	4,849,679	-	-	-	-
<b>Total</b>	<b>\$43,748,270</b>	<b>\$9,719,717</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,001,450</b>	<b>\$33,027,103</b>

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, applies to all the City's investments, even if they are held to maturity and redeemed at full face value. Since it is the City's policy to hold all investments to maturity, the fair value adjustments required by GASB Statement No. 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will not reflect changes in its value at each succeeding fiscal year-end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB Statement No. 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year-end.

GASB Statement No. 31 further requires that the City's investments be carried at fair value instead of cost. Under GASB Statement No. 31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year-end, and it must include the effects of these adjustments in income for that fiscal year. The GASB Statement No. 31 fair market value adjustment for the City's investments as of June 30, 2011, was \$36,980.

## NOTE 2 – CASH AND INVESTMENTS (Continued)

### B. Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service.

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Federal Home Loan Bank	\$ 5,992,200	Aaa
Federal Home Loan Mortgage Corp	6,030,521	Aaa
Fannie Mae	9,010,050	Aaa
Federal Farm Credit Bank	9,995,782	Aaa
South Bayside Waste Management	3,000,000	Not Rated
State of California - LAIF	4,870,038	Not Rated
San Mateo County Investment Pool	4,849,679	Not Rated
Total	<u>\$ 43,748,270</u>	

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the City's investments in securities are held in the name of the City. The City's custody agreement policy prohibits counterparties holding securities not in the City's name.

### C. Investments in LAIF

The LAIF is a voluntary program created by statute in 1977. The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute.

The City's investments with LAIF at June 30 included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, which primarily consist of mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations (CMOs)) or credit card receivables.

As of June 30, the City had \$4,870,038 invested in LAIF, which had invested 5.01% of the pooled investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.00157647 was used to calculate the fair value of the investments in LAIF. The fair value of the City's position in the pool is materially equivalent to the value of the pool shares.

**NOTE 2 – CASH AND INVESTMENTS** (Continued)**D. Investments in San Mateo County Pooled Investment Fund**

The City invests in the San Mateo County Pooled Investment Fund (SMCPIF), an external investment pool. The pool determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and valuations are based on amortized cost or best estimate for those securities where market value is not readily available. The responsibility for managing the SMCPIF resides with the County Treasurer. The County Board of Supervisors, in consultation with the Treasurer, establishes an eight member County Treasury Oversight Committee pursuant to California Government Code Section 27130. The investment program is supervised within the guidelines set forth in the investment policy developed by the Treasurer, reviewed and approved annually by the County Treasury Oversight Committee and the County Board of Supervisors.

As of June 30, the City had \$4,849,679 invested in SMCPIF. The SMCPIF fair value factor is determined by dividing all SMCPIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00222.

**NOTE 3 – RECEIVABLES**

Receivables as of year-end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental			Business-Type				Totals
	General Fund	Capital Projects Fund	Nonmajor Funds	Water Fund	Sewer Fund	Waste Management Fund	Internal Service Funds	
Receivables:								
Customer accounts	\$ -	\$ -	\$ -	\$ 1,793,150	\$ 3,092,455	\$ 62,085	\$ 109,160	\$ 5,056,850
Transient occupancy tax	1,373,167	-	-	-	-	-	-	1,373,167
Sales tax	953,400	-	-	-	-	-	-	953,400
Real property transfer tax	28,822	-	-	-	-	-	-	28,822
Public safety sales tax	9,222	-	-	-	-	-	-	9,222
Interest	242,905	-	-	-	-	-	-	242,905
Intergovernmental	1,145,268	352,042	181,658	-	504,189	-	6,191	2,189,348
Other receivables	1,406,776	1,864,082	104,826	-	-	-	-	3,375,684
Gross receivables	5,159,560	2,216,124	286,484	1,793,150	3,596,644	62,085	115,351	13,229,398
Less: allowance for uncollectible accounts	-	-	-	14,920	25,250	-	-	40,170
Net total receivables	<u>\$ 5,159,560</u>	<u>\$ 2,216,124</u>	<u>\$ 286,484</u>	<u>\$ 1,778,230</u>	<u>\$ 3,571,394</u>	<u>\$ 62,085</u>	<u>\$ 115,351</u>	<u>\$ 13,189,228</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, relating to governmental activities was as follows:

	Governmental Activities				Balance June 30, 2011
	Balance July 1, 2010	Increases	Decreases	Transfers In/Out	
Capital assets not being depreciated:					
Land	\$ 6,407,198	\$ -	\$ -	\$ -	\$ 6,407,198
Roads and parking lots accounted for using the modified approach	32,947,987	-	-	-	32,947,987
Construction in progress	3,982,400	4,001,451	-	(2,236,823)	5,747,028
Total capital assets, not being depreciated	43,337,585	4,001,451	-	(2,236,823)	45,102,213
Capital assets, being depreciated:					
Buildings and structures	38,898,033	-	-	25,989	38,924,022
Improvements other than buildings	30,988,738	-	-	27,612	31,016,350
Machinery and equipment	13,714,493	503,733	-	-	14,218,226
Infrastructure	32,551,863	-	-	2,183,222	34,735,085
Total capital assets, being depreciated	116,153,127	503,733	-	2,236,823	118,893,683
Less accumulated depreciation for:					
Buildings and structures	11,841,004	775,267	-	-	12,616,271
Improvements other than buildings	24,132,253	966,842	-	-	25,099,095
Machinery and equipment	10,960,221	836,113	-	-	11,796,334
Infrastructure	14,049,409	523,783	-	-	14,573,192
Total accumulated depreciation	60,982,887	3,102,005	-	-	64,084,892
Total capital assets, being depreciated, net	55,170,240	(2,598,272)	-	2,236,823	54,808,791
Governmental activities capital assets, net	<u>\$ 98,507,825</u>	<u>\$ 1,403,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,911,004</u>

**NOTE 4 – CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended June 30, 2011, relating to business-type activities was as follows below. Transfers of \$3,278,439 and \$6,649,794 were made from the Capital Projects Fund to the Water Fund and Sewer Fund, respectively, for acquisition and construction of capital assets.

	Business-Type Activities				Balance June 30, 2011
	Balance July 1, 2010	Increases	Decreases	Transfer In/Out	
Capital assets not being depreciated:					
Land	\$ 6,357,188	\$ -	\$ -	\$ -	\$ 6,357,188
Construction in progress	3,675,376	10,981,100	-	(4,116,509)	10,539,967
Total capital assets, not being depreciated	10,032,564	10,981,100	-	(4,116,509)	16,897,155
Capital assets, being depreciated:					
Buildings and structures	2,661,565	-	-	-	2,661,565
Improvements other than buildings	118,154,755	186,331	-	4,116,509	122,457,595
Machinery and equipment	4,098,395	61,169	(78,500)	-	4,081,064
Total capital assets, being depreciated	124,914,715	247,500	(78,500)	4,116,509	129,200,224
Less accumulated depreciation for:					
Buildings and structures	995,084	50,448	-	-	1,045,532
Improvements other than buildings	42,644,503	3,666,200	-	-	46,310,703
Machinery and equipment	2,550,503	644,430	(78,500)	-	3,116,433
Total accumulated depreciation	46,190,090	4,361,078	(78,500)	-	50,472,668
Total capital assets, being depreciated, net	78,724,625	(4,113,578)	-	4,116,509	78,727,556
Business activities capital assets, net	\$ 88,757,189	\$ 6,867,522	\$ -	\$ -	\$ 95,624,711

**A. Depreciation and Amortization Expense**

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the current year were as follows:

	Depreciation	Amortization
Governmental activities:		
General government	\$ 144,596	\$ -
Public safety	459,095	-
Public works	1,499,194	-
Leisure and cultural activities	999,120	-
Total depreciation expense – governmental activities	\$ 3,102,005	\$ -
Business-type activities:		
Water	\$ 1,773,232	\$ 48,429
Sewer	2,540,921	40,392
Solid waste management	3,086	-
Parking	43,839	-
Total depreciation expense – business-type activities	\$ 4,361,078	\$ 88,821

## NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in long-term debt related to governmental and business-type activities during the fiscal year ended June 30, 2011:

Description	Beginning Balance June 30, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Lease Revenue Bonds, Series 2001	\$ 5,330,834	\$ -	\$ (5,330,834)	\$ -	\$ -
Lease Revenue Refunding Bonds, Series 2004	3,950,000	-	(600,000)	3,350,000	620,000
- Unamortized Premium	91,190	-	(17,939)	73,251	17,939
Pension Obligation Bonds, Series 2006	27,605,000	-	(1,595,000)	26,010,000	1,775,000
Storm Drainage Revenue Bonds, Series 2010	-	9,805,000	-	9,805,000	245,000
- Unamortized Premium	-	210,326	(6,886)	203,440	7,512
Lease Revenue Refunding Bonds, Series 2010	-	8,205,000	-	8,205,000	-
- Unamortized Premium	-	579,892	(36,243)	543,649	52,717
Lease Purchase Agreement, 2011	-	1,500,000	-	1,500,000	194,093
<b>Total Governmental Activities</b>	<b>\$ 36,977,024</b>	<b>\$ 20,300,218</b>	<b>\$ (7,586,902)</b>	<b>\$ 49,690,340</b>	<b>\$ 2,912,261</b>
<b>Business-Type Activities:</b>					
Lease Revenue Bonds, Series 1998	\$ 3,180,000	\$ -	\$ (1,555,000)	\$ 1,625,000	\$ 1,625,000
- Deferred Amount on Refunding	(185,344)	-	111,206	(74,138)	(74,138)
- Unamortized Premium	10,930	-	(6,558)	4,372	4,372
Lease Revenue Bonds, Series 2001	5,114,166	-	(5,114,166)	-	-
- Unamortized Discount	(26,054)	-	26,054	-	-
Water and Wastewater Revenue Bonds, Series 2003	7,080,000	-	(270,000)	6,810,000	280,000
State Water Resource Loan - 2003	9,791,549	-	(469,287)	9,322,262	481,019
State Water Resource Loan - 2010	574,115	2,758,160	-	3,332,275	-
Water and Wastewater Revenue Bonds, Series 2004	16,875,000	-	(630,000)	16,245,000	645,000
- Unamortized Premium	25,245	-	(1,354)	23,891	1,353
Water and Wastewater Revenue Bonds, Series 2007	23,865,000	-	(450,000)	23,415,000	470,000
- Unamortized Premium	25,977	-	(1,194)	24,783	1,194
- Unamortized Discount	(4,862)	-	223	(4,639)	(224)
<b>Total Business-Type Activities</b>	<b>\$ 66,325,722</b>	<b>\$ 2,758,160</b>	<b>\$ (8,360,076)</b>	<b>\$ 60,723,806</b>	<b>\$ 3,433,576</b>

### A. Long-Term Debt from Governmental Activities

#### Lease Revenue Bonds, Series 2001 – Original Issue \$15,000,000

In 2001, the Burlingame Financing Authority issued Lease Revenue Bonds, Series 2001 to finance the construction of a Corporation Yard, to fund a reserve fund for the bonds, and pay for costs of issuance. The bonds were defeased during the fiscal year by the Lease Revenue Refunding Bonds, Series 2010.

#### Lease Revenue Refunding Bonds, Series 2004 – Original issue \$6,705,000

On August 4, 2004, the Burlingame Financing Authority issued bonds to refund and defease all of the Authority's outstanding Lease Revenue Bonds Series 1995, which financed certain improvements to the City's Main Library; purchase a Reserve Facility for deposit in the reserve fund for the bonds; and pay costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues, consisting primarily of base rental payments to be paid by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. A premium of \$197,330 was paid and will be amortized over the life of the bond, \$17,939 annually. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2004. Principal is due annually on December 1, commencing December 1, 2005. The bonds mature on June 1, 2016, with an interest rate that varies from 2.5% to 5%. Over the life of the bonds, the City expects to save \$715,209 in interest payments.



**NOTE 5 – LONG-TERM DEBT** (Continued)A. Long-Term Debt from Governmental Activities (Continued)

Year Ending June 30	Governmental		Total
	Principal	Interest	
2012	\$ 620,000	\$ 131,228	\$ 751,228
2013	640,000	107,590	747,590
2014	665,000	83,220	748,220
2015	695,000	53,875	748,875
2016	730,000	18,250	748,250
	3,350,000	394,163	3,744,163
Plus unamortized premium	73,251	-	73,251
	<u>\$ 3,423,251</u>	<u>\$ 394,163</u>	<u>\$ 3,817,414</u>

*Pension Obligation Bonds, 2006 Series A Bonds – Original issue \$32,975,000*

In September 2007, the City issued \$32,975,000 in pension obligation bonds. The City is obligated to make payments to the California Public Employees Retirement System (CalPERS) as a result of retirement benefits accruing to members of CalPERS. The City's statutory obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability (UAAL) and to make contributions with respect to such retirement benefits. The proceeds of the 2006 Series A were used to provide funds to allow the City to refund its UAAL with respect to retirement benefits accruing to members of CalPERS and to prepay a portion of its contribution to CalPERS for the fiscal year ended June 30, 2007. The obligation of the City to make payments with respect to the 2006 Series A is an absolute and unconditional obligation of the City, and payment of principal and of interest is not limited to any special source of funds.

Year Ending June 30	Governmental		Total
	Principal	Interest	
2012	\$ 1,775,000	\$ 1,416,345	\$ 3,191,345
2013	1,960,000	1,322,536	3,282,536
2014	2,180,000	1,218,127	3,398,127
2015	2,400,000	1,101,345	3,501,345
2016	2,645,000	972,057	3,617,057
2017-2021	7,600,000	2,911,306	10,511,306
2022-2026	3,085,000	1,699,162	4,784,162
2027-2031	1,795,000	1,027,490	2,822,490
2032-2036	2,570,000	448,244	3,018,244
	<u>\$ 26,010,000</u>	<u>\$ 12,116,612</u>	<u>\$ 38,126,612</u>

**NOTE 5 – LONG-TERM DEBT** (Continued)**A. Long-Term Debt from Governmental Activities** (Continued)*Lease Revenue Refunding Bonds, Series 2010 – Original Issue \$8,205,000*

In 2010, the Burlingame Financing Authority issued \$8,205,000 of Lease Revenue Refunding Bonds, Series 2010 to refund and defease all of the Authority's outstanding Lease Revenue Bonds (Corporation Yard Project) Series 2001, which financed certain improvements to the City's Corporation Yard, and to pay the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues, consisting primarily of base rental payments to be made by the City, and amounts on deposit in certain funds and accounts on deposit in certain funds and accounts held under the Trust Agreement. A premium of \$579,892 was paid and will be amortized over the life of the bond, \$52,717 annually. The transaction resulted in an economic gain of \$1,150,926 and a reduction of \$2,575,952 in future debt service payments. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2010. During fiscal year 2011, the City paid a total of \$193,051 in debt service on the bond, consisting of \$0 in principal and \$193,051 in interest. Principal is due annually on June 1, commencing June 1, 2013. The bonds mature on June 1, 2021, with an interest rate that varies from 2.5% to 4.0%.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 288,375	\$ 288,375
2013	200,000	288,375	488,375
2014	865,000	283,375	1,148,375
2015	915,000	248,775	1,163,775
2016	955,000	212,175	1,167,175
2017-2021	<u>5,270,000</u>	<u>555,275</u>	<u>5,825,275</u>
	8,205,000	1,876,350	10,081,350
Plus unamortized premium	<u>543,649</u>	<u>-</u>	<u>543,649</u>
	<u>\$ 8,748,649</u>	<u>\$ 1,876,350</u>	<u>\$ 10,624,999</u>

*Storm Drainage Revenue Bonds, Series 2010 – Original Issue \$9,805,000*

*Series 2010A-1 Tax-Exempt \$2,635,000*

*Series 2010A-2 Taxable – Build America Bonds  
\$7,170,000*

The Burlingame Financing Authority issued Storm Drainage Revenues Bonds, Series 2010 to provide funds to the City to finance certain improvements to the City's Storm Drainage System and fund a reserve account for the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of installment payments to be made by the City and from amounts on deposit in certain funds and accounts held under the Trust Agreement. The installment payments are special obligations of the City under the 2010 Installment Sale Agreement and are separately secured by a pledge of the System Revenues of the Storm Drainage System. The System Revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. The bonds include \$2,635,000 in tax-exempt bonds and \$7,170,000 in taxable Build America Bonds under the American Recovery and Reinvestment Act of 2009. Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2010A-2 bonds on or about each interest payment date. The refundable credits received by the City constitute System Revenues and are pledged to the payment of installment payments under the Installment Sale Agreement. A premium of \$210,326 was paid and will be amortized over the life of the bond, \$7,512 annually. Interest on the bonds is payable semiannually on January 1 and July 1, commencing on January 1, 2011. Principal is due annually on July 1, commencing July 1, 2011. The bonds mature on July 1, 2038, with an interest rate that varies from 3% to 6.8%.

**NOTE 5 – LONG-TERM DEBT** (Continued)A. Long-Term Debt from Governmental Activities (Continued)

Storm Drainage - Series 2010A -1- Tax Exempt			
Year Ending June 30	Governmental		
	Principal	Interest	Total
2012	\$ 245,000	\$ 101,875	\$ 346,875
2013	200,000	95,125	295,125
2014	205,000	87,125	292,125
2015	215,000	78,725	293,725
2016	225,000	71,125	296,125
2017-2021	1,260,000	197,150	1,457,150
2022	285,000	4,988	289,988
	2,635,000	636,113	3,271,113
Plus unamortized premium	203,440	-	203,440
	<u>\$ 2,838,440</u>	<u>\$ 636,113</u>	<u>\$ 3,474,553</u>

Storm Drainage - Series 2010A -2- Taxable - Build America Bonds				
Year Ending June 30	Governmental			Total
	Principal	Interest	Subsidy	
2012	\$ -	\$ 480,919	\$ (146,346)	\$ 334,573
2013	-	480,919	(168,322)	312,597
2014	-	480,919	(168,322)	312,597
2015	-	480,919	(168,322)	312,597
2016	-	480,919	(168,322)	312,597
2017-2021	-	2,404,596	(841,609)	1,562,987
2022-2026	1,260,000	2,254,382	(802,495)	2,711,887
2027-2031	1,890,000	1,713,504	(621,947)	2,981,557
2032-2036	2,350,000	994,887	(376,524)	2,968,363
2037-2039	1,670,000	176,238	(81,848)	1,764,390
	<u>\$ 7,170,000</u>	<u>\$ 9,948,202</u>	<u>\$ (3,544,057)</u>	<u>\$ 13,574,145</u>

Master Equipment Lease Purchase Agreement, February 2011 – Principal \$1,500,000

In February 2011 the City (Lessee) entered into a lease purchase agreement in the amount of \$1.5 million, as authorized by a resolution by City Council for replacement of existing technology infrastructure that has exceeded its useful life. The agreement provides for placement of funds in escrow with a Trustee, and project expenditures are submitted to the Trustee for reimbursement to the City.

**NOTE 5 – LONG-TERM DEBT** (Continued)**A. Long-Term Debt from Governmental Activities** (Continued)

The City has accounted for the lease purchase agreement as a capital lease, which includes an option to purchase the equipment prior to the end of the lease term. The agreement includes a provision which requires transfer of ownership of the equipment to the City at the end of the lease term, and a purchase option during the term of the lease. The lease purchase agreement requires bi-annual rental payments to the Lessor during the lease term beginning February 24, 2011, at an interest rate of 3.16% as follows:

Year Ending June 30	Governmental		Total
	Principal	Interest	
2012	\$ 194,093	\$ 46,553	\$ 240,646
2013	200,955	39,691	240,646
2014	207,355	33,291	240,646
2015	213,959	26,687	240,646
2016	220,773	19,872	240,645
2017	227,805	12,841	240,646
2018	235,060	5,586	240,646
	<u>\$ 1,500,000</u>	<u>\$ 184,521</u>	<u>\$ 1,684,521</u>

**B. Long-Term Debt from Business-Type Activities***Lease Revenue Bonds, Series 1998 – Original Issued \$17,590,000*

In 1998, the Burlingame Financing Authority issued the Lease Revenue Bonds, Series 1998 to refund Certificates of Participation previously issued in 1991, which financed capital improvements to the City's wastewater treatment system; finance the acquisition of certain additional improvements to the wastewater treatment system; fund a reserve fund for the bonds; and pay costs of issuance of the bonds. The bonds are a limited obligation of the Authority payable solely from revenues, consisting primarily of base rental payments to be paid by the City pursuant to a facilities sublease, dated March 1, 1998, pursuant to which the City will lease certain capital improvements of the wastewater treatment system from the Authority. Interest on the bond is due semiannually on October 15 and April 15, commencing October 15, 1998. Principal is due annually on October 15, commencing on October 15, 1998. The bonds mature on October 15, 2011, with an interest rate that varies from 4.00% to 4.75%. The bonds are subject to early redemption.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2012	\$ 1,625,000	\$ 38,594	\$ 1,663,594
	1,625,000	38,594	1,663,594
Plus unamortized premium	4,372	-	4,372
Less deferred amount on refunding	(74,138)	-	(74,138)
	<u>\$ 1,555,234</u>	<u>\$ 38,594</u>	<u>\$ 1,593,828</u>

*Lease Revenue Bonds, Series 2001 – Original Issued \$15,000,000*

In 2001, the Burlingame Financing Authority issued its 2001 Lease Revenue Bonds, Series 2001 to finance construction of a Corporation Yard, fund a reserve fund for the bonds, and pay costs of issuance of the bonds. The bonds were scheduled to mature on August 1, 2021, however, the bonds were defeased during the fiscal year.

**NOTE 5 – LONG-TERM DEBT** (Continued)**B. Long-Term Debt from Business-Type Activities** (Continued)*Water and Wastewater Revenue Bonds, Series 2003 – Original Issue \$8,700,000*

The Burlingame Financing Authority issued Water and Wastewater Revenue Bonds, Series 2003 to provide funds to the City to finance certain improvements to the City's water system and wastewater system, to fund a reserve fund for the bonds, and to pay the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system and the wastewater system and from amounts on deposits in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year and such that system net revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Interest on the bonds is payable semiannually on April 1 and October 1, commencing October 1, 2003. Principal is payable annually on April 1, commencing April 1, 2004. The bonds consist of serial bonds which mature on April 1, 2024, with an interest rate that varies from 3.00% to 4.75% and term bonds that mature on April 1, 2028, with an interest rate of 4.88%. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2003 were \$270,000 and \$311,371, respectively.

<u>Year Ending June 30</u>	<u>Business-Type</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 280,000	\$ 307,809	\$ 587,809
2013	290,000	296,609	586,609
2014	305,000	285,009	590,009
2015	315,000	272,809	587,809
2016	330,000	259,815	589,815
2017-2021	1,860,000	1,073,195	2,933,195
2022-2026	2,335,000	602,481	2,937,481
2027-2028	1,095,000	78,613	1,173,613
	<u>\$ 6,810,000</u>	<u>\$ 3,176,340</u>	<u>\$ 9,986,340</u>

*Water and Wastewater Revenue Bonds, Series 2004 – Original Issue \$20,320,000*

The Burlingame Financing Authority issued Water and Wastewater Revenue Bonds, Series 2004 to provide funds to the City to finance certain improvements to the City's water system and wastewater system, to fund a reserve fund for the bonds, and to pay the costs of issuance of the bonds. The bonds are limited obligations of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system and the wastewater system and from amounts on deposits in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year and such that system net revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Interest on the bonds is payable semiannually on April 1 and October 1, commencing October 1, 2004. Principal is payable annually on April 1, commencing April 1, 2005. The bond matures on April 1, 2029, with an interest rate that varies from 2.50% to 4.50%. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2004 were \$630,000 and \$676,754, respectively.

**NOTE 5 – LONG-TERM DEBT** (Continued)**B. Long-Term Debt from Business-Type Activities** (Continued)

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2012	\$ 645,000	\$ 659,429	\$ 1,304,429
2013	665,000	640,079	1,305,079
2014	690,000	618,466	1,308,466
2015	710,000	595,006	1,305,006
2016	740,000	566,606	1,306,606
2017-2021	4,140,000	2,385,576	6,525,576
2022-2026	5,065,000	1,459,260	6,524,260
2027-2029	3,590,000	323,406	3,913,406
	16,245,000	7,247,828	23,492,828
Plus unamortized premium	23,891	-	23,891
	<u>\$ 16,268,891</u>	<u>\$ 7,247,828</u>	<u>\$ 23,516,719</u>

*Water and Wastewater Revenue Bonds, Series 2007 – Original Issue \$25,180,000*

The Burlingame Financing Authority issued Water and Wastewater Revenue Bonds, Series 2007 to provide funds to the City to finance certain improvements to the City's water system and wastewater system, to fund a reserve fund surety for the bonds, and to pay the costs of issuance of the bonds. The bonds are limited obligation of the Authority payable solely from revenues generally consisting of separate installment payments to be made by the City which are secured by a pledge of the net revenue generated from the water system and the wastewater system and from amounts on deposits in certain funds and held under the trust agreement. Net system revenues will be equal to at least 120% of the installment payments and debt service on any parity obligations during each fiscal year and such that system net revenues (excluding connection fees and money transferred from any rate stabilization fund) will be equal to at least 100% of the installment payments and debt service on other parity obligations during each fiscal year. Interest on the bonds is payable semiannually on April 1 and October 1, commencing October 1, 2007. Principal is payable annually on April 1, commencing April 1, 2008. The bonds mature on April 1, 2031, with an interest rate that varies from 4% to 5%. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2007 were \$450,000 and \$1,048,958, respectively.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2012	\$ 470,000	\$ 1,028,708	\$ 1,498,708
2013	800,000	1,006,383	1,806,383
2014	830,000	974,383	1,804,383
2015	870,000	932,883	1,802,883
2016	920,000	889,383	1,809,383
2017-2021	5,215,000	3,818,763	9,033,763
2022-2026	6,400,000	2,616,163	9,016,163
2027-2031	7,910,000	1,107,230	9,017,230
	23,415,000	12,373,896	35,788,896
Plus unamortized premium	24,783	-	24,783
Less unamortized discount	(4,639)	-	(4,639)
	<u>\$ 23,435,144</u>	<u>\$ 12,373,896</u>	<u>\$ 35,809,040</u>

**NOTE 5 – LONG-TERM DEBT** (Continued)**B. Long-Term Debt from Business-Type Activities** (Continued)*State Water Resources Control Board, 2003 – Principal \$11,030,407*

In 2003, the City entered into an agreement with the State of California Water Resources Control Board (CWRCB) to receive financial assistance for the improvement of the wastewater treatment plant which consists of upgrading the performance of several unit processes and increasing their reliability to help the plant meet discharge requirements. The loan is due in annual installments payments at an interest of 2.5%. Installment payments will start August 2007 and shall be fully amortized August 2027. The City is required to maintain compliance with all provisions of the loan.

<u>Year Ending June 30</u>	<u>Business-Type</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 481,019	\$ 233,057	\$ 714,076
2013	493,045	221,031	714,076
2014	505,370	208,705	714,075
2015	518,005	196,071	714,076
2016	530,955	183,121	714,076
2017-2021	2,860,647	709,732	3,570,379
2022-2026	3,236,560	333,818	3,570,378
2027-2028	696,661	17,416	714,077
	<u>\$ 9,322,262</u>	<u>\$ 2,102,951</u>	<u>\$ 11,425,213</u>

*State Water Resources Control Board, 2010 – Principal \$3,332,275*

In 2010, the City entered into an agreement with the CWRCB to receive financial assistance for the Influent Storm Water Retention Basin project at the wastewater treatment facility which involves the construction of an influent storm water retention basin and associated pumping system, commencing in July 2011. The loan is due in annual installments payments at an interest of 2.9%, and the net revenues of the Sewer Fund are pledged for the prompt payment of debt service on the loan. Installment payments will start July 2012 and shall be fully amortized in July 2031. The City is required to maintain compliance with all provisions of the loan. As of June 30, 2011, the City has drawn down a principal loan amount of \$3,332,275.

<u>Year Ending June 30</u>	<u>Business-Type</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ -	\$ -	\$ -
2013	125,280	96,636	221,916
2014	128,913	93,003	221,916
2015	132,651	89,264	221,915
2016	136,498	85,418	221,916
2017-2021	744,213	365,365	1,109,578
2022-2026	858,567	251,011	1,109,578
2027-2031	990,492	119,085	1,109,578
2032	215,661	6,254	221,915
	<u>\$ 3,332,275</u>	<u>\$ 1,106,035</u>	<u>\$ 4,438,310</u>

**NOTE 5 – LONG-TERM DEBT** (Continued)**C. Future Debt Requirements**

The future outstanding debt of the City, net of amortized costs as of June 30, 2011, for governmental activities is as follows:

Year Ending June 30	Governmental Activities			
	Principal	Interest	Subsidies	Total
2012	\$ 2,834,093	\$ 2,465,295	\$ (146,346)	\$ 5,153,042
2013	3,200,955	2,334,236	(168,322)	5,366,869
2014	4,122,355	2,186,057	(168,322)	6,140,090
2015	4,438,959	1,990,326	(168,322)	6,260,963
2016	4,775,773	1,774,398	(168,322)	6,381,849
2017-2021	14,592,865	6,081,168	(841,609)	19,832,424
2022-2027	4,630,000	\$ 3,958,532	(802,496)	7,786,036
2027-2031	3,685,000	2,740,994	(621,947)	5,804,046
2032-2036	4,920,000	1,443,131	(376,524)	5,986,607
2037-2039	1,670,000	176,238	(81,848)	1,764,390
Plus: Deferred amounts	820,340	-	-	820,340
	<u>\$ 49,690,340</u>	<u>\$ 25,150,374</u>	<u>\$ (3,544,057)</u>	<u>\$ 71,296,657</u>

The future outstanding debt of the City, net of amortized costs as of June 30, 2011, for business-type activities is as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2012	\$ 3,501,019	\$ 2,267,597	\$ 5,768,616
2013	2,373,325	2,260,738	4,634,063
2014	2,459,283	2,218,160	4,677,443
2015	2,545,656	2,086,033	4,631,689
2016	2,657,453	1,984,343	4,641,796
2017-2021	14,819,860	8,352,631	23,172,491
2022-2027	17,895,127	5,262,733	23,157,860
2027-2031	14,282,153	1,645,750	15,927,903
2032-2036	215,661	6,254	221,915
Less: Deferred amounts, net	<u>(25,731)</u>	<u>-</u>	<u>(25,731)</u>
	<u>\$ 60,723,806</u>	<u>\$ 26,084,238</u>	<u>\$ 86,808,044</u>



**NOTE 5 – LONG-TERM DEBT** (Continued)**C. Future Debt Requirements** (Continued)

The following are costs of issuance and bond surety premiums that are being amortized over the life of the bonds:

	<b>Balance June 30, 2010</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance June 30, 2011</b>
<b>Business-Type Activities:</b>				
Lease Revenue Bonds, Series 1998	\$ 6,244	\$ -	\$ (3,747)	\$ 2,497
Water and Wastewater Revenue Bonds, Series 2003	193,132	-	(11,017)	182,115
Water and Wastewater Revenue Bonds, Series 2004	350,041	-	(18,751)	331,290
Water and Wastewater Revenue Bonds, Series 2007	395,212	-	(18,168)	377,044
<b>Total Business-Type Activities</b>	<b>\$ 944,629</b>	<b>\$ -</b>	<b>\$ (51,683)</b>	<b>\$ 892,946</b>
<b>Governmental Activities</b>				
Lease Revenue Refunding Bonds, Series 2010	\$ -	\$ 138,600	\$ (4,875)	\$ 133,725
Storm Drainage Revenue Bonds, Series 2010	-	166,250	(5,443)	160,807
Pension Obligation Bonds, Series 2006	509,329	-	(19,403)	489,926
<b>Total Governmental Activities</b>	<b>\$ 509,329</b>	<b>\$ 304,850</b>	<b>\$ (29,721)</b>	<b>\$ 784,458</b>

**D. Legal Debt Limit and Debt Margin**

As of June 30, the City's debt limit was \$262,917,112. California Government Code, Section 43605 sets the debt limit at 15%. The legal requirement was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% (one-fourth the limit of 15%). The total amount of debt applicable to the debt limit was \$0. The resulting legal debt margin was \$262,917,112.

**E. Arbitrage Rebate Liability**

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the excess of earnings from the investment of tax-exempt bond proceeds over related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The City has evaluated each outstanding debt obligation that is subject to arbitrage rebate requirements and has determined that there is no arbitrage rebate liability as of June 30, 2011.

**F. Credit Rating**

As of June 30, 2011, the City carried underlying ratings of AA+ for Water and Sewer Funds and AA for all other general obligation debt from Standard & Poor's (S&P) Rating Services.

**G. Revenue Pledge**

The City has pledged future revenues to debt service on previously issued revenue bonds to finance the capital programs related to the Water and Sewer Funds or defease previously issued revenue bonds: Lease Revenue Bonds, Series 1998; Water and Wastewater Revenue Bonds, Series 2003; Water and Wastewater Revenue Bonds, Series 2004; and the Water and Wastewater Revenue Bonds, Series 2007.

Debt service on certain bonds are payable solely through the net revenue of the activities of the Water and Sewer Funds.

**NOTE 5 – LONG-TERM DEBT** (Continued)**G. Revenue Pledge** (Continued)

Under the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the City's net revenue for the year ended June 30, 2011, and net amounts available to pay debt service on the revenue bonds are as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Pledged revenue required for future principal and interest	\$ 40,984,534	\$ 44,147,050
Principal and interest paid during the year	2,193,998	1,913,723
Net revenue, excluding depreciation and amortization	4,987,118	7,639,241
Percentage of revenue pledged	43.99%	25.05%
Term of commitment	2031	2036

**H. Debt Service Coverage**

Under the terms of the City's Indenture, the Water and Sewer Funds are required to collect sufficient net revenues each fiscal year, which may include any other unappropriated enterprise funds available for expenditure on debt service. The Indenture requires that net revenues are, at minimum, equal to 1.20 times annual debt service for the applicable fiscal year.

For the year ended June 30, 2011, the Water and Sewer Funds had sufficient net revenue to satisfy the requirements of the Indenture.

Other obligations relating to governmental activities are paid solely from available revenue of the City, such as the Lease Revenue Bonds Series 2001 and Series 2010 and the Pension Obligation Bonds, which are subordinate to previously issued parity debt relating to the Water and Sewer Funds.

The following table summarizes debt service coverage levels for the Water Fund for the fiscal year ending June 30, 2011:

<u>Water Fund</u>	<u>2011</u>
Net Revenue, Excluding Depreciation and Amortization	\$ 4,987,118
Debt Service	
Water Revenue Bond, Series 2003	382,653
Water Revenue Bond, Series 2004	869,733
Water Revenue Bonds, Series 2007	<u>941,563</u>
Parity Debt Service	2,193,949
Lease Revenue Bonds, Series 2010	64,350
Pension Obligation Bonds	<u>386,895</u>
Total Debt Service	2,645,194
Parity Debt Service Coverage	2.27
Total Debt Service Coverage	1.89

**NOTE 5 – LONG-TERM DEBT** (Continued)H. Debt Service Coverage (Continued)

The following table summarizes debt service coverage levels for the Sewer Fund for the fiscal year ending June 30, 2011:

Sewer Fund		2011
Net Revenue, Excluding Depreciation and Amortization		\$ 7,639,241
Debt Service		
Wastewater Revenue Bond, Series 2003		205,231
Wastewater Revenue Bond, Series 2004		437,021
State Water Resource Board Loan, 2003		714,076
Water Revenue Bonds, Series 2007		557,395
Parity Debt Service		1,913,723
Lease Revenue Bonds, Series 1998 and 2010		1,731,525
Pension Obligation Bonds		386,895
Total Debt Service		4,032,143
Parity Debt Service Coverage		3.99
Total Debt Service Coverage		1.89

**NOTE 6 – OTHER LONG-TERM LIABILITIES**

The following table summarizes other long-term liabilities and the short-term portion of the City's government-wide as of June 30, 2011:

Description	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Self-Insurance and Contingent Liability	\$ 6,640,000	\$ 2,306,179	\$ (2,306,179)	\$ 6,640,000	\$ 1,547,885
Compensated Absences	4,040,751	1,982,566	(3,287,186)	2,736,131	1,570,858
Total Governmental Activities	<u>\$ 10,680,751</u>	<u>\$ 4,288,745</u>	<u>\$ (5,593,365)</u>	<u>\$ 9,376,131</u>	<u>\$ 3,118,743</u>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 474,048	\$ 248,242	\$ (252,420)	\$ 469,870	\$ 355,520
Landfill Post Closure Care Costs	2,570,988	655,545	(184,109)	3,042,424	184,109
Total Business-Type Activities	<u>\$ 3,045,036</u>	<u>\$ 903,787</u>	<u>\$ (436,529)</u>	<u>\$ 3,512,294</u>	<u>\$ 539,629</u>

A. Self-Insurance and Contingent Liabilities

Effective July 1, 1976, and December 2, 1976, respectively, the City implemented a self-insurance program for workers' compensation and general liability. Furthermore, the City, along with 29 other Bay Area governments, is a member of the Associated Bay Area Governments Pooled Liability Assurance Network Corporation (ABAG PLAN), a public-entity risk pool. ABAG PLAN provides liability insurance coverage, claims management, risk management services, and legal defense to its participating members. ABAG PLAN is governed by a board of directors, which comprises officials appointed by each participating member. Premiums paid to ABAG PLAN are subject to possible refund based on the results of actuarial studies and approval by ABAG PLAN's board of directors. Premiums are assessed to the participants based on their individual loss experience. General liability insurance coverage has been purchased by ABAG PLAN for losses exceeding \$250,000 up to a maximum of \$10,000,000.

**NOTE 6 – OTHER LONG-TERM LIABILITIES** (Continued)**A. Self-Insurance and Contingent Liabilities** (Continued)

The workers' compensation program is administered by a third-party administrator (TPA), Athens Administrators. The TPA sets reserve levels for reported claims. Excess workers' compensation insurance has been purchased by the City for losses exceeding \$500,000 up to a maximum of \$20,000,000.

The ABAG PLAN claim administrators set the reserve levels for known liability claims. The City's liabilities are reported when it is both probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims and litigation liabilities are reported in the governmental activities of the government-wide financial statements and in the internal service fund and include an amount for claims that have been incurred but not reported. The liabilities are re-evaluated annually using the results of actuarial studies. The estimated liability for claims and litigation is calculated considering recent claim settlement trends, amounts for claims incurred but not reported, current settlements, frequency of claims, past experience, and economic factors.

Changes in the balances of the City's claims liabilities during the years ended June 30, 2009, 2010 and 2011, were as follows:

Outstanding Liabilities				
	Balance July 1	Current Year Claims and Changes in Estimates	Payments for Current and Prior Fiscal Years	Balance June 30
2008-09	\$ 6,250,000	\$ 2,748,027	\$ (2,654,027)	\$ 6,344,000
2009-10	6,344,000	2,716,739	(2,420,739)	6,640,000
2010-11	6,640,000	2,524,265	(2,524,265)	6,640,000

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

In June 2010, an actuarial study was conducted by the firm of Bickmore Risk Services to identify the estimated liability for the City's Self-Insured Workers' Compensation Program as well determine the various funding confidence levels to cover that liability. The study estimated that the outstanding claims at June 30, 2010, were \$4,981,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2011, the City has funded the workers' compensation program at the 70% confidence level noted in the actuarial report, or \$5,126,000.

In 2011, an actuarial study was conducted by the firm of Bickmore Risk Services to identify the estimated liability for the City's Self-Insured General Liability program as well determine the various funding confidence levels to cover that liability. The study estimated the expected liability for outstanding claims to be \$1,315,000 as of June 30, 2011. The study recommends that the City set aside an amount in addition to the discounted expected loss costs to be set aside as a margin for contingencies. As of June 30, 2011, the City has funded the general liability program at the 70% confidence level noted in the actuarial report, or \$1,514,000.

**B. Compensated Absences**

The City's compensated absences consist of accumulated vacation, sick leave for all regular employees, and administrative leave for management employees. Some employees also accrue compensatory time. The estimated unpaid compensated absences at June 30 are recorded in the government-wide and proprietary fund financial statements.

## **NOTE 6 – OTHER LONG-TERM LIABILITIES** (Continued)

### **C. Pollution Remediation Obligation**

#### **Landfill Closure and Post Closure Costs**

The City is responsible for closing the Airport Boulevard landfill in accordance with the California Code of Regulations under the jurisdiction of the California Integrated Waste Management Board. The landfill is full to capacity and has been reconstructed as a multi-use recreational facility. A liability was accrued based on the capacity used to date. Consequently, the City recorded 100% of its estimated closure and post closure costs and the development of a recreation facility. The City was also required by the Bay Area Air Quality Management Board to install a gas collection system. During fiscal year 1993, the City developed a Closure Plan that met all regulatory requirements. The closure was planned to occur in two phases; Phase I was estimated at \$5 million and Phase II was estimated at \$3.8 million.

In accordance with GASB Statement No. 49, the landfill and post closure liability accounted for in the Waste Management Enterprise Fund is reduced by annual expenditures relating to post closure maintenance. In October 2008, the City also booked additional liability, determined by the State, for corrective action. The post closure costs and the deficit in the Waste Management Enterprise Fund, which resulted from the recording of the liability for such costs, will be funded in future years by a surcharge on waste collection. The original liability was estimated at \$85,000 per year for 30 years, which may be adjusted, based on changes with inflation or deflation as well as changes in applicable laws or regulation. In the current year, the liability was adjusted for incurred costs and expected costs of remediation of \$471,436. As of June 30, 2011, the deficit in the Waste Management Enterprise Fund amounted to \$1,247,815, as a result of the remediation liability.

### **D. Commitments and Contingent Liabilities**

#### **Grant Programs**

The City may, from time to time, participate in Federal and State grant programs. No single audits were conducted for the current fiscal year, and therefore, no cost allowances were proposed as a result of the City's financial audit.

#### **Litigation**

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

## **NOTE 7 – EMPLOYEE RETIREMENT PLAN**

### **A. Plan Description and Funding Policy**

All permanent employees participate in the California Public Employees Retirement System (CalPERS) per the City's Charter. The miscellaneous employees of the City are part of an agent multiple-employer defined benefit pension plan. The safety employees are part of a cost-sharing multiple-employer defined benefit plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members 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 all three 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, 2009, are summarized as follows:

**NOTE 7 – EMPLOYEE RETIREMENT PLAN** (Continued)**A. Plan Description and Funding Policy** (Continued)

	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	55	55
Monthly benefits, as a % of annual salary	3%	3%	2.50%
Required employee contribution rates	9%	9%	8%

Employer contributions are determined by CalPERS as a percentage of covered payroll and represent the actuarially required contribution.

Police and Fire safety employees are covered under the “3% at 50” and “3% at 55” formulas respectively. Under these retirement plans, an employee’s retirement earnings at age 50 for Police and at age 55 for Fire are equal to the product of the benefit factor, years of service, and final compensation. Safety service retirement benefits are capped at 90% of final compensation.

Miscellaneous employees are covered under the “2.5% at 55” formula. Under this retirement plan, an employee’s benefit is equal to the product of the benefit factor, years of service, and final compensation. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service.

CalPERS determines contribution requirements using the entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal is called the normal cost.

CalPERS uses the market-related value method of valuing the plan’s assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service.

The City’s unfunded actual accrued liability is being amortized as a level percentage of payroll on a closed basis. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 19-year period. In addition, all gains or losses are tracked and amortized over a rolling 30-year period, which results in an amortization of about 6% of unamortized gains and losses each year.

**B. Annual Pension Cost**

In September 2007, the City issued Pension Obligation Bonds to provide funds to refund its current unfunded accrued actuarial liability (UAAL) creating a net pension asset. The net pension asset as of June 30, 2011, is \$28,397,413.

For Police and Fire safety plans, risk pooling was implemented as of June 30, 2003. Effective July 1, 2010, the Burlingame Fire employees became employees of Central County Fire Department (CCFD). CCFD is a stand-alone employer recognized by CalPERS. Therefore, the Fire Safety Pension information is now part of CCFD Comprehensive Annual Financial Report.

The most recent available audited annual financial statements and ten-year trend information are available upon request from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**NOTE 7 – EMPLOYEE RETIREMENT PLAN** (Continued)**B. Annual Pension Cost** (Continued)

For 2010-2011, the City's miscellaneous plan annual pension cost of \$1,393,140 for CalPERS was equal to the City's required and actual contributions adjusted by the changes in Net Pension Asset. The safety annual pension cost of \$853,769 was equal to the City's required and actual contributions.

The required contribution was determined as part of the June 30, 2011, actuarial valuation as follows:

	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>
2009	19.985%	16.122%	9.288%
2010	20.059%	17.221%	11.209%
2011	20.880%	0.000%	11.853%

CalPERS has reported that the value of the net assets in the plan held for pension benefits changes as follows during the year ended June 30, 2010, which as of date of report issuance, is the most recent available information:

	<u>Miscellaneous</u>
Market value as of June 30, 2010	\$ 87,179,387
Contributions received	2,408,041
Benefit and refunds paid	(4,699,020)
Expected investment earnings credited at 7.75%	6,677,672
Expected actuarial value of the assets	<u>\$ 91,566,080</u>
Market value of assets as of June 30, 2010	<u>\$ 87,179,387</u>
Actuarial value of assets as of June 30, 2010	<u>\$ 91,566,080</u>

**C. Trend Information**

Three years of trend information regarding annual pension costs for the miscellaneous employees is summarized as follows:

<u>Miscellaneous Employees</u>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2009	\$ 1,277,300	93%	\$ (9,727,472)
6/30/2010	1,515,310	91%	(9,596,476)
6/30/2011	1,393,140	89%	(9,426,569)

The Safety Plan is a cost-sharing plan. Disclosure of the annual pension cost is not applicable.

**NOTE 7 – EMPLOYEE RETIREMENT PLAN** (Continued)C. Trend Information (Continued)

The following table shows the components of the City's miscellaneous plan's annual pension cost for the year, the amount actually contributed to the plan, and changes in the City's net pension assets:

	<u>Miscellaneous</u>
Annual required contribution (ARC)	\$ 1,393,140
Interest on net pension assets	(743,727)
Adjustment to annual required contribution	<u>913,634</u>
Annual pension cost	1,563,047
Contribution made	<u>1,393,140</u>
Decrease in net pension assets	(169,907)
Net pension assets - beginning of year	<u>9,596,476</u>
Net pension assets - end of year	<u><u>\$ 9,426,569</u></u>

D. Funded Status

A schedule of funding progress for the last three years is presented below in thousands:

Miscellaneous Plan

<u>Actuarial Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
06/30/2008	\$ 88,060	\$ 84,288	\$ 3,772	95.7%	\$ 13,093	28.8%
06/30/2009	96,835	87,270	9,565	90.1%	12,568	76.1%
06/30/2010	101,033	90,502	10,531	89.6%	11,937	88.2%

A schedule of the funding progress for this defined benefit pension plan is presented in the Required Supplementary Information section of this report. The Required Supplementary Information immediately follows these Notes to the Basic Financial Statements. This schedule presents multi-year trend information that shows if the actuarial value of plan assets are increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Safety Plan

As of the actuarial valuation date of June 30, 2003, the City's fire and police safety plans became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple employer defined benefit plan, disclosure of the schedule of funding progress is not required.

**NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN**A. Plan Description

The City of Burlingame Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its management employees, and unions representing City employees. The Plan does not issue a financial report.



**NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN** (Continued)**A. Plan Description** (Continued)

The City provides eligible retirees retiree medical benefits through the CalPERS healthcare program (PEMHCA). The City pays retiree healthcare benefits up to a cap for eligible retirees, dependent on bargaining unit and hire date. No dental, vision, or life insurance benefits are provided.

**B. Funding Policy**

The contribution requirements of the Plan participants and the City are established and may be amended by the City.

The City has currently chosen to pay plan benefits on a *pay-as-you-go* basis. The Plan does not require employee contributions. For fiscal year 2011, the City paid \$2,408,042 for Plan benefits.

The City intends to phase out retiree medical benefits through the collective bargaining process. A three-tier plan now provides for individual retiree health services plans instead of fully paid medical premiums.

**C. Annual Other Post-Employment Benefits (OPEB) Cost and Net OPEB Obligation**

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC is equal to the normal cost, or projected cost to cover the related obligation during the year, plus a 24-year amortization of the unfunded actuarial liability. The General Fund has been used to liquidate the net pension obligation.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 5,662,000	41%	\$ 3,330,000
6/30/2010	5,987,000	38%	7,071,589
6/30/2011	6,666,000	36%	11,329,547

The following table, based on the City's actuarial valuation as of January 1, 2009, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation, shown below at a 7.75% discount rate:

	<u>2011</u>
Annual required contribution	\$ 6,363,000
Interest on net OPEB obligation	548,048
Adjustment to annual required contribution	<u>(245,048)</u>
Annual OPEB cost (expense)	6,666,000
Contributions made	<u>(2,408,042)</u>
Increase in net OPEB obligation	4,257,958
Net OPEB obligation - beginning of year	<u>7,071,589</u>
Net OPEB obligation - end of year	<u><u>\$ 11,329,547</u></u>

**NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN** (Continued)**D. Funded Status and Funding Progress**

A schedule of funding progress for the last three years is presented below in thousands.

<u>Actuarial Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
1/1/2009	\$ 67,518	\$ -	\$ 67,518	0.0%	\$ 22,394	302%
1/1/2010	67,518	-	67,518	0.0%	22,394	302%
1/1/2011	76,402	-	76,402	0.0%	16,961	450%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75% investment rate of return, which is the expected long-term investment return on City investments, a 3.0% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, and an annual pre-Medicare medical cost trend of 8.4% (HMO) and 9.0% (PPO) applied to obtain 2009 rates, decreasing to 4.5% after 9 years (the post-Medicare medical cost trend starts 0.3% higher and decreases to the same ultimate rate after 9 years). Healthcare caps are assumed to increase with healthcare trend in the future. The UAAL is being amortized as a level percent of payroll over 30 years on a closed basis. The remaining amortization period at June 30, 2011, was 28 years.

**NOTE 9 – WASTE MANAGEMENT DEFICIT**

As of June 30, 2011, the Waste Management Fund, an Enterprise Fund, had a deficit of \$1,247,815.

The Waste Management Fund deficit relates to the landfill closure and post closure liabilities. The City expects to finance these costs with fees derived from surcharges on the City's franchised solid waste collection activities. For more detailed information, please refer to Note 6C which discusses the Waste Management Fund's pollution remediation liability in accordance with GASB Statement No. 49.

## NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS

### A. Transfers and Advances

Transfers and advances between funds for the year ending June 30, 2011, are as follows:

	<b>Transfers In</b>						<b>Total Out</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	
General	\$ -	\$ 3,074,945	\$ 1,596,750	\$ 37,000	\$ -	\$ -	\$ 4,708,695
Debt Service	-	-	3,587,492	-	2,009,322	2,009,322	7,606,136
Capital Projects	-	-	-	-	3,278,439	6,649,794	9,928,233
Nonmajor	278,285	1,013,526	1,494,525	-	-	-	2,786,336
Water	210,000	451,745	6,729,715	-	-	-	7,391,460
Sewer	210,000	451,745	6,886,041	-	-	-	7,547,786
Parking	290,000	-	-	-	-	-	290,000
<b>Total in</b>	<b>\$ 988,285</b>	<b>\$ 4,991,961</b>	<b>\$ 20,294,523</b>	<b>\$ 37,000</b>	<b>\$ 5,287,761</b>	<b>\$ 8,659,116</b>	<b>\$ 40,258,646</b>

The \$4.7 million General Fund transfer out includes \$3.1 million for the payment of debt service and \$1.6 million in support of capital improvement projects. A transfer out of \$37,000 was also made in support of the City's commuter shuttle program.

The \$7.6 million transfer out of the Debt Service Fund include a \$3.6 million transfer to the Capital Projects Fund for the Storm Drainage Project. The remaining \$4 million include transfers from the Water and Sewer Funds (\$2 million each) for adjusted long-term debt obligation amounts following the defeasance of the Lease Revenue Refunding Bonds, Series 2001 by the Lease Revenue Refunding Bonds, Series 2010, which determined that the Series 2010 would be treated as general long-term debt.

The \$9.9 million transfer out of the Capital Projects Fund includes a \$3.3 million transfer to the Water Fund and a \$6.6 million transfer to the Sewer Fund, both of which relate to capital contributions of capital assets that were placed in service prior to the close of the fiscal year.

The \$2.8 million transfer out of nonmajor funds includes a \$1.5 million transfer from Development Fees and Gas Tax Funds to the Capital Projects Fund to support capital improvements to the City's business improvement districts, traffic safety, and transportation programs; \$1.0 million for debt service due on the Storm Drainage Bonds, Series 2010; and minor transfers to the General Fund for reimbursement of services.

Transfers out of the Water Fund totaled \$7.4 million. The Water Fund transferred \$6.7 million to the Capital Projects Fund to cash-fund water-related infrastructure projects. A \$210,000 transfer from the Water Fund relates to cost allocations in the support of the enterprise activities. A \$451,745 transfer was made to the Debt Service Fund and relates to the Water Fund's share of proportionate payments of debt service due on the previously issued Pension Obligation Bond, Series 2006 and Lease Revenue Bond, Series 2010, which was used to finance the construction of the City's Corporation Yard.

**NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS** (Continued)**A. Transfers and Advances** (Continued)

Transfers out of the Sewer Fund totaled \$7.5 million. The Sewer Fund transferred \$4.4 million to the Capital Projects Fund to cash-fund sewer-related infrastructure projects. A \$210,000 transfer from the Sewer Fund relates to cost allocations in the support of the enterprise activities. A \$451,745 transfer was made to the Debt Service Fund and relates to the Sewer Fund's share of proportionate payments of debt service due on the previously issued Pension Obligation Bond, Series 2006 and Lease Revenue Bond, Series 2010, which was used to finance the construction of the City's Corporation Yard. The remaining \$2.4 million relates to a transfer of the proceeds of the 2010 state water resources loan to the Capital Projects Fund.

A \$290,000 transfer from Parking Fund to the General Fund represents reimbursements for capital improvements to the City's downtown parking districts and for cost allocations in support of the City's enterprise activities.

**B. Advances to Other Funds**

The Equipment Services Fund advanced the Sewer Fund \$1,379,108 to fund reserves relating to bonds previously issued in 1998 and 2003 subsequent to the downgrade of insurance companies holding sureties on the related bonds. As of June 30, 2011, the advance at year-end was \$148,432 relating to 2003 and \$1,230,676 relating to 1998. The 2001 reserves were repaid with the 2010 refunding of the 2001 Corporation Yard bond.

		Advances From	
Advances To		Equipment Services Fund	Total Advances To
Sewer Fund		\$ 1,379,108	\$ 1,379,108
<b>Total Advances From</b>		<b>\$ 1,379,108</b>	<b>\$ 1,379,108</b>

**NOTE 11 – SUBSEQUENT EVENTS****A. Refunding of Water and Wastewater Revenue Bonds Series 2003**

On December 8, 2011, the Burlingame Financing Authority issued the Water and Wastewater Refunding Revenue Bond Series 2011 in the amount of \$5.9 million for the purpose of refunding and defeasing the outstanding debt relating to the Water and Wastewater Revenue Bonds Series 2003. The refunding bond will include serial bonds with interest rates varying between 2.00 and 5.00%, and interest payments are payable semiannually on April 1 and October 1, commencing April 1, 2012. The refunding bond will mature in April 2028.

**B. Termination of Solid Waste Franchise Agreement**

The former solid waste franchise with Allied Waste Company ended on December 31, 2010. A new ten-year franchise with Recology San Mateo began January 1, 2011. A residual expense related to the final closeout of the City's former franchise was identified in September 2011. That amount is \$681,920, payable in quarterly installments beginning January 2012 and ending in fiscal year 2012-13. The expense will be paid from the Solid Waste Management Fund.

**C. Review of Subsequent Events**

Subsequent events were evaluated through January 30, 2012, which is the date the financial statements were available to be issued.

**NOTE 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded budgeted appropriations as follows:

Major Fund:		
General Fund		
General Government		
City Attorney	\$	1,408
City Council		7,684
Public Safety		
Police		22,792
Nonmajor Governmental Funds		
Special Revenue Funds		
State/Federal Grants Funds		
Public Safety Police		140,228

Expenditures exceeding budget represented minor amounts that are immaterial.



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

## **REQUIRED SUPPLEMENTARY INFORMATION**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011



**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 – CalPERS FUNDING**

**Miscellaneous Plan**

**Schedule of CalPERS Funding Progress - Unaudited  
(dollars in thousands)**

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
6/30/08	\$ 88,060	\$ 84,288	\$ 3,772	95.7%	\$ 13,093	28.8%
6/30/09	96,835	87,270	9,565	90.1%	12,568	76.1%
6/30/10	101,033	90,502	10,531	89.6%	11,937	88.2%

The above information is the most recent information available from the California Public Employees Retirement System.

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public pension plan. The amounts reflected herein represent the City's portion, as reported by CalPERS.

**Fire and Police Safety Plan**

As of the actuarial valuation date of June 30, 2003, the City's fire and police safety plans became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

**NOTE 2 – OTHER POST-EMPLOYMENT BENEFITS**

**Schedule of Funding Progress  
(dollars in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/09	\$ -	\$ 67,518	\$ 67,518	0.0%	\$ 22,394	302%
1/1/10	-	67,518	67,518	0.0%	22,394	302%
1/1/11	-	76,402	76,402	0.0%	16,961	450%

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 – BUDGET AND BUDGETARY ACCOUNTING**

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP). The Debt Service Funds are governed by the appropriate bond indentures. The Capital Projects Funds are budgeted on a project length basis. Annual budgets are not adopted for the Development Fees and Local Grants Special Revenue Funds.

Expenditures are controlled at the department level for all budgets within the City. Budget amendments which increase departmental appropriations must be approved by the City Council by majority vote. Changes within departments are approved by the City Manager. Supplemental appropriations were made during the fiscal year and are reflected in the final budgetary data. Except for the Capital Projects Fund, appropriations lapse at the close of the fiscal year to the extent that they have not been expended or encumbered.

The City Manager submits a recommended operating budget in May each year to the City Council for the fiscal year commencing the following July 1, showing proposed expenditures by programs and the means of financing them.

The City Council conducts budget study sessions, which are open for public comment, before adopting the budget. Once the budget is adopted, expenditures may not legally exceed appropriation.

A separate publication presenting this information is available from the City of Burlingame, Finance Department, 501 Primrose Road, Burlingame, CA 94010.

**NOTE 4 – MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the City accounts for and reports infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; park and recreation lands and improvement system; storm water collection system; and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business. Each major infrastructure system is divided into subsystems. For example, the street system is divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals, and pavement markings), landscaping, and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach, as defined by GASB Statement No. 34, for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

In May 2011, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in May 2008. The streets, primarily asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: (1) arterial/major, (2) collector, and (3) residential.

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)**

This condition assessment will be performed every three years. For this inspection update, all the paved streets in the City of Burlingame's system were re-inspected. A visual survey of approximately 83.92 centerline miles was evaluated in accordance with MTC Standards. Upon completion of this survey, a Pavement Condition Index (PCI) was calculated for each segment to reflect the overall pavement condition. Ranging between 0 – 100, a PCI of 0 would correspond to a badly deteriorated pavement with virtually no remaining life. A PCI of 100 would correspond to a new pavement with proper engineering design and construction at the beginning of its life cycle. The following conditions were defined:

Condition	Rating	Description
Excellent	90-100	Little or no distress.
Very Good	70-89	Little or no distress, with the exception of utility patches in good condition, or minor to moderate hairline cracks; typically lightly weathered.
Good	50-69	Light to moderate weathering, light load-related base failure, moderate linear cracking.
Poor	25-49	Moderate to severe weathering, moderate levels of base failure, moderate to heavy linear cracking.
Very Poor	0-24	Extensive weathering, moderate to heavy base failure, failed patches, extensive network of moderate to heavy linear cracking.

The City's policy is to achieve an average rating of 65 for all streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2011, the City's street system was rated at a PCI index of 74 on a 100-point scale. The overall condition of the street pavement is in the lower range of MTC's designation 'Good'. Burlingame's average PCI of 74 suggests that major portions of its streets are due for preventive maintenance work soon.

The following table details the network statistics and pavement condition by functional class.

Notice the average PCI for the arterial and collector streets is significantly higher than that of the residential/other streets. This is typical of most street networks, as more priority is given to higher functional class streets.

**Table 1 – Street Network Statistics and Average PCI by Functional Class**

<u>Functional Class</u>	<u>Centerline Miles</u>	<u>Land Miles</u>	<u># of Sections</u>	<u>% of Network</u>	<u>Average PCI</u>
Arterial	25.11	53.89	96	29.60%	78
Collector	20.48	39.95	120	25.90%	72
Residential	38.34	68.42	277	44.50%	75
Totals	83.92	162.26	493	-	75

Table 2 details the percentage of the street network area by each PCI range or condition category.

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE** (Continued)

**Table 2 – Percent Network Area by Functional Class and Condition Class**

<u>Condition Class</u>	<u>PCI Range</u>	<u>Arterial</u>	<u>Collector</u>	<u>Residential</u>	<u>Total</u>
<b>Good (I)</b>	70-100	24.20%	18.60%	28.50%	71.30%
<b>Fair (I/II)</b>	50-69	4.80%	3.90%	10.00%	18.70%
<b>Poor (IV)</b>	25-49	0.50%	2.60%	5.40%	8.50%
<b>VeryPoor (V)</b>	0-24	0.00%	0.80%	0.40%	1.50%
<b>Totals</b>		29.60%	25.90%	44.50%	

The City’s street network replacement value is estimated at \$156.2 million. Replacement value is calculated as the current cost to reconstruct each street in the network.

The optimal network PCI is somewhere between low and mid 80’s, which is in the middle of the good condition category. This is recommended because streets with a PCI in the 80’s as opposed to 70’s will likely remain in the ‘good’ condition category for a longer period of time if relatively inexpensive preventive maintenance treatments are used. Once PCI falls below 70, more expensive rehabilitation treatments will be needed.

The cost to repair and maintain a pavement depends on its current PCI. In the ‘good’ category, it costs very little to apply preventative maintenance treatments. Almost three-quarters (71.3%) of the City’s street network would benefit from these treatments.

Approximately one-sixth (18.7%) of the City’s street network is considered in ‘fair’ condition. Pavements in this range require more than a life-extending treatment. At this point, a well designed pavement will have served at least 75 percent of its life with the quality of the pavement dropping approximately 40 percent.

The remaining 10 percent of the City’s street network falls into the ‘poor’ or ‘very poor’ PCI ranges. These pavements are near the end of their service lives and often exhibit major forms of distress. At this stage a street usually requires either a thick overlay or reconstruction.

One of the key elements of a pavement repair strategy is to keep streets that are in the ‘good’ or ‘fair’ category from deteriorating. This is particularly true for streets in the ‘fair’ range, because they are at the point where pavement deterioration accelerates if left untreated.

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 – MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE (Continued)**

The projected pavement budget for FY 11-12 through FY 15-16 is \$1,125,000 per year or \$5.6 million. The overall network will decrease by 3 points, from 75 currently, to 72 by 2016. Under this investment level, the deferred maintenance backlog increases, from \$6.9 million in 2012, to \$11.1 million in 2016. This is mainly due to the increase in the number of streets that will require an expensive reconstruction treatment, as the percentage of the street network in the ‘very poor’ condition increases from 1.5% in 2012 to 4.3% in 2016. This is illustrated in the table below.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
<b>Budget</b>	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ 5,625,000
<b>Rehabilitation</b>	1,008,133	1,007,371	1,001,867	1,008,951	1,000,724	5,027,046
<b>Preventative Maintenance</b>	116,789	116,500	122,631	115,688	123,993	595,601
<b>Deferred Maintenance</b>	6,847,394	7,455,907	9,380,441	9,883,865	11,078,608	-
<b>PCI</b>	75	75	74	73	72	

The study determined that the current funding strategies demonstrate there is a \$6.9 million deferred maintenance backlog in the first year of the scenario. If these issues are not addressed, the quality of the street network will inevitably decline. In order to correct these deficiencies, a cost-effective funding and maintenance and rehabilitation strategy must be implemented.

A schedule of estimated annual amounts calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last three years is presented below.

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
<b>2007-2008</b>	\$ 1,100,000	\$ 666,729	74
<b>2008-2009</b>	1,100,000	1,648,276	74
<b>2009-2010</b>	1,100,000	1,814,963	74
<b>2010-2011</b>	1,100,000	1,384,524	74

The City has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to maintain the condition rating of City streets. A major Street Re-surfacing Project was completed in fiscal year 2010-11 which resulted in over 750,000 square feet of street repair.

**CITY OF BURLINGAME, CALIFORNIA  
REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 – BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 13,662,970	\$ 13,662,970	\$ 13,310,194	\$ (352,776)
Sales and use taxes	6,808,000	6,808,000	8,040,542	1,232,542
Transient occupancy taxes	11,100,000	11,100,000	13,404,078	2,304,078
Other taxes	2,196,500	2,196,500	2,415,918	219,418
Licenses and permits	85,800	85,800	96,716	10,916
Fines, forfeitures, and penalties	1,120,000	1,120,000	967,582	(152,418)
Investment income	800,000	800,000	644,379	(155,621)
Intergovernmental revenues	259,700	259,700	343,327	83,627
Charges for services	3,357,360	3,357,360	3,618,259	260,899
Grant revenue	125,000	125,000	99,489	(25,511)
Other revenue	250,200	250,200	325,719	75,519
<b>Total revenues</b>	<b>39,765,530</b>	<b>39,765,530</b>	<b>43,266,203</b>	<b>3,500,673</b>
<b>Expenditures</b>				
Current:				
General government:				
City attorney	383,052	383,052	384,460	(1,408)
City clerk	200,440	200,440	194,250	6,190
City council	138,438	138,438	146,122	(7,684)
City manager	376,325	376,325	374,597	1,728
Human resources	555,740	555,740	554,172	1,568
Finance	781,182	781,182	777,352	3,830
Other employee benefits	2,548,000	2,548,000	2,284,172	263,828
Nondepartmental	637,258	637,258	538,954	98,304
<b>Total general government</b>	<b>5,620,435</b>	<b>5,620,435</b>	<b>5,254,079</b>	<b>366,356</b>
Public safety:				
Fire	8,648,215	8,648,215	8,526,877	121,338
Police	8,679,202	8,679,202	8,701,994	(22,792)
<b>Total public safety</b>	<b>17,327,417</b>	<b>17,327,417</b>	<b>17,228,871</b>	<b>98,546</b>
Public works	3,203,004	3,203,004	2,939,652	263,352
Community development	702,298	702,298	730,577	(28,279)
Parks, recreation, and library:				
Library	3,292,130	3,292,130	3,281,824	10,306
Parks	2,207,865	2,207,865	2,134,469	73,396
Recreation	3,196,592	3,196,592	2,952,534	244,058
<b>Total leisure and culture service</b>	<b>8,696,587</b>	<b>8,696,587</b>	<b>8,368,827</b>	<b>327,760</b>
Capital outlay	204,000	204,000	11,989	192,011
<b>Total expenditures</b>	<b>35,753,741</b>	<b>35,753,741</b>	<b>34,533,995</b>	<b>1,219,746</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,011,789</b>	<b>4,011,789</b>	<b>8,732,208</b>	<b>4,720,419</b>
<b>Other financing sources (uses)</b>				
Transfers in	906,000	906,000	988,285	82,285
Transfers out	(3,917,630)	(3,917,630)	(4,708,695)	(791,065)
<b>Total other financing sources (uses)</b>	<b>(3,011,630)</b>	<b>(3,011,630)</b>	<b>(3,720,410)</b>	<b>(708,780)</b>
<b>Net change in fund balance</b>	<b>1,000,159</b>	<b>1,000,159</b>	<b>5,011,798</b>	<b>4,011,639</b>
<b>FUND BALANCE</b>				
Beginning of year			6,855,586	
End of year			<u>\$ 11,867,384</u>	

## **SUPPLEMENTRY INFORMATION**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011



## **NONMAJOR GOVERNMENTAL FUNDS**

### *Special Revenue Funds*

**Measure A Fund** – This fund accounts for the City's share of the special half-cent sales tax for transportation approved on the November 1988 ballot, effective January 1, 1989. Expenditures from this fund can only be incurred on transportation-related programs.

**Gas Tax Fund** – This fund is to account for revenue received from the State of California derived from gasoline taxes. These funds may only be used for street purposes as specified in the State Streets and Highway Code.

**Storm Drainage Fund** – This fund is to account for the storm drainage fees collected due to an assessment approved by the majority of the parcel owners in the City voting at a special election on May 5, 2009.

**Traffic Safety Fund** – This fund is to account for revenues received from traffic fines and used for traffic safety programs.

**Train Shuttle Fund** – This fund is to account for grant revenues received from the San Mateo County Transportation Authority and the Bay Area Air Quality Management District for a commuter shuttle bus program.

**State Grants Fund** – This fund is to account for grants from the State of California used or expended for a specific purpose, activity, or facility.

**Federal Grants Fund** – This fund is to account for grants from the federal government used or expended for a specific purpose, activity, or facility.

**Local Grants Fund** – This fund is to account for grants or donations from local sources other than State and Federal used or expended for a specific purpose, activity, or facility.

**Bayfront and North Area Development Fees Fund** – This fund is to account for developers' fees that may be used for improvements on the bay front area and streetscape improvements in the North Burlingame area of the City.

**Public TV Access Fund** – This fund is to account for the PEG Access funding through Cable TV Franchise agreement beginning January 1, 1999. The City uses these funds to finance capital improvements associated with the broadcast of municipal events.

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Traffic Safety Fund
<b>ASSETS</b>				
Cash and investments	\$ 1,492,222	\$ 594,261	\$ 3,408,851	\$ -
Receivables (net of uncollectible amount of \$0):				
Accounts	-	-	93,937	7,186
Due from other governments	101,304	-	-	-
<b>Total assets</b>	<u>\$ 1,593,526</u>	<u>\$ 594,261</u>	<u>\$ 3,502,788</u>	<u>\$ 7,186</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 7,186
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,186</u>
<b>Fund balances</b>				
Restricted	1,593,526	594,261	3,502,788	-
Assigned	-	-	-	-
<b>Total fund balances</b>	<u>1,593,526</u>	<u>594,261</u>	<u>3,502,788</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,593,526</u>	<u>\$ 594,261</u>	<u>\$ 3,502,788</u>	<u>\$ 7,186</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING BALANCE SHEET (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

Special Revenue Funds					Total Nonmajor Governmental Funds
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
\$ -	\$ 52,265	\$ 207,096	\$ 584,291	\$ 140,115	\$ 6,479,101
-	-	-	-	3,703	104,826
12,895	17,658	49,801	-	-	181,658
<u>\$ 12,895</u>	<u>\$ 69,923</u>	<u>\$ 256,897</u>	<u>\$ 584,291</u>	<u>\$ 143,818</u>	<u>\$ 6,765,585</u>
\$ 11,986	\$ -	\$ 46,869	\$ -	\$ 3,215	\$ 69,256
11,986	-	46,869	-	3,215	69,256
-	65,327	-	-	-	5,755,902
909	4,596	210,028	584,291	140,603	940,427
909	69,923	210,028	584,291	140,603	6,696,329
<u>\$ 12,895</u>	<u>\$ 69,923</u>	<u>\$ 256,897</u>	<u>\$ 584,291</u>	<u>\$ 143,818</u>	<u>\$ 6,765,585</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Traffic Safety Fund
<b>REVENUES:</b>				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ 57,285
Investment income	26,897	19,004	51,028	-
Intergovernmental	600,630	703,820	-	-
Grant revenue	-	-	-	-
Other revenue	-	-	2,502,851	-
<b>Total revenues</b>	<u>627,527</u>	<u>722,824</u>	<u>2,553,879</u>	<u>57,285</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation, and library	-	-	-	-
Shuttle operations	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>627,527</u>	<u>722,824</u>	<u>2,553,879</u>	<u>57,285</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfer out	(634,498)	(986,026)	(1,028,527)	(57,285)
<b>Total other financing sources (uses)</b>	<u>(634,498)</u>	<u>(986,026)</u>	<u>(1,028,527)</u>	<u>(57,285)</u>
<b>Net change in fund balances</b>	<u>(6,971)</u>	<u>(263,202)</u>	<u>1,525,352</u>	<u>-</u>
<b>FUND BALANCES:</b>				
Beginning of year	1,600,497	857,463	1,977,436	-
End of year	<u>\$ 1,593,526</u>	<u>\$ 594,261</u>	<u>\$ 3,502,788</u>	<u>\$ -</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Special Revenue Funds					Total Nonmajor Governmental Funds
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,285
-	725	-	-	-	97,654
-	-	-	-	-	1,304,450
50,851	144,353	-	-	-	195,204
52,000	-	140,474	230,210	39,072	2,964,607
102,851	145,078	140,474	230,210	39,072	4,619,200
-	-	14,318	-	41,702	56,020
-	145,574	3,644	-	-	149,218
-	-	4,965	-	-	4,965
-	-	68,750	-	-	68,750
139,181	-	-	-	-	139,181
-	5,000	-	-	-	5,000
139,181	150,574	91,677	-	41,702	423,134
(36,330)	(5,496)	48,797	230,210	(2,630)	4,196,066
37,000	-	-	-	-	37,000
-	-	-	(80,000)	-	(2,786,336)
37,000	-	-	(80,000)	-	(2,749,336)
670	(5,496)	48,797	150,210	(2,630)	1,446,730
239	75,419	161,231	434,081	143,233	5,249,599
\$ 909	\$ 69,923	\$ 210,028	\$ 584,291	\$ 140,603	\$ 6,696,329

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds					
	Measure A Fund			Gas Tax Fund		
	Budget <sup>1</sup>	Actual	Variance Positive (Negative)	Budget <sup>1</sup>	Actual	Variance Positive (Negative)
<b>REVENUES:</b>						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and dividends	15,000	26,897	11,897	15,000	19,004	4,004
Intergovernmental	550,000	600,630	50,630	886,468	703,820	(182,648)
Grant revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
<b>Total revenues</b>	<u>565,000</u>	<u>627,527</u>	<u>62,527</u>	<u>901,468</u>	<u>722,824</u>	<u>(178,644)</u>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety – police	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-	-
Shuttle operations	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>565,000</u>	<u>627,527</u>	<u>62,527</u>	<u>901,468</u>	<u>722,824</u>	<u>(178,644)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(450,000)	(634,498)	(184,498)	(790,000)	(986,026)	(196,026)
<b>Total other financing sources (uses)</b>	<u>(450,000)</u>	<u>(634,498)</u>	<u>(184,498)</u>	<u>(790,000)</u>	<u>(986,026)</u>	<u>(196,026)</u>
<b>Net change in fund balances</b>	<u>\$ 115,000</u>	<u>(6,971)</u>	<u>\$ (121,971)</u>	<u>\$ 111,468</u>	<u>(263,202)</u>	<u>\$ (374,670)</u>
<b>FUND BALANCES:</b>						
Beginning of year		<u>1,600,497</u>			<u>857,463</u>	
End of year		<u>\$ 1,593,526</u>			<u>\$ 594,261</u>	

<sup>1</sup> There were no changes between the original and final budgets.

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Special Revenue Funds								
Storm Drainage Fund			Traffic Safety Fund			Train Shuttle Fund		
Budget <sup>1</sup>	Actual	Variance Positive (Negative)	Budget <sup>1</sup>	Actual	Variance Positive (Negative)	Budget <sup>1</sup>	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 60,000	\$ 57,285	\$ (2,715)	\$ -	\$ -	\$ -
-	51,028	51,028	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	52,800	50,851	(1,949)
2,448,000	2,502,851	54,851	-	-	-	52,000	52,000	-
2,448,000	2,553,879	105,879	60,000	57,285	(2,715)	104,800	102,851	(1,949)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	148,100	139,181	8,919
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	148,100	139,181	8,919
2,448,000	2,553,879	105,879	60,000	57,285	(2,715)	(43,300)	(36,330)	6,970
-	-	-	-	-	-	43,300	37,000	(6,300)
(719,618)	(1,028,527)	(308,909)	(60,000)	(57,285)	2,715	-	-	-
(719,618)	(1,028,527)	(308,909)	(60,000)	(57,285)	2,715	43,300	37,000	(6,300)
\$ 1,728,382	1,525,352	\$ (203,030)	\$ -	-	\$ -	\$ -	670	\$ 670
	1,977,436			-			239	
	\$ 3,502,788			\$ -			\$ 909	

<sup>1</sup> There were no changes between the original and final budgets.

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds								
	State/Federal Grants Funds			Local Grants Fund			Development Fees Fund		
	Budget <sup>1</sup>	Actual	Variance Positive (Negative)	Budget <sup>2</sup>	Actual	Variance Positive (Negative)	Budget <sup>2</sup>	Actual	Variance Positive (Negative)
<b>REVENUES:</b>									
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and dividends	-	725	725	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Grant revenue	100,000	144,353	44,353	-	-	-	-	-	-
Other revenue	-	-	-	-	140,474	140,474	-	230,210	230,210
<b>Total revenues</b>	<u>100,000</u>	<u>145,078</u>	<u>45,078</u>	<u>-</u>	<u>140,474</u>	<u>140,474</u>	<u>-</u>	<u>230,210</u>	<u>230,210</u>
<b>EXPENDITURES:</b>									
Current:									
General government	-	-	-	-	14,318	-	-	-	-
Public safety – police	5,346	145,574	(140,228)	-	3,644	(3,644)	-	-	-
Public works	-	-	-	-	4,965	(4,965)	-	-	-
Parks, recreation, and library	-	-	-	-	68,750	(68,750)	-	-	-
Shuttle operations	-	-	-	-	-	-	-	-	-
Capital outlay	-	5,000	(5,000)	-	-	-	-	-	-
<b>Total expenditures</b>	<u>5,346</u>	<u>150,574</u>	<u>(145,228)</u>	<u>-</u>	<u>91,677</u>	<u>(77,359)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>94,654</u>	<u>(5,496)</u>	<u>(100,150)</u>	<u>-</u>	<u>48,797</u>	<u>63,115</u>	<u>-</u>	<u>230,210</u>	<u>230,210</u>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(80,000)	(80,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>
<b>Net change in fund balances</b>	<u>\$ 94,654</u>	<u>(5,496)</u>	<u>\$ (100,150)</u>	<u>\$ -</u>	<u>48,797</u>	<u>\$ 63,115</u>	<u>\$ -</u>	<u>150,210</u>	<u>\$ 150,210</u>
<b>FUND BALANCES:</b>									
Beginning of year		<u>75,419</u>			<u>161,231</u>			<u>434,081</u>	
End of year		<u>\$ 69,923</u>			<u>\$ 210,028</u>			<u>\$ 584,291</u>	

<sup>1</sup> There were no changes between the original and final budgets.

<sup>2</sup> The City does not budget for this Fund.



**CITY OF BURLINGAME, CALIFORNIA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Continued)  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Public TV Access Fund		
	Budget <sup>1</sup>	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -
Interest and dividends	-	-	-
Intergovernmental	-	-	-
Grant revenue	-	-	-
Other revenue	45,000	39,072	(5,928)
<b>Total revenues</b>	<u>45,000</u>	<u>39,072</u>	<u>(5,928)</u>
<b>EXPENDITURES:</b>			
Current:			
General government	70,000	41,702	28,298
Public safety – police	-	-	-
Shuttle operations	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<u>70,000</u>	<u>41,702</u>	<u>28,298</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(25,000)</u>	<u>(2,630)</u>	<u>(34,226)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Refunding bonds issued	-	-	-
Premium on refunding bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (25,000)</u>	<u>(2,630)</u>	<u>\$ (34,226)</u>
<b>FUND BALANCES:</b>			
Beginning of year		<u>143,233</u>	
End of year		<u>\$ 140,603</u>	
			(Concluded)

<sup>1</sup> There were no changes between the original and final budgets.



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

## **INTERNAL SERVICE FUNDS**

***Risk Management Fund*** – This fund accounts for the servicing of the self-insurance programs of the other departments or agencies. Included are costs and costs associated with self-insurance and the purchase of excess insurance to adequately protect the City. User departments are charged for workers' compensation insurance at rates based on loss experience and on departmental budget size.

***Facilities Services Fund*** – This fund accounts for the costs of operations of the City's maintenance and repair of buildings and custodial services on a cost reimbursement basis.

***Equipment Services Fund*** – This fund accounts for the costs of operation, maintenance, and replacement of automotive equipment used by other departments. Such costs are billed to the consuming departments at a rate that includes operation, maintenance, and an amount necessary to provide replacement of the equipment at a future date.

***Information Technology Services Fund*** – This fund accounts for the costs of operation of the City's telephone and computer maintenance and acquisitions. Such costs are billed to the consuming departments at a rate that includes operation, maintenance, and an amount necessary to provide for replacement of computers.

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments, available for operations	\$ 7,392,564	\$ 316,118	\$ 4,280,897	\$ 587,881	\$ 12,577,460
Receivables (net of uncollectible amounts of \$0):					
Accounts	96,231	-	6,191	12,929	115,351
Inventory	-	-	56,318	-	56,318
Total current assets	<u>7,488,795</u>	<u>316,118</u>	<u>4,343,406</u>	<u>600,810</u>	<u>12,749,129</u>
Noncurrent assets:					
Advances to other funds	-	-	1,379,108	-	1,379,108
Capital assets:					
Facilities, infrastructure, and equipment, net of depreciation	-	132,078	1,734,720	78,482	1,945,280
Total noncurrent assets	<u>-</u>	<u>132,078</u>	<u>3,113,828</u>	<u>78,482</u>	<u>3,324,388</u>
<b>Total assets</b>	<u><b>\$ 7,488,795</b></u>	<u><b>\$ 448,196</b></u>	<u><b>\$ 7,457,234</b></u>	<u><b>\$ 679,292</b></u>	<u><b>\$ 16,073,517</b></u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 58,405	\$ 25,900	\$ 62,007	\$ 46,843	\$ 193,155
Compensated absences	-	45,179	34,560	-	79,739
Claims and litigation	1,547,885	-	-	-	1,547,885
Total current liabilities	<u>1,606,290</u>	<u>71,079</u>	<u>96,567</u>	<u>46,843</u>	<u>1,820,779</u>
Noncurrent liabilities:					
Compensated absences	-	49	15,631	-	15,680
Claims and litigation	5,092,115	-	-	-	5,092,115
Total noncurrent liabilities	<u>5,092,115</u>	<u>49</u>	<u>15,631</u>	<u>-</u>	<u>5,107,795</u>
<b>Total liabilities</b>	<u><b>6,698,405</b></u>	<u><b>71,128</b></u>	<u><b>112,198</b></u>	<u><b>46,843</b></u>	<u><b>6,928,574</b></u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	132,078	1,734,720	78,482	1,945,280
Unrestricted	790,390	244,990	5,610,316	553,967	7,199,663
<b>Total net assets</b>	<u><b>\$ 790,390</b></u>	<u><b>\$ 377,068</b></u>	<u><b>\$ 7,345,036</b></u>	<u><b>\$ 632,449</b></u>	<u><b>\$ 9,144,943</b></u>

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

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 2,285,532	\$ 1,061,007	\$ 1,392,537	\$ 779,880	\$ 5,518,956
Other revenue	20,647	191	15,090	-	35,928
<b>Total operating revenues</b>	<u>2,306,179</u>	<u>1,061,198</u>	<u>1,407,627</u>	<u>779,880</u>	<u>5,554,884</u>
<b>OPERATING EXPENSES:</b>					
Salaries and benefits	-	609,206	322,978	65,338	997,522
Supplies and services	-	126,430	47,336	124,733	298,499
Insurance claims and expenses	1,809,908	-	-	-	1,809,908
Communication and utilities	-	64,513	400	13,639	78,552
Maintenance	-	13,512	217,392	41,061	271,965
Depreciation	-	15,442	505,095	21,010	541,547
Contractual services	714,357	295,947	2,295	472,376	1,484,975
<b>Total operating expenses</b>	<u>2,524,265</u>	<u>1,125,050</u>	<u>1,095,496</u>	<u>738,157</u>	<u>5,482,968</u>
<b>Operating income (loss)</b>	<u>(218,086)</u>	<u>(63,852)</u>	<u>312,131</u>	<u>41,723</u>	<u>71,916</u>
<b>NONOPERATING REVENUES:</b>					
Investment income	109,281	-	51,219	-	160,500
<b>Net nonoperating revenues</b>	<u>109,281</u>	<u>-</u>	<u>51,219</u>	<u>-</u>	<u>160,500</u>
<b>Change in net assets</b>	<u>(108,805)</u>	<u>(63,852)</u>	<u>363,350</u>	<u>41,723</u>	<u>232,416</u>
<b>NET ASSETS:</b>					
Beginning of year	899,195	440,920	6,981,686	590,726	8,912,527
End of year	<u>\$ 790,390</u>	<u>\$ 377,068</u>	<u>\$ 7,345,036</u>	<u>\$ 632,449</u>	<u>\$ 9,144,943</u>

**CITY OF BURLINGAME, CALIFORNIA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from transactions with other funds	\$ 2,396,048	\$ 1,061,198	\$ 2,300,604	\$ 766,951	\$ 6,524,801
Payments to suppliers	(2,490,782)	(506,482)	(281,738)	(661,164)	(3,940,166)
Payments to employees for services	-	(602,754)	(350,766)	(65,338)	(1,018,858)
<b>Net cash provided by (used in) operating activities</b>	<b>(94,734)</b>	<b>(48,038)</b>	<b>1,668,100</b>	<b>40,449</b>	<b>1,565,777</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	-	-	(428,423)	(52,894)	(481,317)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received on investments	109,281	-	51,219	-	160,500
	109,281	-	51,219	-	160,500
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,547</b>	<b>(48,038)</b>	<b>1,290,896</b>	<b>(12,445)</b>	<b>1,244,960</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	7,378,017	364,156	2,990,001	600,326	11,332,500
End of year	<u>\$ 7,392,564</u>	<u>\$ 316,118</u>	<u>\$ 4,280,897</u>	<u>\$ 587,881</u>	<u>\$ 12,577,460</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating (loss) income	\$ (218,086)	\$ (63,852)	\$ 312,131	\$ 41,723	\$ 71,916
Adjustments for noncash activities:					
Depreciation and amortization	-	15,442	505,095	21,010	541,547
Changes in assets and liabilities:					
Receivables	89,869	-	(4,303)	(12,929)	72,637
Inventories	-	-	1,710	-	1,710
Other Assets	-	-	897,280	-	897,280
Accounts payable	33,483	(6,080)	(16,025)	(9,355)	2,023
Compensated absences	-	6,452	(27,788)	-	(21,336)
Total adjustments	123,352	15,814	1,355,969	(1,274)	1,493,861
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (94,734)</b>	<b>\$ (48,038)</b>	<b>\$ 1,668,100</b>	<b>\$ 40,449</b>	<b>\$ 1,565,777</b>

## **FIDUCIARY FUNDS**

### *Agency Funds*

**Library Trustee Account Fund** – This fund accounts for collections and disbursements by the Library Trustees.

**Library Foundation Account Fund** – This fund accounts for collections and disbursements by the Library Foundation.

**Seismic Education Fees** – This fund accounts for fees collected from building permits and disbursed to the State of California in accordance with program regulations.

**Hotel Business Improvement District (BID) Fees** – This fund accounts for fee collections received as an Agent for the San Mateo County Visitors and Convention Bureau.

**Central County Fire Department (CCFD) Specialized Training Fund** – This fund accounts for training funds received as an Agent for county-wide specialized training.

**Elementary School Development Fees** – This fund accounts for fee collections received as an Agent for the Burlingame Elementary School District.

**High School Development Fees** – This fund accounts for fee collections received as an Agent for the San Mateo Union High School District.

**Unclaimed Property – PD** – This fund accounts for unclaimed property received by the Burlingame Police Department.

**Emergency Medical Services (EMS) Training Fund** – This fund accounts for collections received as an Agent for county-wide EMS training.

**Business Improvement District (BID) Trust – Broadway** – This fund accounts for collections received as an Agent for the Broadway Business Improvement District.

**Building Standards Administration** – This fund accounts for fees collected from building permits and disbursed to the State of California in accordance with program regulations.

**Hillsborough Microfiche and Contract Services** – This fund accounts for collections received as an agent for the Town of Hillsborough.

**Quality of Work Life (QWL) Committee** – This fund accounts for collections received as an Agent for the Quality of Worklife Committee.

**Downtown Business Improvement District** – This fund accounts for collections received for the Downtown Business Improvement District.

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Library Trustee Account Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ 330,630	\$ 398,675	\$ 536,657	\$ 192,648
<b>Total assets</b>	<u>\$ 330,630</u>	<u>\$ 398,675</u>	<u>\$ 536,657</u>	<u>\$ 192,648</u>
<b>Liabilities:</b>				
Accounts payable	\$ 3,492	\$ 646	\$ 3,492	\$ 646
Deposits	327,138	398,451	533,587	192,002
<b>Total liabilities</b>	<u>\$ 330,630</u>	<u>\$ 399,097</u>	<u>\$ 537,079</u>	<u>\$ 192,648</u>
<b>Seismic Education Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 28,777	\$ 9,207	\$ 8,342	\$ 29,642
<b>Total assets</b>	<u>\$ 28,777</u>	<u>\$ 9,207</u>	<u>\$ 8,342</u>	<u>\$ 29,642</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,188	\$ 1,271	\$ 1,188	\$ 1,271
Due to other governmental units	27,589	9,207	8,425	28,371
<b>Total liabilities</b>	<u>\$ 28,777</u>	<u>\$ 10,478</u>	<u>\$ 9,613</u>	<u>\$ 29,642</u>
<b>Hotel BID Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 498	\$ 2,214,536	\$ 2,040,569	\$ 174,465
Accounts receivable	-	891,950	-	891,950
<b>Total assets</b>	<u>\$ 498</u>	<u>\$ 3,106,486</u>	<u>\$ 2,040,569</u>	<u>\$ 1,066,415</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 174,073	\$ -	\$ 174,073
Due to other governmental units	498	2,932,413	2,040,569	892,342
<b>Total liabilities</b>	<u>\$ 498</u>	<u>\$ 3,106,486</u>	<u>\$ 2,040,569</u>	<u>\$ 1,066,415</u>
<b>CCFD Specialized Training Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ 11,958	\$ 5,804	\$ 17,762	\$ -
Accounts receivable	5,804	-	5,804	-
<b>Total assets</b>	<u>\$ 17,762</u>	<u>\$ 5,804</u>	<u>\$ 23,566</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Accounts payable	\$ 4,123	\$ -	\$ 4,123	\$ -
Due to other governmental units	13,639	-	13,639	-
<b>Total liabilities</b>	<u>\$ 17,762</u>	<u>\$ -</u>	<u>\$ 17,762</u>	<u>\$ -</u>
<b>Elementary School Development Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 24,599	\$ 88,222	\$ 79,149	\$ 33,672
<b>Total assets</b>	<u>\$ 24,599</u>	<u>\$ 88,222</u>	<u>\$ 79,149</u>	<u>\$ 33,672</u>
<b>Liabilities:</b>				
Accounts payable	\$ 24,599	\$ 33,672	\$ 24,599	\$ 33,672
<b>Total liabilities</b>	<u>\$ 24,599</u>	<u>\$ 33,672</u>	<u>\$ 24,599</u>	<u>\$ 33,672</u>



**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>High School Development Fees</b>				
<b>Assets:</b>				
Cash and investments	\$ 16,446	\$ 59,040	\$ 52,975	\$ 22,511
<b>Total assets</b>	<u>\$ 16,446</u>	<u>\$ 59,040</u>	<u>\$ 52,975</u>	<u>\$ 22,511</u>
<b>Liabilities:</b>				
Accounts payable	\$ 16,446	\$ 22,511	\$ 16,446	\$ 22,511
<b>Total liabilities</b>	<u>\$ 16,446</u>	<u>\$ 22,511</u>	<u>\$ 16,446</u>	<u>\$ 22,511</u>
<b>Unclaimed Property</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,706	\$ 140	\$ -	\$ 1,846
<b>Total assets</b>	<u>\$ 1,706</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 1,846</u>
<b>Liabilities:</b>				
Due to other governmental units	\$ 1,706	\$ 140	\$ -	\$ 1,846
<b>Total liabilities</b>	<u>\$ 1,706</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 1,846</u>
<b>EMS Training Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ (4,776)	\$ 905	\$ -	\$ (3,871)
Accounts receivable	19,525	-	19,525	-
<b>Total assets</b>	<u>\$ 14,749</u>	<u>\$ 905</u>	<u>\$ 19,525</u>	<u>\$ (3,871)</u>
<b>Liabilities:</b>				
Accounts payable	\$ 18,588	\$ -	\$ 18,588	\$ -
Due to other governmental units	(3,839)	-	32	(3,871)
<b>Total liabilities</b>	<u>\$ 14,749</u>	<u>\$ -</u>	<u>\$ 18,620</u>	<u>\$ (3,871)</u>
<b>BID Trust - Broadway</b>				
<b>Assets:</b>				
Cash and investments	\$ 4,600	\$ 30,563	\$ 27,788	\$ 7,375
<b>Total assets</b>	<u>\$ 4,600</u>	<u>\$ 30,563</u>	<u>\$ 27,788</u>	<u>\$ 7,375</u>
<b>Liabilities:</b>				
Accounts payable	\$ 4,600	\$ 7,375	\$ 4,600	\$ 7,375
<b>Total liabilities</b>	<u>\$ 4,600</u>	<u>\$ 7,375</u>	<u>\$ 4,600</u>	<u>\$ 7,375</u>
<b>Library Foundation Account Fund</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,783	\$ 7,363	\$ 8,523	\$ 623
<b>Total assets</b>	<u>\$ 1,783</u>	<u>\$ 7,363</u>	<u>\$ 8,523</u>	<u>\$ 623</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,783	\$ 623	\$ 1,783	\$ 623
Due to other governmental units	-	-	-	-
<b>Total liabilities</b>	<u>\$ 1,783</u>	<u>\$ 623</u>	<u>\$ 1,783</u>	<u>\$ 623</u>

**CITY OF BURLINGAME, CALIFORNIA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Building Standards Administration</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,035	\$ 3,428	\$ 2,551	\$ 1,912
<b>Total assets</b>	<u>\$ 1,035</u>	<u>\$ 3,428</u>	<u>\$ 2,551</u>	<u>\$ 1,912</u>
<b>Liabilities:</b>				
Accounts payable	\$ 418	\$ 505	\$ 418	\$ 505
Due to other governmental units	617	1,407	617	1,407
<b>Total liabilities</b>	<u>\$ 1,035</u>	<u>\$ 1,912</u>	<u>\$ 1,035</u>	<u>\$ 1,912</u>
<b>Hillsborough Microfiche and Contract Services</b>				
<b>Assets:</b>				
Cash and investments	\$ 2,218	\$ -	\$ 2,218	\$ -
<b>Total assets</b>	<u>\$ 2,218</u>	<u>\$ -</u>	<u>\$ 2,218</u>	<u>\$ -</u>
<b>Liabilities:</b>				
Accounts payable				
Due to other governmental units	\$ 2,218	\$ -	\$ 2,218	\$ -
<b>Total liabilities</b>	<u>\$ 2,218</u>	<u>\$ -</u>	<u>\$ 2,218</u>	<u>\$ -</u>
<b>QWL Committee</b>				
<b>Assets:</b>				
Cash and investments	\$ 1,502	\$ 2,836	\$ 4,130	\$ 208
<b>Total assets</b>	<u>\$ 1,502</u>	<u>\$ 2,836</u>	<u>\$ 4,130</u>	<u>\$ 208</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits	1,502	2,836	4,130	208
<b>Total liabilities</b>	<u>\$ 1,502</u>	<u>\$ 2,836</u>	<u>\$ 4,130</u>	<u>\$ 208</u>
<b>Downtown Business Improvement District</b>				
<b>Assets:</b>				
Cash and investments	\$ -	\$ 86,104	\$ 82,571	\$ 3,533
Accounts receivable	-	11,950	-	11,950
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 98,054</u>	<u>\$ 82,571</u>	<u>\$ 15,483</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 3,533	\$ -	\$ 3,533
Deposits	-	101,254	89,304	11,950
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 104,787</u>	<u>\$ 89,304</u>	<u>\$ 15,483</u>
<b>TOTALS</b>				
	June 30, 2010	Additions	Deductions	June 30, 2011
<b>Assets:</b>				
Cash and investments	\$ 420,976	\$ 2,906,823	\$ 2,863,235	\$ 464,564
Accounts receivable	25,329	903,900	25,329	903,900
<b>Total assets</b>	<u>\$ 446,305</u>	<u>\$ 3,810,723</u>	<u>\$ 2,888,564</u>	<u>\$ 1,368,464</u>
<b>Liabilities:</b>				
Accounts payable	\$ 75,237	\$ 244,209	\$ 75,237	\$ 244,209
Deposits	328,640	502,541	627,021	204,160
Due to other governmental units	42,428	2,943,167	2,065,500	920,095
<b>Total liabilities</b>	<u>\$ 446,305</u>	<u>\$ 3,689,917</u>	<u>\$ 2,767,758</u>	<u>\$ 1,368,464</u>

## **STATISTICAL SECTION**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

## STATISTICAL SECTION

<u>Contents</u>	<u>Pages</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	114-121
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	122-129
<u>Debt Capacity</u>	
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.	130-134
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	135-138
<u>Operating Information</u>	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	139-144

**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 No. 34 in fiscal year 2002-2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF BURLINGAME, CALIFORNIA  
NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	(1) 2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$ -	\$ 104,839	\$ 98,042	\$ 97,102	\$ 95,584
Restricted	-	1,707	1,254	1,892	1,655
Unrestricted	-	16,679	15,717	11,811	12,206
Total governmental activities net assets	<u>\$ -</u>	<u>\$ 123,225</u>	<u>\$ 115,013</u>	<u>\$ 110,805</u>	<u>\$ 109,445</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ -	\$ 25,038	\$ 25,621	\$ 27,990	\$ 27,651
Restricted	-	-	-	-	-
Unrestricted	-	1,068	4,167	6,323	8,610
Total business-types activities net assets	<u>\$ -</u>	<u>\$ 26,106</u>	<u>\$ 29,788</u>	<u>\$ 34,313</u>	<u>\$ 36,261</u>
Primary government:					
Invested in capital assets, net of related debit	\$ -	\$ 129,877	\$ 123,663	\$ 125,092	\$ 123,235
Restricted	-	1,707	1,254	1,892	1,655
Unrestricted	-	17,747	19,884	18,134	20,816
Total primary government net assets	<u>\$ -</u>	<u>\$ 149,331</u>	<u>\$ 144,801</u>	<u>\$ 145,118</u>	<u>\$ 145,706</u>

(1) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002-03.

Information consistent with the presentation for GASB Statement No. 34 prior to fiscal year 2002-3 is not available.

(2) Reclassifications in the categories were made to stay consistent and comparable with the presentation in the current year.

**CITY OF BURLINGAME, CALIFORNIA**  
**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (Continued)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>2007</u>	<u>2008</u>	(2) <u>2009</u>	(2) <u>2010</u>	<u>2011</u>
\$ 93,700	\$ 92,795	\$ 60,967	\$ 59,936	\$ 51,521
1,800	3,299	3,575	3,515	8,674
<u>12,709</u>	<u>16,265</u>	<u>41,005</u>	<u>42,298</u>	<u>49,259</u>
<u>\$ 108,209</u>	<u>\$ 112,359</u>	<u>\$ 105,547</u>	<u>\$ 105,749</u>	<u>\$ 109,454</u>
\$ 27,631	\$ 30,824	\$ 32,014	\$ 30,759	\$ 38,406
-	-	-	-	-
<u>13,540</u>	<u>14,385</u>	<u>18,119</u>	<u>19,260</u>	<u>17,736</u>
<u>\$ 41,171</u>	<u>\$ 45,209</u>	<u>\$ 50,133</u>	<u>\$ 50,019</u>	<u>\$ 56,142</u>
\$ 121,331	\$ 123,619	\$ 92,981	\$ 90,695	\$ 89,927
1,800	3,299	3,575	3,515	8,674
<u>26,249</u>	<u>30,650</u>	<u>59,124</u>	<u>61,558</u>	<u>66,995</u>
<u>\$ 149,380</u>	<u>\$ 157,568</u>	<u>\$ 155,680</u>	<u>\$ 155,768</u>	<u>\$ 165,596</u>

**CITY OF BURLINGAME, CALIFORNIA  
CHANGE IN NET ASSETS  
LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	(1) 2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
General government	\$ -	\$ 4,613	\$ 4,051	\$ 4,201	\$ 4,488
Public safety	-	16,755	16,142	18,042	19,758
Public works	-	9,318	9,954	5,628	7,526
City planning	-	996	896	771	837
Parks, recreation, and library	-	10,993	10,294	10,803	11,373
Shuttle operations	-	193	328	250	286
Financing and other activities	-	588	716	1,072	519
Total governmental activities expenses	-	43,456	42,381	40,767	44,787
Business-type activities:					
Water	-	5,119	5,955	6,363	6,934
Sewer	-	6,346	8,664	7,388	8,486
Waste management	-	650	292	290	318
Golf	-	657	-	-	-
Parking	-	-	710	902	1,127
Total business-type activities expenses	-	12,772	15,621	14,943	16,865
Total primary government expenses	\$ -	\$ 56,228	\$ 58,002	\$ 55,710	\$ 61,652
<b>Program Revenue</b>					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ 124	\$ 231	\$ 244	\$ 275
Public safety	-	2,063	1,588	1,672	1,892
Public works	-	879	1,009	1,077	1,393
City planning	-	179	309	305	317
Shuttle operations	-	-	-	-	-
Parks, recreation, and library	-	1,992	2,245	2,424	2,514
Operating grants and contributions	-	1,838	1,796	1,756	2,080
Capital grants and contributions	-	750	1,129	885	1,086
Total government activities program revenues	-	7,825	8,307	8,363	9,557
Business-types activities:					
Charges for services:					
Water	-	5,709	7,168	8,095	8,726
Sewer	-	7,020	8,952	8,253	9,584
Waste management	-	454	-	-	-
Parking	-	-	-	1,662	1,644
Building	-	-	1,283	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	-	13,183	17,403	18,010	19,954
Total primary governmental program revenues	\$ -	\$ 21,008	\$ 25,710	\$ 26,373	\$ 29,511
Net (expenses)/revenue					
Government activities	\$ -	\$ (35,631)	\$ (34,074)	\$ (32,404)	\$ (35,230)
Business-type activities	-	411	1,782	3,067	3,089
Total primary government net expenses	\$ -	\$ 35,220	\$ 32,292	\$ 29,337	\$ 32,141
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ -	\$ 6,844	\$ 7,399	\$ 9,360	\$ 10,390
Sales tax	-	8,095	8,834	8,508	8,806
Transient occupancy tax	-	6,680	7,299	8,067	9,273
Franchise taxes	-	568	782	777	820
Business license tax	-	600	604	684	637
Intergovernmental taxes	-	1,957	1,680	708	1,041
Unrestricted investment income	-	1,008	684	782	716
Transfers	-	2,497	(1,420)	(689)	11,039
Total governmental activities	-	28,249	25,862	28,197	42,722
Business-type activities:					
Franchise tax	-	174	295	401	747
Investment earnings	-	100	184	367	299
Transfers	-	(2,497)	1,420	689	(11,039)
Total primary government	-	(2,223)	1,899	1,457	(9,993)
<b>Change in Net Assets</b>					
Government activities	-	(7,382)	(8,212)	(4,207)	7,492
Business-type activities	-	(1,812)	3,681	4,524	(6,904)
Total primary government	\$ -	\$ (9,194)	\$ (4,531)	\$ 317	\$ 588

(1) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002-03. Information consistent with the presentation for GASB Statement No. 34 prior to fiscal year 2002-3 is not available.



**CITY OF BURLINGAME, CALIFORNIA**  
**CHANGE IN NET ASSETS**  
**LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (Continued)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

2007	2008	2009	2010	2011
\$ 4,957	\$ 5,199	\$ 5,493	\$ 5,354	\$ 6,803
17,804	18,981	21,154	21,050	21,141
7,685	4,307	8,071	8,453	8,514
835	4,168	3,263	2,318	1,752
11,304	9,465	10,868	9,191	10,475
306	304	318	130	324
2,644	1,401	2,093	1,876	2,656
<u>45,535</u>	<u>43,825</u>	<u>51,260</u>	<u>48,372</u>	<u>51,665</u>
7,629	8,662	9,315	9,370	9,569
9,323	10,011	10,442	10,170	9,509
372	307	1,217	687	936
-	-	1,353	1,298	1,454
1,154	1,316	1,185	1,075	1,141
<u>18,478</u>	<u>20,296</u>	<u>23,512</u>	<u>22,600</u>	<u>22,609</u>
<u>\$ 64,013</u>	<u>\$ 64,121</u>	<u>\$ 74,772</u>	<u>\$ 70,972</u>	<u>\$ 74,274</u>
\$ 574	\$ 269	\$ 240	\$ 350	\$ 616
2,355	1,737	2,104	1,179	2,202
3,032	1,438	556	314	1,713
344	263	300	336	744
-	-	-	-	72
2,810	2,719	2,565	2,643	2,744
166	2,730	2,590	2,040	2,210
-	105	918	3,407	3,189
<u>9,281</u>	<u>9,261</u>	<u>9,273</u>	<u>10,269</u>	<u>13,490</u>
10,484	11,119	11,800	11,516	12,734
10,825	11,592	12,467	12,534	14,566
-	-	7	2	653
1,638	1,691	1,640	1,645	1,802
-	-	2,356	1,479	1,404
-	1,105	535	23	-
<u>22,947</u>	<u>25,507</u>	<u>28,805</u>	<u>27,199</u>	<u>31,159</u>
<u>\$ 32,228</u>	<u>\$ 34,768</u>	<u>\$ 38,078</u>	<u>\$ 37,468</u>	<u>\$ 44,649</u>
\$ (36,254)	\$ (34,564)	\$ (41,987)	\$ (38,103)	\$ (38,175)
4,469	5,211	5,293	4,599	8,550
<u>\$ (31,785)</u>	<u>\$ (29,353)</u>	<u>\$ (36,694)</u>	<u>\$ (33,504)</u>	<u>\$ (29,625)</u>
\$ 11,469	\$ 12,198	\$ 12,798	\$ 13,355	\$ 13,310
9,231	9,458	8,251	6,276	8,041
10,356	11,265	10,155	10,342	13,404
875	908	969	994	1,116
648	690	813	869	955
567	505	313	404	2,966
1,408	1,610	897	618	805
464	2,080	980	5,447	1,282
<u>35,018</u>	<u>38,714</u>	<u>35,176</u>	<u>38,305</u>	<u>41,879</u>
905	906	610	734	-
-	-	-	-	(1,145)
(464)	(2,080)	(980)	(5,447)	(1,282)
<u>441</u>	<u>(1,174)</u>	<u>(370)</u>	<u>(4,713)</u>	<u>(2,427)</u>
(1,236)	4,150	(6,811)	202	3,704
4,910	4,037	4,923	(114)	6,123
<u>\$ 3,674</u>	<u>\$ 8,187</u>	<u>\$ (1,888)</u>	<u>\$ 88</u>	<u>\$ 9,827</u>

**CITY OF BURLINGAME, CALIFORNIA  
FUND BALANCE OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:								
Reserved	\$ 195	\$ 100	\$ -	\$ -	\$ -	\$ 88	\$ 669	\$ 109
Unreserved	<u>13,010</u>	<u>8,584</u>	<u>8,635</u>	<u>8,994</u>	<u>8,747</u>	<u>9,802</u>	<u>8,881</u>	<u>7,236</u>
Subtotal General Fund	<u>\$ 13,205</u>	<u>\$ 8,684</u>	<u>\$ 8,635</u>	<u>\$ 8,994</u>	<u>\$ 8,747</u>	<u>\$ 9,890</u>	<u>\$ 9,550</u>	<u>\$ 7,345</u>
All other governmental funds:								
Reserved	\$ 15,815	\$ 3,159	\$ 1,820	\$ 1,841	\$ 1,666	\$ 1,398	\$ 2,351	\$ 2,654
Unreserved, reported in:								
Debt service funds	-	-	-	-	-	401	987	986
Special revenue funds	-	195	288	293	481	517	605	757
Capital projects funds	<u>-</u>	<u>8,651</u>	<u>8,620</u>	<u>2,708</u>	<u>2,643</u>	<u>2,709</u>	<u>4,387</u>	<u>2,467</u>
Subtotal all other governmental funds	<u>\$ 15,815</u>	<u>\$ 12,005</u>	<u>\$ 10,728</u>	<u>\$ 4,842</u>	<u>\$ 4,790</u>	<u>\$ 5,025</u>	<u>\$ 8,330</u>	<u>\$ 6,864</u>
	<u>2010</u>	<u>2011</u>						
General Fund:								
Nonspendable	\$ 4,752	\$ 2,799						
Restricted	-	-						
Committed	-	-						
Assigned	7,200,000	10,200,000						
Unassigned	<u>(349,166)</u>	<u>1,664,585</u>						
Subtotal General Fund	<u>6,855,586</u>	<u>11,867,384</u>						
All other governmental funds:								
Nonspendable	986,602	474,533						
Restricted	4,435,396	5,755,902						
Assigned	4,341,649	16,139,924						
Unassigned	<u>-</u>	<u>-</u>						
Subtotal all other governmental funds	<u>9,763,647</u>	<u>22,370,359</u>						
Total governmental fund balance	<u>\$ 16,619,233</u>	<u>\$ 34,237,743</u>						



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

**CITY OF BURLINGAME, CALIFORNIA**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	2002	2003	2004	2005	2006
<b>REVENUES:</b>					
Property taxes	\$ 6,846	\$ 6,844	\$ 7,400	\$ 11,726	\$ 10,390
Sales and use taxes	9,177	8,095	8,834	13,229	8,806
Transient occupancy taxes	7,698	6,680	7,299	8,067	9,273
Other taxes	2,641	1,445	1,728	1,861	1,843
Licenses and permits	1,499	1,679	758	816	927
Fines, forfeitures, and penalties	571	668	1,120	1,070	984
Investment income	1,909	1,021	742	809	773
Motor vehicle in lieu tax	-	1,679	1,289	308	655
Intergovernmental	3,061	1,234	1,147	1,186	1,390
Charges for services	2,309	2,807	3,316	3,637	4,237
Grant revenue	-	1,093	637	502	613
Other revenue	564	333	1,312	1,099	1,306
<b>Total revenues</b>	<b>36,275</b>	<b>33,578</b>	<b>35,582</b>	<b>44,310</b>	<b>41,197</b>
<b>EXPENDITURES:</b>					
General government	4,098	3,943	3,841	3,965	4,306
Public safety	14,595	15,816	15,983	17,734	18,949
Public works	3,843	7,634	6,366	6,158	6,881
City planning	-	954	756	739	841
Parks, recreation, and library	7,872	8,519	7,785	8,388	9,028
Shuttle operations	142	192	205	250	286
Other	-	-	-	-	-
Capital outlay	17,604	7,962	2,677	3,253	2,050
Debt service:					
Principal	390	653	683	267	803
Interest	829	593	721	1,158	540
<b>Total expenditures</b>	<b>49,373</b>	<b>46,266</b>	<b>39,017</b>	<b>41,912</b>	<b>43,684</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(13,098)</b>	<b>(12,688)</b>	<b>(3,435)</b>	<b>2,398</b>	<b>(2,487)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer in	18,596	14,234	16,652	11,880	15,455
Transfer out	(15,504)	(11,737)	(14,543)	(12,569)	(13,268)
Pension obligation bonds issued	-	-	-	-	-
Payment to CalPERS retirement	-	-	-	-	-
Refund bond issued	-	-	-	6,705	-
Premium on refinancing bonds issued	-	-	-	197	-
Proceeds from issuance of debt	7,500	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	(7,050)	-
<b>Total other financing sources (uses)</b>	<b>10,592</b>	<b>2,497</b>	<b>2,109</b>	<b>(837)</b>	<b>2,187</b>
<b>Net change in fund balances</b>	<b>\$ (2,506)</b>	<b>\$ (10,191)</b>	<b>\$ (1,326)</b>	<b>\$ 1,561</b>	<b>\$ (300)</b>
Debt service as a percentage of noncapital expenditures	4%	3%	4%	4%	3%

**CITY OF BURLINGAME, CALIFORNIA**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS (Continued)**  
**LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 11,469	\$ 12,198	\$ 12,798	\$ 12,209	\$ 13,310
9,231	9,459	8,251	6,276	8,041
10,355	11,264	10,155	10,342	13,404
1,900	1,981	2,012	2,159	2,416
967	1,221	298	92	97
1,184	1,178	1,298	467	1,025
1,491	1,677	959	694	803
190	122	83	108	148
1,515	1,829	1,898	1,506	1,500
4,145	3,797	3,986	3,955	3,618
577	319	824	1,146	662
777	823	877	2,990	3,347
<u>43,801</u>	<u>45,868</u>	<u>43,439</u>	<u>41,944</u>	<u>48,371</u>
4,686	4,987	5,111	4,842	5,458
16,550	18,846	19,097	18,830	17,378
6,204	4,723	6,839	7,231	5,713
780	1,697	890	780	731
8,784	9,505	10,319	8,500	8,620
306	304	318	130	139
-	-	-	-	17
1,456	6,680	1,269	5,028	4,023
2,405	2,547	2,138	2,212	7,526
2,297	1,543	2,104	1,922	2,425
<u>43,468</u>	<u>50,832</u>	<u>48,085</u>	<u>49,475</u>	<u>52,030</u>
<u>333</u>	<u>(4,964)</u>	<u>(4,646)</u>	<u>(7,531)</u>	<u>(3,659)</u>
16,935	15,532	17,398	16,797	26,312
(16,471)	(7,605)	(16,418)	(6,861)	(25,029)
32,975	-	-	-	-
(32,393)	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	20,300
-	-	-	-	(305)
<u>1,046</u>	<u>7,927</u>	<u>980</u>	<u>9,936</u>	<u>21,278</u>
<u>\$ 1,379</u>	<u>\$ 2,963</u>	<u>\$ (3,666)</u>	<u>\$ 2,405</u>	<u>\$ 17,619</u>
11%	9%	9%	9%	21%

**CITY OF BURLINGAME, CALIFORNIA  
ASSESSED VALUES OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b>Category</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
Residential	\$ 2,745,980,210	\$ 2,933,705,123	\$ 3,192,699,192	\$ 3,460,465,971
Commercial	932,963,400	960,807,581	890,698,125	951,146,122
Industrial	280,424,241	295,300,670	305,433,159	304,397,652
Government	1,498,065	1,528,024	1,558,582	1,587,678
Institutional	22,309,492	29,465,409	30,448,555	30,439,591
Miscellaneous	2,080,762	2,122,372	2,164,816	2,205,229
Recreational	10,341,077	10,533,997	10,737,135	11,316,394
Vacant Land	139,462,689	110,324,152	88,831,363	88,019,922
SBE Nonunitary	1,226,620	1,180,967	1,348,677	1,682,882
Unsecured	334,964,319	318,366,279	293,708,468	293,279,512
Unknown	-	-	-	-
<b>TOTALS</b>	<b>\$ 4,471,250,875</b>	<b>\$ 4,663,334,574</b>	<b>\$ 4,817,628,072</b>	<b>\$ 5,144,540,953</b>
<b>Total Direct Rate</b>	<b>1.0402</b>	<b>1.0486</b>	<b>1.0471</b>	<b>1.0475</b>

Source: San Mateo County Assessor 2000/01 - 2010/11 Combined Tax Rolls

Notes:

Exempt values are not included in the total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

**CITY OF BURLINGAME, CALIFORNIA  
ASSESSED VALUES OF TAXABLE PROPERTY (Continued)  
LAST TEN FISCAL YEARS**

<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
\$ 3,768,862,689	\$ 4,092,575,618	\$ 4,423,442,635	\$ 4,752,146,688	\$ 4,919,338,207	\$ 4,971,745,975
1,050,922,639	1,111,613,900	1,218,274,542	1,199,478,175	1,230,658,965	1,234,655,169
340,313,166	367,137,642	386,532,903	403,343,837	417,397,081	450,526,896
1,619,429	1,651,816	1,684,851	1,718,546	1,752,914	477,622
30,906,932	31,826,071	32,449,526	27,466,494	23,302,586	51,559,497
2,249,331	2,294,312	2,340,192	2,386,992	2,430,829	47,625,930
11,499,783	12,299,913	12,527,505	20,570,100	21,085,577	21,392,656
10,209,748	11,497,891	10,038,189	43,750,096	46,892,067	50,379,786
1,569,728	1,290,599	3,837,425	3,837,425	3,837,425	3,680,597
272,414,954	324,100,493	291,377,516	300,758,515	299,902,769	447,177,839
-	4,241,980	2,345,079	6,570,105	-	-
<b>\$ 5,490,568,399</b>	<b>\$ 5,960,548,235</b>	<b>\$ 6,384,850,363</b>	<b>\$ 6,762,026,973</b>	<b>\$ 6,966,598,420</b>	<b>\$ 7,279,221,967</b>
1.0443	1.0523	1.0523	1.0931	1.1775	1.1838

**CITY OF BURLINGAME, CALIFORNIA  
NET TAXABLE ASSESSED VALUE HISTORY  
LAST TEN FISCAL YEARS**

**TAXABLE PROPERTY VALUES**

<b>LIEN YEAR</b>	<b>SECURED</b>	<b>UNSECURED</b>	<b>SBE NONUNITARY</b>	<b>NET TOTAL ASSESSED VALUE</b>	<b>% CHANGE</b>
2001/02	\$ 4,135,059,976	\$ 334,964,319	\$ 1,226,620	\$ 4,471,250,915	9.25%
2002/03	4,343,787,328	318,366,279	1,180,967	4,663,334,574	4.30%
2003/04	4,522,570,927	293,708,468	1,348,677	4,817,628,072	3.31%
2004/05	4,849,578,559	293,279,512	1,682,882	5,144,540,953	6.79%
2005/06	5,216,583,717	272,414,954	1,569,728	5,490,568,399	6.73%
2006/07	5,635,157,143	324,100,493	1,290,599	5,960,548,235	8.56%
2007/08	6,089,635,422	291,377,516	3,837,425	6,384,850,363	7.12%
2008/09	6,457,431,033	300,758,515	3,837,425	6,762,026,973	5.91%
2009/10	6,662,858,226	299,902,769	3,837,425	6,966,598,420	3.03%
2010/11	6,733,012,764	274,429,627	3,680,597	7,011,122,988	0.64%

Source: San Mateo County Assessor 2001/02 - 2010/11 combined tax rolls



**CITY OF BURLINGAME, CALIFORNIA  
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(PER \$100 OF ASSESSED VALUE)**

Fiscal Year	General County, City, and Schools (1)(2)	DEBT AND/OR SPECIAL ASSESSMENTS						Total Tax Rate
		City	County	Peninsula Hospital	Community College District	Elementary School District	High School District	
	\$	\$	\$	\$	\$	\$	\$	\$
2002	1.0000	0.0000	0.0000	0.0000	0.0000	0.0249	0.0153	1.0402
2003	1.0000	0.0000	0.0000	0.0000	0.0079	0.0242	0.0165	1.0486
2004	1.0000	0.0000	0.0000	0.0000	0.0065	0.0245	0.0161	1.0471
2005	1.0000	0.0000	0.0000	0.0000	0.0065	0.0236	0.0174	1.0475
2006	1.0000	0.0000	0.0000	0.0000	0.0065	0.0204	0.0174	1.0443
2007	1.0000	0.0000	0.0000	0.0000	0.0184	0.0183	0.0156	1.0523
2008	1.0000	0.0000	0.0000	0.0000	0.0171	0.0197	0.0150	1.0518
2009	1.0000	0.0000	0.0000	0.0000	0.0165	0.0468	0.0298	1.0931
2010	1.0000	0.0000	0.0000	0.0000	0.0182	0.1274	0.0319	1.1775
2011	1.0000	0.0000	0.0000	0.0000	0.0193	0.1323	0.0322	1.1838
City's Share of 1% Levy Per Proposition 13 (3)								0.1707
General Obligation Debt Rate								0.0000
Redevelopment Rate (4)								0.0000
Total Direct Rate								0.1452

**Note:**

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(3) City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. Educational Revenue Augmentation Fund (ERAF) general fund tax shifts may not be included in tax ratio figures.

(4) RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The Burlingame Redevelopment Agency is currently inactive.

Source: San Mateo County Assessor 2010/11 Tax Rate Table

**CITY OF BURLINGAME, CALIFORNIA  
TOP TEN PROPERTY TAXPAYERS  
JUNE 30, 2011  
(AMOUNTS EXPRESSED IN THOUSANDS)**

Taxpayer	2011			2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
HMC Burlingame Hotel LLC	\$ 161,929,053	1	2.32%	\$ 85,728,207	2	1.23%
Bay Park Plaza Associates	97,942,440	2	1.41%	113,619,400	1	1.63%
HMH SFO Inc.	66,326,266	3	0.95%	66,000,000	3	0.95%
One Bay Plaza Associates LLC	51,000,000	4	0.73%	45,390		0.00%
Glenborough Properties LP	43,000,000	5	0.00%			0.00%
Felcor CCS Holdings LP 9520	40,577,900	6	0.58%	46,346,855	5	0.67%
Airport Blvd. Hotel LLC	25,955,375	7	0.37%	27,972		0.00%
Northpark Properties	25,546,792	8	0.37%	34,902,698	6	0.50%
Harbour View Hotels, Inc	23,994,329	9	0.34%	29,007,871	7	0.42%
California Teachers Association	22,100,923	10	0.00%			0.00%
Steller Skyline LLC			0.00%	46,591,777	4	0.67%
Pauls Rollins Road LLC			0.00%	27,050,400	8	0.39%
350 Beach Road LLC			0.00%	26,530,200	9	0.38%
Public Storage			0.00%	25,513,060	10	0.37%
CRP BAHP SFO			0.00%	32,561		0.00%
Guittard Chocolate Company			0.00%			0.00%
	<b>\$ 558,373,078</b>		<b>4.76%</b>	<b>\$ 501,396,391</b>		<b>5.97%</b>

(1) 2010-11 Local Secured Assessed Valuation \$ 6,966,598,420

Source: San Mateo County Assessor, HDL Coren & Cone

**CITY OF BURLINGAME, CALIFORNIA  
PROPERTY TAX LEVIES AND COLLECTIONS\*  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy	Transfer to Educational Revenue Augment. Fund (1)	County Administrative Charge (2)	Net Tax Levy to City	Current Tax Collections	Percent of Current Tax Collections to Net Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2002	\$ 7,573,586	\$ (1,120,539)	\$ (83,483)	\$ 6,369,564	\$ 6,838,110	107%	\$ 7,572	\$ 6,845,682	107.47%
2003	7,726,711	(1,169,618)	(69,986)	6,487,107	6,815,623	105%	29,184	6,844,807	105.51%
2004	7,988,685	(1,209,268)	(65,192)	6,714,225	7,384,578	110%	14,877	7,399,455	110.21%
2005	8,539,731	(1,292,708)	(73,432)	7,173,591	8,596,528	120%	17,028	8,613,556	120.07%
2006	9,141,651	(1,385,785)	(67,016)	7,688,850	9,278,777	121%	23,570	9,302,347	120.98%
2007	9,939,398	(1,504,653)	(95,293)	8,339,452	8,799,467	106%	(17,992)	8,781,475	105.30%
2008	10,661,563	(1,614,041)	(98,200)	8,949,322	9,371,585	105%	15,146	9,386,731	104.89%
2009	11,304,881	(1,711,368)	(106,082)	9,487,431	9,730,358	103%	20,349	9,750,707	102.77%
2010	11,653,813	(1,764,250)	(105,431)	9,784,132	8,840,920	90%	13,545	8,854,465	90.50%
2011	11,729,356	(1,775,717)	(108,024)	9,845,615	10,050,908	102%	(87)	10,050,821	102.08%

Notes:

(1) The Educational Revenue Augmentation Fund was established by State law to reallocate property tax revenue from the City, County, and some districts to school districts.

(2) The County of San Mateo levies an administrative charge pursuant to state law to recover costs of collection and distribution of property taxes to local agencies.

(3) In fiscal year 2009-10, as part of the State of California's budget balancing actions, the State borrowed \$1,145,268 of the City's property tax revenue, with the promise to repay the Proposition 1A loan in three years with 2% interest.

Source: San Mateo County Controller's Office; Audited City financial records - general fund

**CITY OF BURLINGAME, CALIFORNIA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
(ACCRUAL BASIS OF ACCOUNTING)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Transient Occupancy Tax</u>	<u>Other Taxes</u>	<u>Inter- governmental Revenues</u>	<u>Total</u>
2002	\$ 6,846	\$ 9,177	\$ 7,698	\$ 1,517	\$ 1,967	\$ 27,205
2003	6,845	8,095	6,680	1,490	4,006	27,116
2004	7,399	8,834	7,299	1,728	3,072	28,332
2005	9,360	8,508	8,066	1,861	1,996	29,791
2006	10,390	8,806	9,273	2,204	1,041	31,714
2007	11,469	9,231	10,356	1,523	567	33,146
2008	12,198	9,459	11,265	1,981	505	35,408
2009	12,798	8,251	10,155	2,095	1,898	35,197
2010	12,209	6,276	10,342	2,264	1,506	32,597
2011	13,310	8,041	13,404	2,070	2,966	39,791

Source: Audited City financial records - Statement of Activities

**CITY OF BURLINGAME, CALIFORNIA  
GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(AMOUNTS EXPRESSED IN THOUSANDS)**

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Other Taxes	Inter- governmental Revenues	Total
2002	\$ 6,846	\$ 9,177	\$ 7,698	\$ 1,517	\$ 1,967	\$ 27,205
2003	6,845	8,095	6,680	1,490	4,006	27,116
2004	7,399	8,834	7,299	1,728	3,072	28,332
2005	9,360	8,508	8,066	1,861	1,996	29,791
2006	10,390	8,806	9,273	2,204	1,041	31,714
2007	11,469	9,231	10,356	1,523	567	33,146
2008	12,198	9,459	11,265	1,981	505	35,408
2009	12,798	8,251	10,155	2,095	1,898	35,197
2010	12,209	6,276	10,342	2,264	1,506	32,597
2011	13,310	8,041	13,404	3,536	1,500	39,791

Source: Audited City financial records - general fund

**CITY OF BURLINGAME, CALIFORNIA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Lease Revenue Bond	Storm Drainage	Pension Obligation Bonds	Lease Purchase	Sewer Bonds	Water Bonds and Loans			
2002	\$ 15,380,000	\$ -	\$ -	\$ -	\$ 17,315,000	\$ 4,090,694	\$ 36,785,694	2.92%	\$ 1,301
2003	14,727,500	-	-	-	19,081,250	9,311,250	43,120,000	3.32%	1,530
2004	14,045,000	-	-	-	24,532,500	22,577,500	61,155,000	4.41%	2,171
2005	13,613,386	-	-	-	29,234,189	21,775,826	64,623,401	4.38%	2,293
2006	12,792,946	-	-	-	30,920,099	21,304,310	65,017,355	4.04%	2,299
2007	11,950,007	-	31,395,000	-	41,192,796	34,268,223	118,806,026	6.96%	4,176
2008	11,082,068	-	30,280,000	-	39,106,563	33,188,846	113,657,477	6.51%	3,952
2009	10,186,629	-	29,020,000	-	36,984,561	32,353,546	108,544,736	6.38%	3,736
2010	9,280,834	-	27,605,000	-	36,064,336	32,110,553	105,060,723	8.24%	3,581
2011	11,555,000	9,805,000	26,010,000	1,500,000	33,125,227	27,598,579	109,593,806	8.60%	3,735

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

(1) See the schedule of Demographic and Economic Statistics for personal income and per capita data. Data not available for 2011. In order to present a useful estimate, personal income data for 2010 has been used.

**CITY OF BURLINGAME, CALIFORNIA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2002	\$ -	\$ -	\$ -	0.00%	\$ -
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2010	-	-	-	0.00%	-
2011	-	-	-	0.00%	-

Note: The City has had no general bonded debt the last ten years.

**CITY OF BURLINGAME, CALIFORNIA  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT\*  
JUNE 30, 2011**

2010-11 Assessed Valuation\*\* : \$ 7,011,122,988

	<b>Total Debt June 30, 2011</b>	<b>Percent Applicable (1)</b>	<b>City's share of Debt June 30, 2011</b>
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
San Mateo Community College District	\$ 613,779,994	5.491%	\$ 33,702,659
San Mateo Union High School District	300,047,257	15.982%	47,953,553
Burlingame Elementary School District	59,447,486	94.266%	56,038,767
Hillsborough School District	59,111,434	0.104%	61,476
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b><u>\$ 1,032,386,171</u></b>		<b><u>\$ 137,756,455</u></b>
<b><u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u></b>			
San Mateo County General Fund Obligations	\$ 337,584,816	5.491%	\$ 18,536,782
San Mateo County Board of Education Certificates of Participation	12,420,000	5.491%	681,982
San Mateo Union High School District Certificates of Participation	65,946,236	15.982%	10,539,527
<b>City of Burlingame Water and Wastewater Lease Revenue Bonds</b>	<b>13,180,000</b>	<b>100.000%</b>	<b>13,180,000</b>
<b>City of Burlingame Lease Revenue Bonds</b>	<b><u>26,010,000</u></b>	<b>100.000%</b>	<b><u>26,010,000</u></b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT</b>	<b>\$ 455,141,052</b>		<b>\$ 68,948,292</b>
<b>Less: City of Burlingame Water and Wastewater Lease Revenue Bonds (100% Self Supporting)</b>			<b><u>5,727,500</u></b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>\$ 63,220,792</b>
<b>GROSS COMBINED TOTAL DEBT</b>			<b>\$ 206,704,747</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 200,977,247</b>

**Ratios to 2010-11 Assessed Valuation:**

Gross Combined Direct (\$39,190,000).....	0.56%	* Source: California Municipal Statistics, Inc.
Net Combined Direct Debt (\$33,462,500).....	0.48%	** Total assessed valuation less other exemptions
Gross Combined Total Debt .....	2.95%	
Net Combined Total Debt .....	2.87%	

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

Source: California Municipal Statistics

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Burlingame. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

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

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



**CITY OF BURLINGAME, CALIFORNIA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 664,816	\$ 693,884	\$ 722,620	\$ 766,012	\$ 780,344	\$ 888,627	\$ 239,432	\$ 253,576	\$ 261,247	\$ 262,917
Total net debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 16,265</u>	<u>\$ 693,884</u>	<u>\$ 722,620</u>	<u>\$ 766,012</u>	<u>\$ 780,344</u>	<u>\$ 888,627</u>	<u>\$ 239,432</u>	<u>\$ 253,576</u>	<u>\$ 261,247</u>	<u>\$ 262,917</u>
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Legal Debt Margin Calculation for Fiscal Year 2011

Gross Assessed Valuation	\$ 7,011,122,988
Debt Margin Ratio (1)	0.0375
Debt Margin	262,917,112
Less: Outstanding Debt	<u>\$ -</u>
Debt limit	<u><u>\$ 262,917,112</u></u>

(1) California Government, Code Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% (one-fourth the limit of 15%).

**CITY OF BURLINGAME, CALIFORNIA  
PLEDGED REVENUE COVERAGE  
LAST EIGHT FISCAL YEARS**

Fiscal Year	Water Revenue Bonds					
		Less:	Net			
	Water Charges	Operating Expenses	Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 7,167,578	\$ 5,245,604	\$ 1,921,974	\$ 110,000	\$ 272,767	5.02
2005	8,095,556	5,148,300	2,947,256	480,000	767,585	2.36
2006	8,726,049	5,348,313	3,377,736	520,000	727,618	2.71
2007	10,131,904	6,132,961	3,998,943	540,000	714,618	3.19
2008	11,119,428	6,426,513	4,692,915	940,000	1,264,786	2.13
2009	11,800,380	6,801,139	4,999,241	950,000	1,254,174	2.27
2010	11,515,884	6,874,120	4,641,764	950,000	1,249,996	2.11
2011	12,734,554	7,747,436	4,987,118	975,000	1,218,998	2.27

Fiscal Year	Wastewater Revenue Bonds			Debt Service		Coverage
	Wastewater Charges	Less:	Net	Principal	Interest	
		Operating Expenses	Available Revenue			
2004	\$ 8,951,605	\$ 5,274,458	\$ 3,677,147	\$ 60,000	\$ 144,653	17.97
2005	8,253,434	4,985,317	3,268,117	250,000	396,656	5.05
2006	9,584,286	5,852,880	3,731,406	270,000	373,090	5.80
2007	10,663,634	5,972,961	4,690,673	275,000	366,340	7.31
2008	11,591,922	5,997,898	5,594,024	778,684	1,094,019	2.99
2009	12,466,935	6,763,470	5,703,465	797,258	1,112,615	2.99
2010	12,534,507	6,578,950	5,955,557	822,841	1,102,540	3.09
2011	14,566,587	6,927,346	7,639,241	1,930,000	936,823	2.66

Source: City financial statements

Notes:

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

Operating expenses do not include interest, depreciation or amortization expenses.

The City did not have any revenue bond debt service prior to fiscal year 2003-04.

**CITY OF BURLINGAME, CALIFORNIA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Calendar Year	Population (1)	Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2002	28,278	\$ 1,257,966	\$ 44,486	-	4.1%
2003	28,179	1,297,177	46,031	3,711	4.2%
2004	28,168	1,387,298	49,251	3,731	3.5%
2005	28,180	1,475,381	52,356	3,724	3.1%
2006	28,277	1,610,910	56,969	3,731	2.6%
2007	28,453	1,708,173	60,035	3,791	2.7%
2008	28,762	1,747,107	60,744	3,606	3.5%
2009	29,050	1,700,088	58,523	3,895	6.2%
2010	29,342	1,274,382	43,432	3,887	9.2%
2011 (5)	N/A	N/A	N/A	N/A	6.5%

Sources:

(1) California State Department of Finance

(2) Income Data: ESRI provided by HDL, Coren & Cone

(3) Burlingame Elementary School District; Burlingame High School

(4) State of California Employment Development Department for San Mateo County

(5) Data for calendar year 2011 is not available as of date of report issuance, but will be reported in future years.

**CITY OF BURLINGAME, CALIFORNIA  
PRINCIPAL EMPLOYERS  
LAST THREE YEARS (HISTORICAL DATA NOT AVAILABLE)**

Employer	2011		
	Employee (1)	Rank	Percentage of Total City Employment
Virgin America, Inc	2,056	1	
Wright Medical Technology Inc	1,200	2	
United Natural Foods	555	3	
Critchfield Mechanical, Inc	517	4	
California Teachers Association	500	5	
Getinge USA	500	6	
Wine Warehouse	483	7	
Hyatt Regency San Francisco Airport	467	8	
Berkeley Farms	463	9	
ECC Remediation Services Corp.	460	10	
Mills Peninsula Health Svc			
Burlingame Millbrae Yellow Cab			
SF Airport Marriott			
COIT Services			
American Medical Response			
Burlingame Elementary School District			
Classic Party Rentals			
Lahlouh Inc.			
PR O Unlimited			
ECC Remediation Services Corp.			
LSG/Sky Chefs Inc.			
Goldberg & Solovy Foods, Inc			
Flying Food Group			
Harrington Industrial Plastics			
Guittard Chocolate Co.			
American Medical Response			

Sources: City of Burlingame Business License Data

**CITY OF BURLINGAME, CALIFORNIA  
PRINCIPAL EMPLOYERS (Continued)  
LAST THREE YEARS (HISTORICAL DATA NOT AVAILABLE)**

2010			2009		
Employee (1)	Rank	Percentage of Total City Employment	Employee (1)	Rank	Percentage of Total City Employment
			257	7	1.66%
			371	4	2.40%
550	4	2.02%	467	2	3.02%
2,000	1	7.36%			
800	2	2.94%			
600	3	2.21%	350	5	2.27%
400	5	1.47%			
300	6	1.10%			
270	7	0.99%			
250	8	0.92%	521	1	3.37%
250	9	0.92%	218	10	1.41%
250	10	0.92%			
			460	3	2.98%
			281	6	1.82%
			244	8	1.58%
			236	9	1.53%



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

**CITY OF BURLINGAME, CALIFORNIA  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	20.23	22.34	19.09	18.13	18.13	19.13	19.13	19.13	19.00	18.00
Public safety										
Police:										
Officers	50.00	50.00	43.00	43.00	42.00	42.00	42.00	42.00	39.00	37.00
Civilians	21.00	21.50	20.50	20.75	20.00	20.00	20.00	20.00	19.00	19.00
Fire:										
Firefighters and officers	50.00	50.00	45.60	44.00	44.00	44.00	44.00	44.00	43.00	43.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.75	1.75	1.75	1.75
Public works	29.63	38.00	35.05	34.55	27.74	25.30	24.80	24.80	27.55	56.76
Community development	13.50	13.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00	10.00
Leisure and culture	60.40	65.13	58.26	54.53	54.02	55.14	55.42	55.42	52.29	50.39
Water	14.00	14.60	14.60	14.00	14.78	16.75	16.75	16.75	17.00	17.09
Sewer	12.59	12.00	12.00	11.00	12.78	14.50	14.75	14.75	15.00	15.08

Source: City budget document

**CITY OF BURLINGAME, CALIFORNIA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

	(1) 2002	2003	2004	2005
<b>Function</b>				
Police				
Calls for service		24,133	21,931	21,520
Physical arrests		551	553	548
Crimes reported		2,492	2,347	2,399
Traffic violations		3,075	2,996	1,384
Fire				
Number of calls answered		-	- (2)	1,880
Inspections		-	- (2)	1,681
Public works				
Street repair (sq. ft.)		12,524	14,000	8,000
Sidewalk and curb repair (sq. ft.)		6,907	9,169	5,992
City planning				
Plans checked		592	518	518
Planning applications reviewed		135	125	121
Leisure and culture				
Recreation class participants		16,227	16,111	15,651
Library circulation		455,471	535,616	607,878
Tree plantings		213	165	240
Tree trimmings		1,173	1,041	1,307
Water				
New connections		260	390	356
Main and valve repairs		87	89	10
Millions of gallons purchased (millions of gallons)		1,529	1,746	1,650
Wastewater				
Average daily sewage treatment (millions of gallons)		4.10	4.10	4.12
Preventive maintenance, main cleaning (feet)		266,386	440,882	347,355

Source: Various city department records.

(1) Started tracking by function with the implementation of GASB Statement No. 34 in 2003.

(2) For nine months in 2005. Central County Fire began July 1, 2004.



**CITY OF BURLINGAME, CALIFORNIA  
OPERATING INDICATORS BY FUNCTION (Continued)  
LAST TEN FISCAL YEARS**

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
22,825	26,275	30,337	28,481	29,124	30,865
602	537	541	343	438	348
2,476	2,155	2,053	2,296	1,797	1,516
2,438	2,893	4,128	6,354	5,255	3,683
4,306	4,233	4,374	4,205	4,267	4,152
1,725	2,259	2,089	1,299	1,414	987
12,000	17,204	15,000	15,529	10,000	752,270
4,800	5,618	6,000	8,278	4,000	5,468
547	560	548	500	364	355
127	144	140	187	131	58
17,927	15,914	n/a	14,462	15,500	15,000
624,000	599,833	600,000	698,558	713,394	696,096
266	334	229	466	222	205
1,532	1,350	1,574	1,576	1,831	1,093
273	4	8	17	50	37
14	20	20	61	15	19
1,635	1,652	1,700	1,561	1,600	1,474
4.50	4.50	4.10	3.82	3.30	3.59
389,490	314,497	385,293	450,937	450,000	404,488

**CITY OF BURLINGAME, CALIFORNIA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

	(1) <u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Function</b>				
Public safety				
Police:				
Stations		1	1	1
Parking lots		23	23	23
Fire stations		3	3	3
Public works				
Streets (miles)		152	152	152
Streetlights		1,700	1,700	1,700
Traffic signals		16	16	16
Culture and recreation				
Parks acreage		96	96	96
Parks		13	13	13
Swimming pools		1	1	1
Tennis courts		8	8	8
Community centers		1	1	1
Baseball/softball fields		9	9	9
Golf range		1	1	1
Water				
Water mains (miles)		94	94	94
Fire hydrants		822	822	822
Maximum daily capacity (thousands of gallons)		2,850	2,850	2,850
Sewer				
Sanitary sewers (miles)		84	84	84
Storm sewers (miles)		38.1	38.1	38.6
Maximum daily treatment capacity (thousands of gallons)		4,100	4,100	4,100
Storm drain pump station		5	5	5

Source: Various city department records

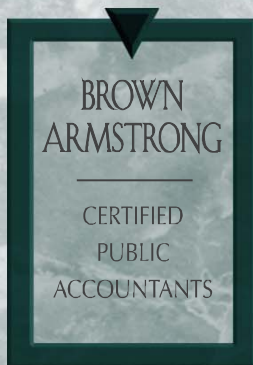
(1) Started keeping track with the implementation of GASB Statement No. 34 in 2003.

**CITY OF BURLINGAME, CALIFORNIA  
CAPITAL ASSET STATISTICS BY FUNCTION (Continued)  
LAST TEN FISCAL YEARS**

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1	1	1
23	23	23	23	23	23
3	3	3	3	3	3
152	152	152	152	152	152
1,700	1,700	1,700	1,700	1,700	1,700
16	16	16	16	16	16
96	96	96	96	96	96
13	13	13	13	13	13
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
9	9	9	9	9	9
1	1	1	1	1	1
94	94	94	94	94	94
822	822	822	822	822	822
2,850	2,850	2,850	2,850	2,850	2,850
84	84	84	84	84	84
38.6	38.6	38.6	38.6	38.6	38.6
4,100	4,100	4,100	4,100	4,100	4,100
5	5	5	5	5	5



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2011



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of City Council  
of the City of Burlingame  
City of Burlingame, California

### **MAIN OFFICE**

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PASADENA, CALIFORNIA 91101  
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We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Burlingame, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

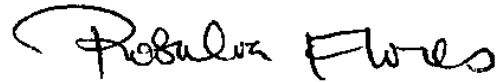


REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

We noted certain matters that we reported to management of the City in a separate letter dated January 27, 2012.

This report is intended solely for the information and use of management, the City Council, Mayor, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Ruben Flores". The signature is written in a cursive, flowing style with a large initial 'R'.

Bakersfield, California  
January 27, 2012