



City of Burlingame

Burlingame, California



A great place to live, work, and play

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

City of Burlingame, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2012

**Prepared by
City of Burlingame Finance Department**

**CITY OF BURLINGAME, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2012**

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INTRODUCTORY SECTION



Comprehensive Annual Financial Report

June 30, 2012



Burlingame Finance Department
501 Primrose Road Burlingame, CA 94010-3997
650-558-7200 Fax: 650-342-8386 www.burlingame.org

December 21, 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 (City) for the fiscal year ended June 30, 2012. This financial report contains a complete set of audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government 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. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the CAFR information is accurate in all material aspects. 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 performed the audit for fiscal year ended June 30, 2012. The independent auditor's report on the general purpose financial statements is included in the financial section of this report 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, 2012, 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, 2012, two 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 city council selects a mayor and vice-mayor from its members annually. A city manager is appointed by the city council and serves as the chief executive officer. The city manager is responsible for all municipal functions. A city attorney is appointed by the city 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 city council and City. In November 2009,

the voters approved a ballot measure changing the city clerk to an appointed position; therefore effective November 2013 the position will become a city council appointment. The City's 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 approximately 195 full-time employees. 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. According to the State Department of Finance, the population for the City of Burlingame was 29,106 a .75% increase from 2011.

The State's finance department also reports that Burlingame has 13,025 housing units within the City limits, and approximately fifty-one percent are owner-occupied. According to Dataquick News the median price of homes sold in Burlingame during October 2012 was \$1,450,000 with a volume of 52 homes sold. This is a 16.47% change year-to-year in the median home sales price. For San Mateo County, in the same month, 717 homes were sold with a median value of \$630,000, a 14.55% change from October 2011.

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.

Long-term financial planning has been enhanced and is formal part of the City's long range financial management process. A five-year budget forecast has been developed and was instrumental in projecting future revenues and expenditures and to facilitate current resource allocation decisions. In addition, the City's capital facilities plan will continue to guide the 5-year capital program and budget.

The budget process starts in January. The City prepares a five-year forecast of capital needs and prepares the five-year capital program. Staff prepares a short-term forecast of future expenditures including pay, benefits and other known expenses. 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 city council in May. The city 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 the City of Burlingame continues to improve and for the short-term, low-to-moderate revenue growth in the general fund can be anticipated. As the Great Recession begins to subside key components of the continued recovery are employment and real estate.

Employment

Locally, unemployment in San Mateo County remains comparatively low when contrasted to other areas of the State. As of the end of fiscal year 2012, the State of California Employment Development Department reported an unemployment rate of 6.4% for San Mateo County and 9.8% for the State of California. According to the UCLA Anderson Forecast, “statewide employment is expected to grow 1.3% in 2013 and 2.4% in 2014. Payrolls will grow at 1.4% and 2.2% in the respective forecast years. Real personal income growth is forecast to be 1.8% in 2013 followed by 3.1% in 2014. Unemployment will fall through 2013 and will average approximately 9.7% for the year. In 2014 it is expected that the unemployment rate will drop to 8.4% on average, a percent higher than the U.S. forecast.”

Real Estate

In the most recent report, the San Mateo County Assessor indicated that 2012-13 Property Assessment Roll increased 3.33%, which represents an increase of over \$4.75 billion in Assessed Property Value as compared with last year’s roll. This increase recaptures a portion of the assessed value that was lost in prior years with fiscal year 2012 net Property Assessment Roll in San Mateo County totaling \$147.3 billion. The unsecured portion of the assessment roll, which includes the assessed value of Business Property and Air Transportation Property at the SFO, increased by 5.46%; this also reflects improvements in local business conditions. Although this is welcome news, there are sharp contrasts among cities within the County. Atherton posted a 9.05% increase while East Palo Alto reflects a 2.51% decrease.

Property Taxes

The City of Burlingame has 8,626 parcels according to the fiscal year 2012-13 report, with a total assessed value of \$7.12 billion, an increase of \$317.1 million from 2011-12. The State Department of Finance has estimated that Burlingame has 13,025 housing units within the City limits and approximately 51.0% are owner occupied. The total assessed value subject to taxes increased by 4.6% in 2012. Property tax, which is based on assessed value, is one of the City’s largest revenue sources and it accounts for approximately 25.7% of general fund revenue. In fiscal year 2011-12 property tax revenues were \$13.7 million an increase of 2.6% from the prior year.

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 community that is 100% residential. Therefore, in most cases, Burlingame businesses have the opportunity serve the commercial needs of Hillsborough residents, and benefit from the additional disposable income from our neighboring communities. 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 upscale restaurants and businesses 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. This area will be further enhanced by the Burlingame Avenue Streetscape Improvement Project, scheduled for 2012-13, which will provide an update to sidewalks, parking, street lights, and landscaping in downtown Burlingame.

Sales and use taxes account for 18% of general fund revenue in FY12. The Top 25 sales tax producers in Burlingame account for over 50% of total sales tax revenue, and include several auto dealers, hotels, general merchandise stores and restaurants. In recent years, sales and use tax revenues have been impacted by the economic downturn. From 2008 to 2010, sales and use tax receipts were trending downward. In 2011 revenues showed signs of returning to pre-recession levels and for fiscal year 2012 this trend has continued. Sales and Use Tax revenues were \$8.5 million a 5.6% increase over the prior year.

Tourism and Business Travel

Burlingame's 13 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO) and a total of approximately 3,742 rooms available for rental. As the City's largest revenue source, transient occupancy tax revenues account for 35% of all general fund revenues, and grew 21% compared to the prior year. Tax receipts increased by \$2.8 million over prior year revenues of \$13.4 million. Hotel occupancy rates are indicative of continued improvement in the economy. Occupancy rates trended at 80% or more levels with average revenue per available room increasing approximately 20% in the San Francisco-San Mateo-Marin region based on 11 months of calendar year 2011 data compared with same period prior year. Although hotel occupancy rates declined significantly in fiscal years 2010 and 2011, fiscal year 2012 performance reflects a return to 2001 and 2002 levels prior to the recessionary impacts felt in the preceding 2 years.

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, and 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 city 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 has implemented and is in compliance with Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Debt Administration: The City has an AA underlying general obligation credit rating and an AA+ rating for its water and wastewater debt as issued by Standard & Poor's Rating Service. Both ratings have been re-affirmed. The Burlingame Financing Authority has seven outstanding bond issues. City debt also includes two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant and a taxable bond issue for pension obligations. During the year, the Burlingame Financing Authority issued the Water and Wastewater Refunding Bonds, Series 2011 in November 2011 to defease the Water and Wastewater Revenue Bonds, Series 2003 in order to take advantage of savings from declining interest rates. The City also made the final debt service payment on the Lease Revenue Bonds, Series 1998 which matured in October 2011. In addition, the City also entered into a low-interest loan with the California Energy Commission to finance energy efficiency upgrades to City-owned streetlights.

The City has no general obligation debt. As of June 30, 2012, the City's general obligation debt limit was \$295 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.

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, 2011. The City has received the award for twelve consecutive years. 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

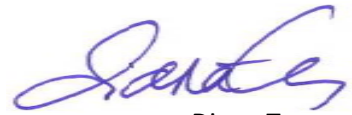
Special thanks go to Diana Truong, Financial Services Manager and Amy Bernardo, General Ledger Accountant, and the other members of the Finance Department Staff. All have devoted long hours to the audit and the completion of the annual financial report. It has been a difficult period of transition for staff and their efforts and dedication are truly appreciated.

Thanks also go to the City Council and the members of the City Council Audit Committee for their review of the City CAFR. The City 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.

Respectfully submitted,



Carl Yeats
Interim Finance Director



Diana Truong
Financial Services Manager

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, 2011

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



Christopher P. Moynell

President

Jeffrey R. Enev

Executive Director



**CITY OF BURLINGAME, CALIFORNIA
ELECTED AND APPOINTED OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2012**

CITY COUNCIL

Jerry Deal, Mayor	November 2015
Ann Keighran, Vice Mayor	November 2013
Terry Nagel.....	November 2015
Cathy Baylock.....	November 2013
Michael Brownrigg.....	November 2013

INTERIM CITY MANAGER

James Nantell

DEPARTMENT DIRECTORS

Community Development.....	William Meeker
Finance Director & Treasurer.....	Jesús Nava
Central County Fire (JPA) Chief	Don Dornell
Human Resources	Deirdre Dolan
Library	Pat Harding
Parks & Recreation.....	Margaret Glomstad
Police.....	Edward Wood
Public Works	Syed Murtuza

CITY CLERK

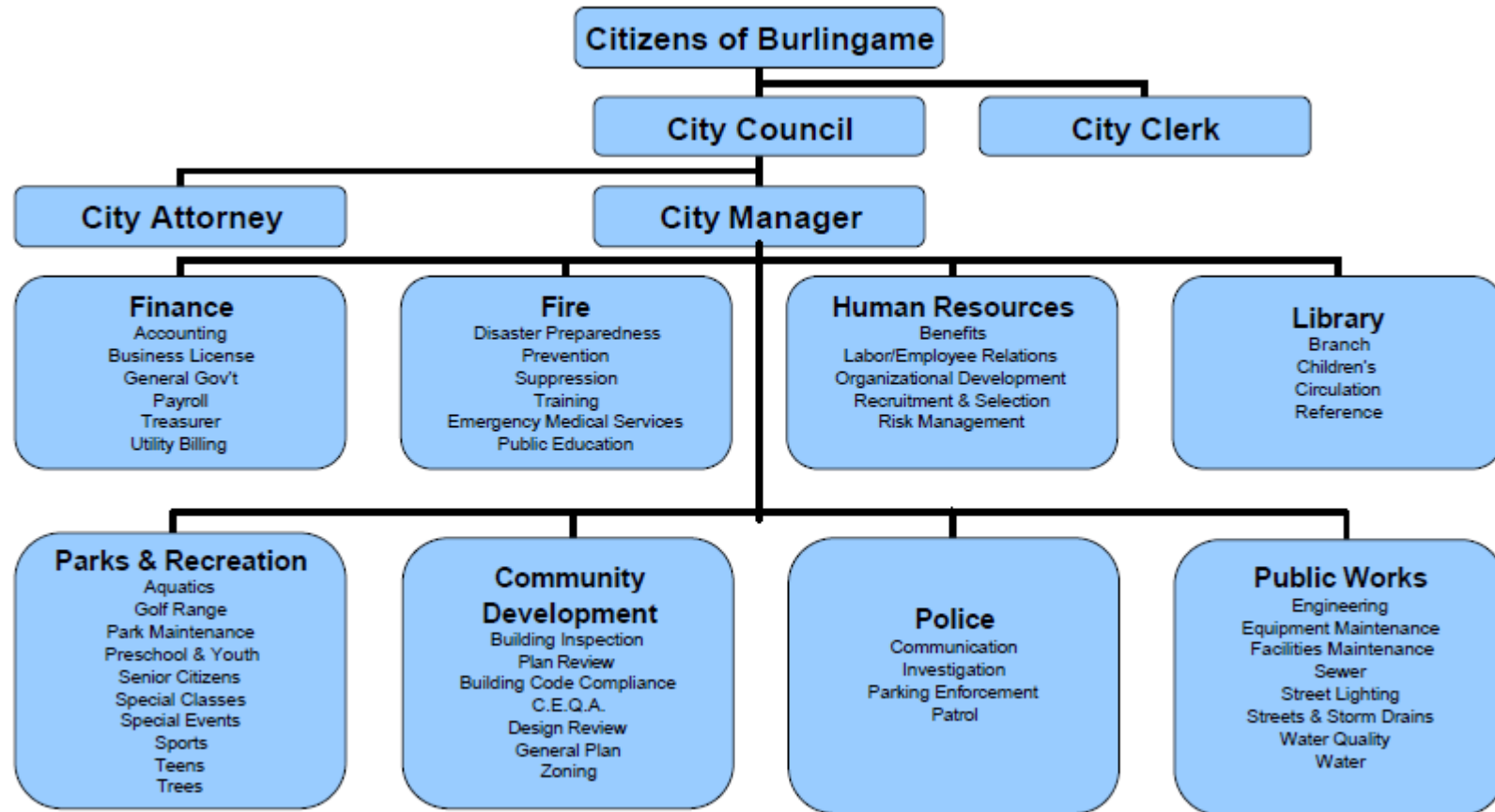
Mary Ellen Kearney

CITY ATTORNEY

Gus Guinan



CITY OF BURLINGAME, CALIFORNIA
ORGANIZATIONAL CHART





**CITY OF BURLINGAME, CALIFORNIA
COMMISSIONS AND ADVISORY BOARDS
FISCAL YEAR ENDED JUNE 30, 2012**

PLANNING COMMISSION

Tim Auran
David Cauchi
Michael Gaul
Rich Sargent
Richard Terrones
Stan Vistica
Sandra Yie

BEAUTIFICATION COMMISSION

Anne Hinckle
Karen Kittman
Mary Hunt
Leslie McQuaide
Richard Kirchner

LIBRARY BOARD OF TRUSTEES

Elizabeth Corcoran
Sanborn "Sandy" Towle
Deborah Griffith
Catherine McCormack
Lisa Rosenthal

PARK & RECREATION COMMISSION

Susan Castner Paine
John Eaton
Steven Baum
Laura Hesselgren
Norren Bulotti
Jeffrey Griffith
Lily Lau

TRAFFIC SAFETY & PARKING COMMISSION

Nicklas Akers
Caroline Serrato
J. Mark Noworolski
Jeffrey Londer
Howard Wettan

**SAN MATEO COUNTY MOSQUITO & VECTOR
CONTROL DISTRICT**

Barry Meinerth



**CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT
FISCAL YEAR ENDED JUNE 30, 2012**

Jesús Nava Finance Director & Treasurer

Diana Truong Financial Services Manager

Sandra Barocio.....Executive Assistant to the Finance Director

Amy Bernardo..... Accountant

Kristen Sinkhorn Accounting Technician

Linda Hoffman Accounting Technician

Lisa Rancatore..... Accountant Assistant III

Margaret Ono Accountant Assistant III

Andrea Brown.....Accountant Assistant I/II

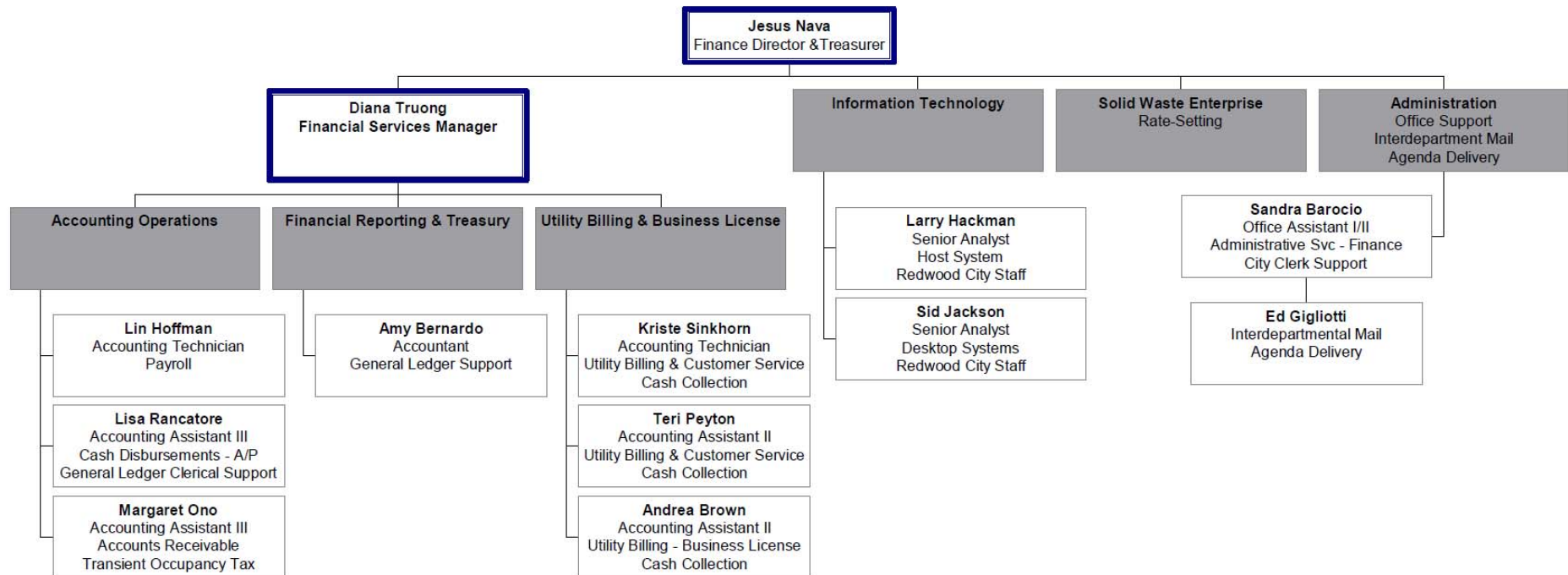
Theresa PeytonAccountant Assistant I/II

Katie Edwards Office Assistant

Ed Gigliotti Interoffice Mail & Administrative Services



CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT ORGANIZATION CHART FOR FISCAL YEAR 2011-12



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.



Comprehensive Annual Financial Report

June 30, 2012

FINANCIAL SECTION



Comprehensive Annual Financial Report

June 30, 2012

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

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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FAX 661.324.4997

EMAIL info@bacpas.com

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SHAFTER, CALIFORNIA 93263

TEL 661.746.2145

FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B

PASADENA, CALIFORNIA 91101

TEL 626.240.0920

FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237

STOCKTON, CA 95207

TEL 209.451.4833

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, 2012, 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 December 21, 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.

Member of



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 21 and the Required Supplementary Information on pages 101 to 107, 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 as a whole. The introductory section, combining and individual non-major fund financial statements, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and other supplementary information are the responsibility of management and were derived from the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and other supplementary information are 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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 21, 2012

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2012. This information should be read together with the transmittal letter, financial statements, and notes to the financial statements to better understand the City of Burlingame's (the City) financial position.

The City has prepared its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP) and all Governmental Accounting Standards Board (GASB) pronouncements that affect the City of Burlingame.

Financial Highlights for Fiscal Year 2011-2012 (ending June 30)

- City assets exceed liabilities by \$178.4 million, or a \$179.1 million increase since last year.
- Net assets increased 8.0% as compared to an increase of 6.0% in the prior year.
- The other post-employment benefits obligations liability increased from \$11.3 million to \$15.6 million as recorded on the Statement of Net Assets. The City continues to fund the annual costs of retiree health insurance in cash.
- \$3.0 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 \$3.0 million in fiscal year 2011-12, an increase of 7.0% of prior year performance of \$43.3 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 2011-12 and in the prior year.
- The General Fund ending fund balance increased from \$11.9 million to \$15.5 million. Of this amount, \$11.9 million has been assigned by a joint designation from the City Council and the Finance Director & Treasurer.
- The City refunded the Water and Wastewater Revenue Bonds, Series 2003 through the issuance of the Water and Wastewater Refunding Revenue Bonds, Series 2011.

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**. 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** 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 years, such as revenues related to uncollected taxes or earned but unused employee leave.

Both government-wide financial statements distinguish between governmental activities, such as 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 services.

Governmental activities include administration, public safety (such as 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 inspection.

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'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 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 City'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 maintains two different types of proprietary funds.

Business-Type Activities or Enterprise Funds: These are funds that are used to report business-type activities in the governmental-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 services 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 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 United States. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the City’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 Fund, 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 Statement No. 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 \$178.4 million as of June 30, 2012. Net assets increased by 7.7% from prior year total net assets of \$165.6 million. Assets as of the end of June 30, 2012 were \$324.87 million, reflecting a 4.4% positive change from the prior year due to a \$7.3 million increase in current assets and a \$6.5 million growth in capital assets. Liabilities also increased incrementally by 0.7%.

The largest portion of the City's net assets (67%) is invested in capital assets totaling \$119.3 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 \$59.1 million in net assets are a combination of cash and investments, restricted and unrestricted. Of these net assets, approximately \$4.6 million is restricted for debt service, \$8.1 million is restricted for capital projects such as storm drain capital improvements, the Burlingame Avenue Streetscape Project, and street repair and maintenance. Minor amounts are considered restricted for public safety. Unrestricted net assets totaled \$42.0 million on June 30, 2012.

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, 2012 and 2011
(Amounts in Millions)**

	Governmental Activities		Business-Type Activities		Totals		Difference	Total % Change
	2011	2012	2011	2012	2011	2012		
Assets:								
Current and other assets	\$ 85.22	\$ 93.95	\$ 30.32	\$ 28.92	\$ 115.54	\$ 122.87	\$ 7.33	6.3%
Capital assets	99.91	102.09	95.62	99.91	195.53	202.00	6.47	3.3%
Total assets:	185.13	196.04	125.95	128.83	311.07	324.87	13.80	4.4%
Liabilities:								
Current liabilities	12.68	15.49	6.63	6.18	19.31	21.67	2.36	12.2%
Other liabilities	0.78	0.37	1.01	0.82	1.79	1.19	(0.60)	-33.5%
Long term liabilities	62.21	61.94	62.17	61.65	124.38	123.59	(0.79)	-0.6%
Total liabilities:	75.67	77.80	69.81	68.65	145.48	146.45	0.97	0.7%
Net assets:								
Invested in capital assets, net of related debt	76.23	78.90	42.80	40.38	119.03	119.28	0.25	0.2%
Restricted	8.67	12.10	-	5.01	8.67	17.11	8.44	97.3%
Unrestricted	24.55	27.24	13.35	15.44	37.90	42.68	4.78	12.6%
Total net assets:	\$ 109.45	\$ 118.24	\$ 56.14	\$ 60.83	\$ 165.60	\$ 179.07	\$ 13.47	8.1%

City of Burlingame
Statement of Activities and Changes in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		% Change
	2011	2012	2011	2012	2011	2012	
Revenues:							
Program revenues:							
Charges for services	\$ 8.09	\$ 4.69	\$ 31.16	\$ 33.86	\$ 39.25	\$ 38.55	-1.8%
Operating grants and contributions	2.21	1.17	-	-	2.21	1.17	-47.1%
Capital grants and contributions	3.19	3.52	-	-	3.19	3.52	10.3%
General revenues:							
Property taxes	13.31	13.67	-	-	13.31	13.67	2.7%
Sales taxes	8.04	8.50	-	-	8.04	8.50	5.7%
Transient occupancy taxes	13.40	16.18	-	-	13.40	16.18	20.7%
Franchise tax - unrestricted	1.12	1.24	-	0.23	1.12	1.47	31.3%
Business license tax	0.95	0.90	-	-	0.95	0.90	0.0%
Other taxes	-	0.44	-	-	-	0.44	100.0%
Interest and investment income	0.80	0.47	(1.14)	(1.43)	(0.34)	(0.96)	182.4%
Intergovernmental taxes	2.97	1.90	-	-	2.97	1.90	-36.0%
Total revenues:	54.09	52.68	30.01	32.66	84.10	85.34	1.0%
Expenses:							
General government	6.80	6.36	-	-	6.80	6.36	-6.5%
Public safety	21.14	20.26	-	-	21.14	20.26	-4.2%
Public works	8.51	8.25	-	-	8.51	8.25	-3.1%
Community development	1.75	1.24	-	-	1.75	1.24	-29.1%
Parks, recreation, and library	10.48	9.83	-	-	10.48	9.83	-6.2%
Shuttle operations	0.32	0.25	-	-	0.32	0.25	-21.9%
Financing activities	2.66	2.21	-	-	2.66	2.21	-16.9%
Water	-	-	9.57	11.08	9.57	11.08	15.8%
Sewer service	-	-	9.51	9.69	9.51	9.69	1.9%
Waste management	-	-	0.94	0.68	0.94	0.68	-27.7%
Parking	-	-	1.45	1.44	1.45	1.44	-0.7%
Building	-	-	1.14	1.22	1.14	1.22	7.0%
Total expenses:	51.67	48.40	22.61	24.11	74.27	72.51	-2.4%
Increase/(decrease) in net assets before transfers	2.42	4.28	7.41	8.55	9.83	12.83	30.5%
Transfers	1.28	4.51	(1.28)	(4.51)	-	-	0.0%
Change in net assets	3.70	8.79	6.12	4.04	9.83	12.83	30.5%
Net assets - beginning	105.75	109.45	50.02	56.14	155.77	165.59	6.3%
Net assets - ending	\$ 109.45	\$ 118.24	\$ 56.14	\$ 60.18	\$ 165.60	\$ 178.42	7.7%

Governmental Activities

Governmental net assets totaled \$118.2 million and increased by \$8.8 million from fiscal year 2010-11. Governmental assets grew by \$10.9 million mostly due to an increase in cash from higher than anticipated revenue collections as a result of transient occupancy tax, sales and use tax, and a year-over-year decline in governmental fund operating expenses.

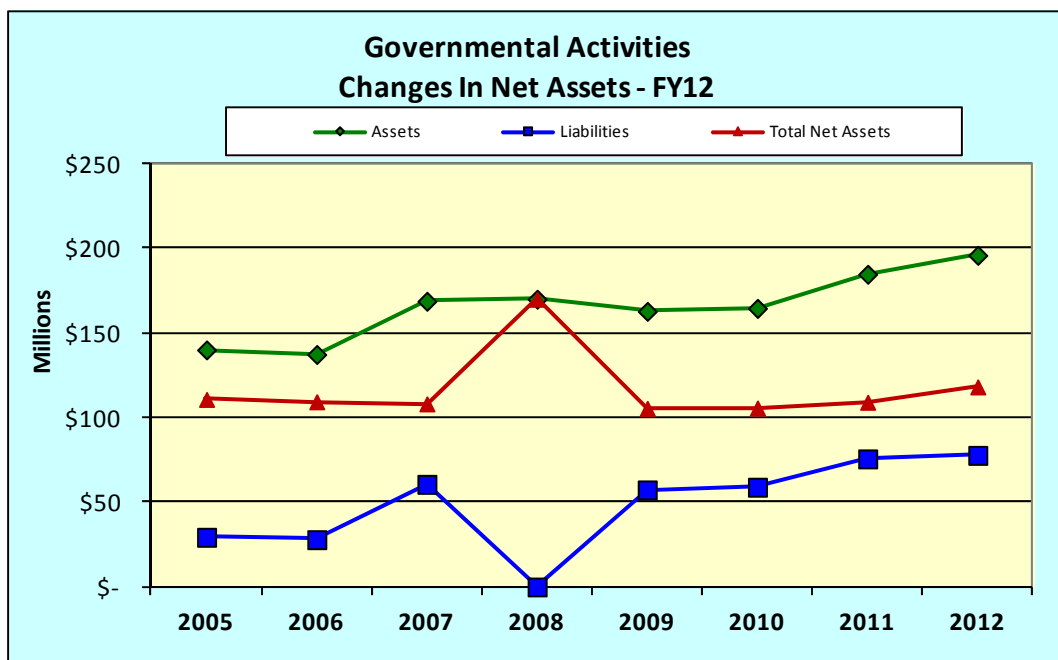
The Storm Drainage Fund was added as a special revenue fund in fiscal year 2009-10 to fund needed improvements to the City's infrastructure and to pay debt service on certain revenue bonds issued to fund storm drain capital projects. The voter-approved initiative requires that the funds be accounted for separately given their intended purposes. 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 on non-major governmental funds in the

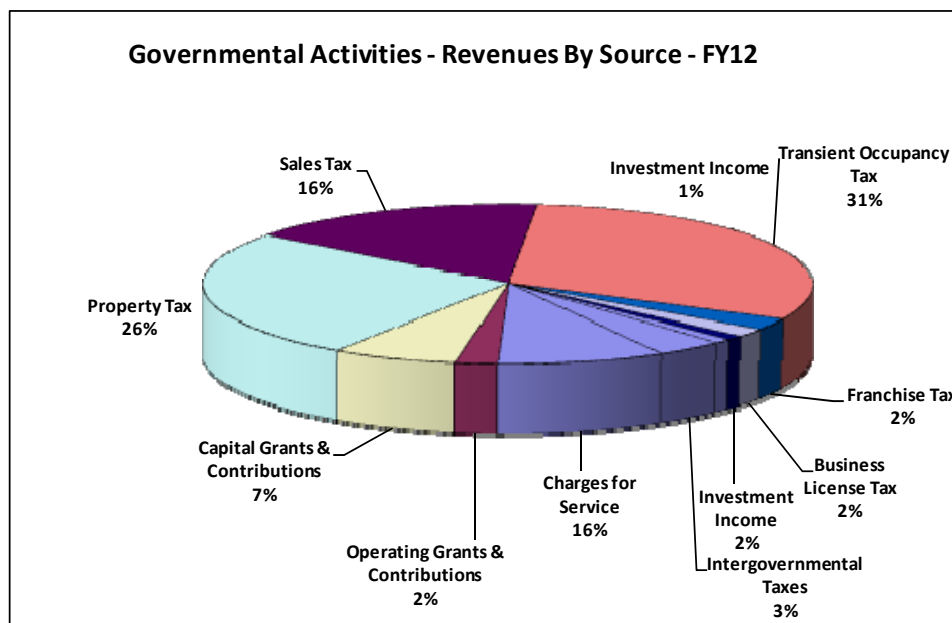
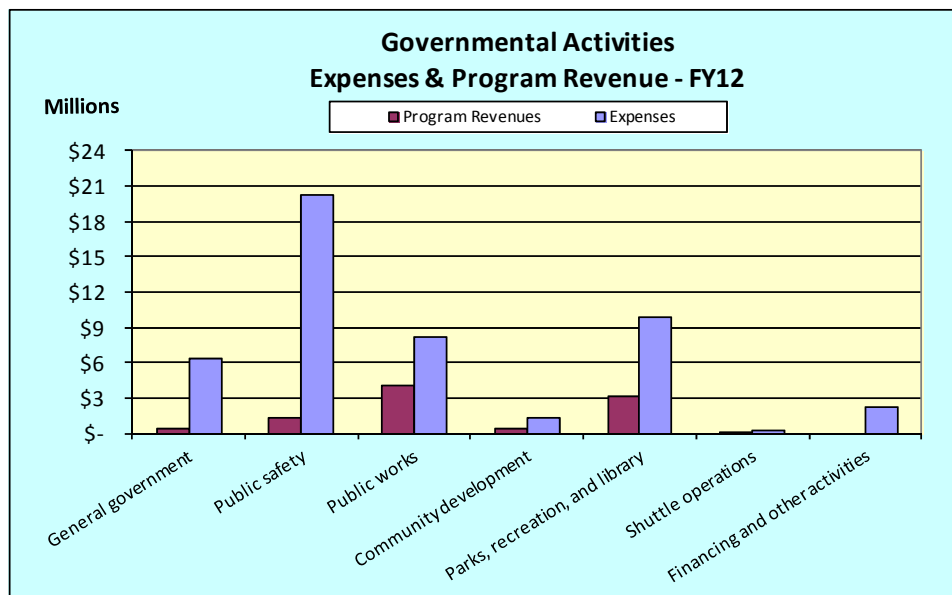
government-wide and fund financial statements. A separate accounting of the Storm Drainage Fund can be found in the Combining Statements for Non-Major Governmental Funds located in the Other Supplementary Information section of the Comprehensive Annual Financial Report (CAFR).

The Special Assessment District special revenue fund was added as a special revenue fund in fiscal year 2011-12 to fund needed improvements to a business improvement district located on Burlingame Avenue, including lighting upgrades, widening of sidewalks, repaving of streets, landscaping, as well as parking, water, sewer, and storm drain improvements. A special benefit district was formed in May 2011 via a special election which authorized the formation of the district and a tax to be annually assessed on Burlingame Avenue property owners. The Special Assessment District Fund will sunset in 2043. Revenues collected and deposited into this special revenue fund represent approximately 50% of anticipated project costs with the remaining 50% to be sourced from City funds. It is not a major fund and is combined with other small funds under the heading on non-major governmental funds in the government-wide and fund financial statements. A separate accounting of the Burlingame Avenue Assessment District special revenue fund can be found in the Combining Statements for Non-Major Governmental Funds located in the Other Supplementary Information section of the CAFR.

Governmental revenues totaled \$52.7 million compared to \$54.1 million in the prior year. This was due primarily to an additional allocation of investment income to business-type activities due to higher monthly cash balances in the enterprise funds and a decline in revenue from operating grants, and federal and state subventions, offset by robust growth in sales and use and transient occupancy taxes of \$3.2 million. A 20.7% increase in transient occupancy tax was a result of higher revenue per room rates as a result of strong tourist demand compared with fiscal year 2010-11 combined with over 80% occupancy rates, which were consistent with prior year.

Governmental expenses totaled \$48.4 million, a decline of \$3.3 million from fiscal year 2010-11 expenses of reflecting continued control over departmental spending. The majority of governmental expenses are financed from City taxes. Program revenues collected by the governmental activities totaled \$9.4 million, which covered 19.4% of expenses.





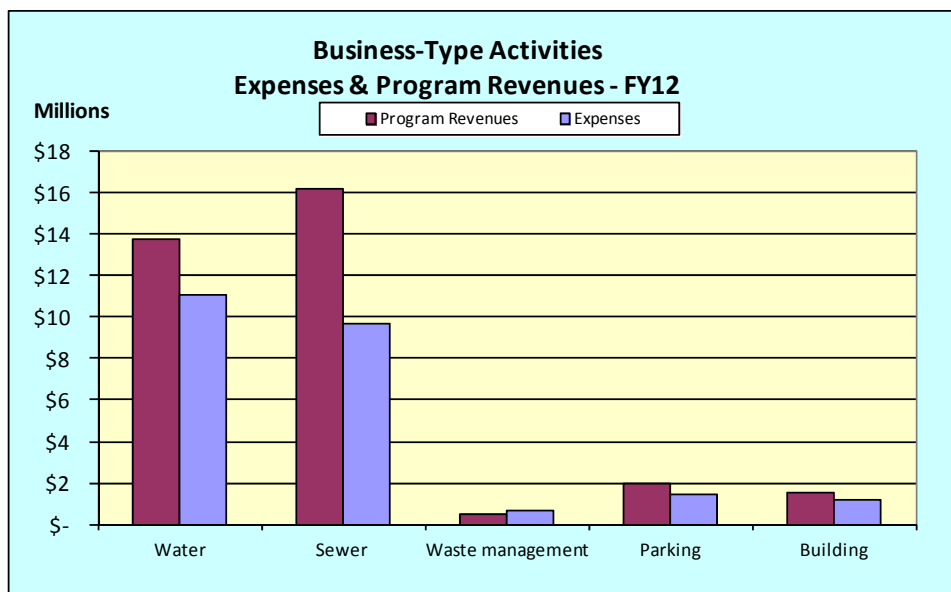
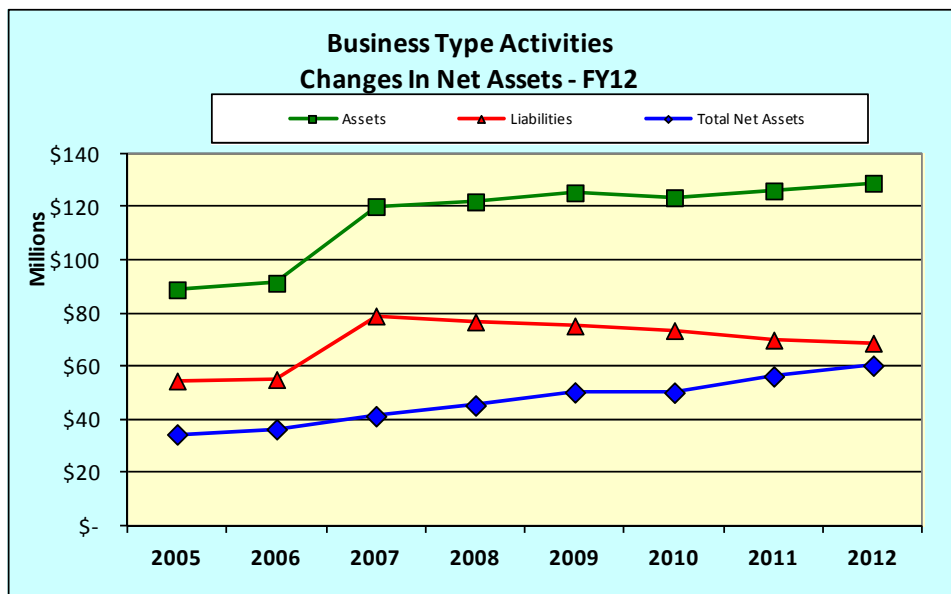
Business-Type Activities

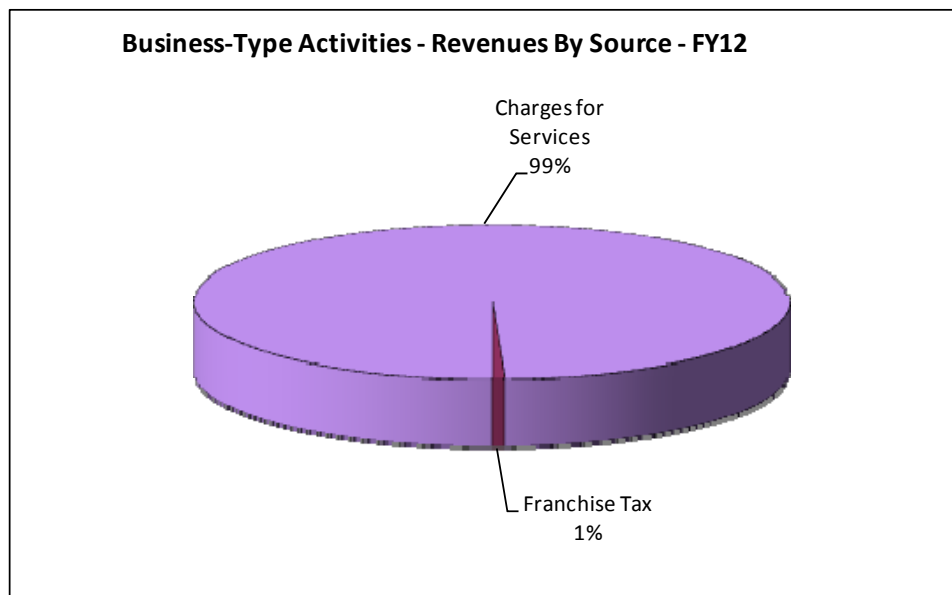
Net assets for business-type activities increased by \$4.0 million or 7.2% from ending net assets of \$56.1 million in the prior year. In fiscal year 2011-12, the enterprise funds produced total operating revenue consisting of charges of services of \$33.9 million, an increase of \$2.7 million or 8.7% growth from fiscal year 2010-11 revenues of \$31.2 million.

Business-type expenditures totaled \$25.5 million and included operating expenditures of \$24.1 million, and net non-operating expenditures of \$1.4 million. Operating expenditures increased by \$1.8 million or 7.5% from prior year expenditures of \$23.8 million. This increase was primarily attributable to higher operating expenditures of the Water Enterprise, which experienced higher costs of purchased water which is sole sourced from San Francisco. Expenditures relating to the other enterprises either remained flat or declined slightly since fiscal year 2010-11.

Changes in net assets, or business-type revenues over expenditures, totaled \$4.0 million. Unlike the governmental activities, program revenues cover total expenditures in the business-type activities, with no contribution from City taxes. However, the City is able to adjust water, sewer, solid waste, parking rates, and building permit fees to cover expenditures and future liabilities.

The City continues to review the status of its obligation to mediate closure and post-closure activities relating to the City's old landfill. On an annual basis, the City reports to CalRecycle (Department of Resources Recycling and Recovery) the estimated costs of closure and corrective action as adjusted for inflation and current year expenditures pertaining to mediation. A copy of this report can be requested at City Hall, 501 Primrose Road, Burlingame, CA 94010.





Financial Analysis of City 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 Funds, or collectively, the 'major funds' 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 \$46.3 million, reflecting a \$3.0 million increase from prior year performance of \$43.3 million. Expenditures totaled \$36.7 million, which is \$2.1 million less than prior year. Revenues were sufficient to cover all operating expenditures. Revenues less operating expenditures before transfers were \$9.6 million. The General Fund transferred \$4.5 million out to the Debt Service Fund to pay for governmental debt and \$2.9 million to the Capital Projects Fund to pay for project-related expenditures. Detailed notes on the transfers can be found in the Interfund Transfer section in the Notes to the Basic Financial Statements.

The General Fund balance as of June 30, 2012, was \$15.5 million, representing an increase of \$3.7 million increase from the prior year fund balance of \$11.9 million. Of this amount, \$11.9 million relates to assigned amounts resulting from discretionary designations by the 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 \$3.6 million represents unassigned amounts.

Descriptions of assigned fund balances 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 Post-employment Benefits Other than Pensions*.

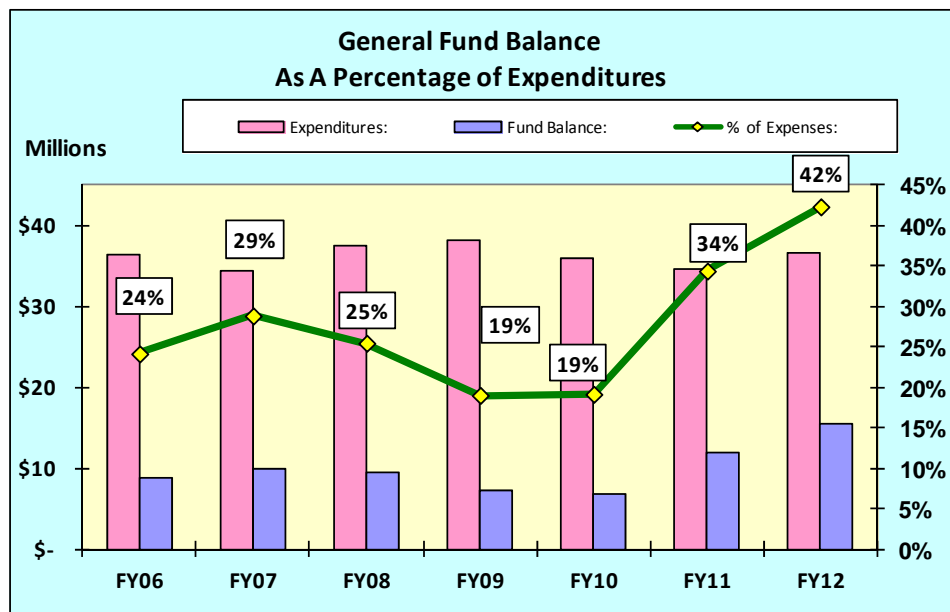
The Contingency Reserve covers unexpected expenditures that may arise during the course of the fiscal year.

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 have been limited to preserving important City services during periods of sharp or unexpected revenue decline.

City of Burlingame Council Assigned General Fund Reserves						
	FY 07	FY08	FY09	FY10	FY11	FY12
Economic Stability Reserve	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 5,000,000	\$ 6,000,000
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	2,700,000	3,000,000
Contingency Reserve	500,000	500,000	400,000	400,000	500,000	500,000
Total Designated Reserves:	<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>	<u>\$ 11,500,000</u>

As a measure of the General Fund liquidity, it is useful to compare its fund balance to annual operating expenditures. As of June 30, 2012, the fund balance of \$15.5 million represents 42.3% of General Fund operating expenditures of \$36.7 million.

General Fund Balance As A Percentage of Operating Expenditures							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Expenditures:	\$ 36,251,636	\$ 34,311,274	\$ 37,531,733	\$ 38,046,279	\$ 35,817,177	\$ 34,533,995	\$ 36,683,828
Fund Balance:	8,747,237	9,889,737	9,550,260	7,230,704	6,855,586	11,867,384	15,518,765
% of Expenses:	24.13%	28.82%	25.45%	19.01%	19.14%	34.36%	42.30%



Capital Project 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 with a cost basis of 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, please refer to the Notes to the Basic Financial Statements under Capital Assets.

The Capital Projects Fund had revenue of \$1.1 million, most of it from property tax assessments, sidewalk maintenance reimbursements from Burlingame residents and government entities, and grant revenue. Projects were funded mainly by \$22.4 million in transfers from other funds to support ongoing construction costs and to set aside funds for previously appropriated projects. In fiscal year 2011-12, the General Fund contributed \$3.0 million; the Measure A and Gas Tax special revenue funds combined a total of \$1.2 million; and the Water and Sewer Funds contributed a combined total of \$11.1 million for construction projects.

Capital project expenditures totaled \$8.5 million, an increase of \$1.3 million from expenditures of \$7.1 million in fiscal year 2010-11. The Capital Projects Fund balance at the end of the fiscal year was \$12.1 million, or an increase of \$4.9 million from the prior year ending balance. The entire fund balance is assigned for the construction of capital projects.

The neighborhood storm drainage improvements continued in fiscal year 2011-12. The storm drain fee generated \$2.6 million in revenue which is slightly higher than the prior year revenue figure of \$2.5 million. The funds are dedicated to debt service on the use of storm drain revenue bonds and to fund improvements on a *pay-as-you-go* basis. Revenue bonds issued with a pledge of storm drain fee revenues are used as a major funding source for the Capital Project Fund.

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 \$3.0 million, due to principal payments on outstanding debt. This reduction was offset by \$0.4 million in additions due to a low-interest loan obtained from the California Energy Commission to fund energy efficiency improvements to City streetlights. The General Fund contributed \$4.5 million to the Debt Service Fund for governmental debt service payments, and the Storm Drainage Fund contributed \$0.9 million in required principal and interest, net of an interest subsidy from the Internal Revenue Service to meet obligations relating to the taxable and tax-exempt Storm Drain Revenue Bonds, 2010. Debt service expenditures represent principal payments, interest charges, and administrative costs of debt such as fiscal agent fees on existing governmental debt.

The City did not issue any new governmental bonds during fiscal year 2011-12.

Governmental debt as of June 30, 2012 consists of:

- Lease Revenue Refunding Bonds, Series 2004 – Main Library Reconstruction (Burlingame Financing Authority)
- Pension Obligation Bonds, Series 2006 – Taxable (City of Burlingame)
- Storm Drainage Revenue Bonds, Series 2010 – Series 2010A-1 Tax-Exempt and Series 2010A-2 Taxable Build America Bonds (Burlingame Financing Authority)
- Lease Revenue Refunding Bonds, Series 2010 – Corporation Yard (Burlingame Financing Authority)
- Master Equipment Lease Purchase Agreement, 2011 – Communication & Information Technology Modernization
- California Energy Commission Loan, 2012 – LED Streetlights Turnkey Upgrades

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 the Basic Financial Statements 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 stable financial position as in the prior year. Ending net assets increased by \$0.5 million. Unrestricted net assets totaled \$11.0 million or a slight decline of \$1.0 million from prior year.

Water Fund Ending Net Assets

	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Ending Net Assets:	\$ 8,811,056	\$ 11,606,673	\$ 13,696,066	\$ 16,972,844	\$ 16,341,966	\$ 16,804,345	\$ 17,319,805
Dollar Change:	776,658	2,795,617	2,089,393	3,276,778	(630,878)	462,379	515,460
Percentage Change:	9.67%	31.73%	18.00%	23.92%	(3.72%)	2.83%	3.07%

Water revenues increased in fiscal year 2011-12 by \$0.2 million, reflecting stable performance from prior year. A 7.2% rate increase went into effect on January 1, 2012, for all customer classes.

Water Fund Revenues

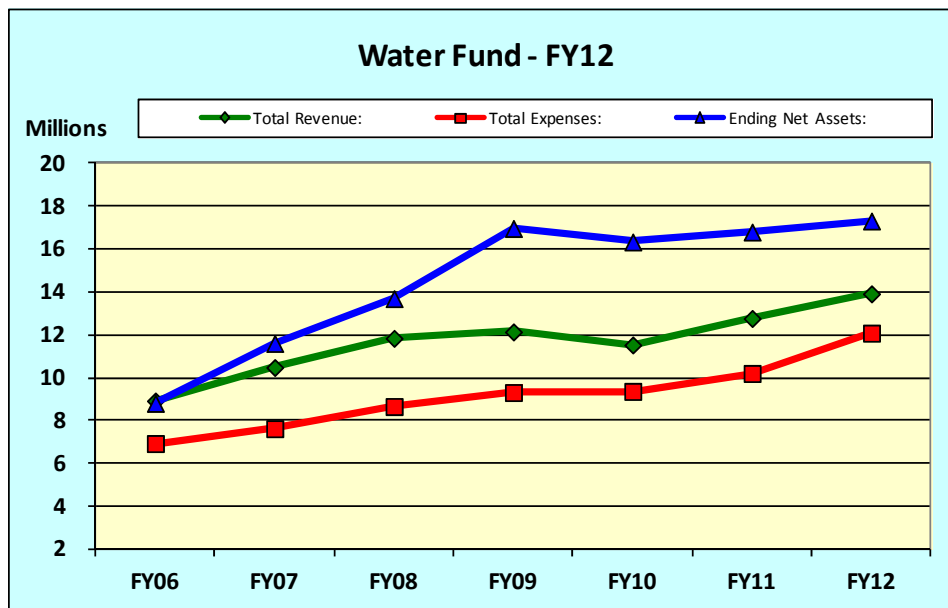
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Operating Revenue:	\$ 8,726,049	\$ 10,131,904	\$ 11,119,428	\$ 11,800,380	\$ 11,515,884	\$ 12,734,554	\$ 13,708,448
Nonoperating Revenue:	197,016	352,325	725,507	344,228	19,402	37,815	213,379
Total Revenue:	8,923,065	10,484,229	11,844,935	12,144,608	11,535,286	12,772,369	13,921,827
Dollar Change:	584,274	1,561,164	1,360,706	299,673	(609,322)	1,237,083	1,149,458
Percentage Change:	7.01%	17.50%	12.98%	2.53%	(5.02%)	10.72%	9.00%

Water expenses include both operating and interest expenses on debt. Water expenditures increased by \$1.9 million from the prior year.

Water Fund Expenditures

	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Operating Expenses:	\$ 6,060,215	\$ 6,876,958	\$ 7,520,399	\$ 8,209,956	\$ 8,498,014	\$ 9,569,097	\$ 11,082,981
Nonoperating Expenses:	874,068	751,789	1,141,889	1,105,174	872,041	637,194	1,003,988
Total Expenses:	6,934,283	7,628,747	8,662,288	9,315,130	9,370,055	10,206,291	12,086,969
Dollar Change:	571,225	694,464	1,033,541	652,842	54,925	836,236	1,880,678
Percentage Change:	8.98%	10.01%	13.55%	7.54%	0.59%	8.92%	18.43%

The Water Fund will finance future capital improvements with cash and proceeds from debt. The current plan is to construct or set-aside approximately \$2.5 million for water-related capital improvements annually. At the end of the fiscal year, the Water Fund had no capital proceeds from debt remaining after fully expending all funds associated with the Water and Wastewater Revenue Bond, Series 2007.



Sewer Fund

The Sewer Fund continues to maintain a stable financial position compared as in prior year. Net assets grew by 9.8% from \$31.2 million to \$34.2 million due to stable cash balances, higher receivables at year-end, capital contributions from the Capital Projects Fund relating to capital assets placed in service, and reductions in outstanding debt. The largest portion of net assets relates to invested in capital assets, net of related debt or \$28.2 million, representing 82% of total net assets. The remaining \$6.0 million is considered unrestricted, reflecting an increase of \$1.5 million from prior year. Approximately 14% of gross revenue is irrevocably pledged to the prompt payment of debt service relating to future payments of principal and interest on revenue bonds previously issued.

Sewer Fund Ending Net Assets							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Ending Net Assets:	\$ 21,583,862	\$ 22,971,774	\$ 24,234,647	\$ 25,313,300	\$ 25,570,147	\$ 31,193,968	\$ 34,234,897
Dollar Change:	915,273	1,387,912	1,262,873	1,078,653	256,847	5,623,821	3,040,929
Percentage Change:	4.43%	6.43%	5.50%	4.45%	1.01%	21.99%	9.75%

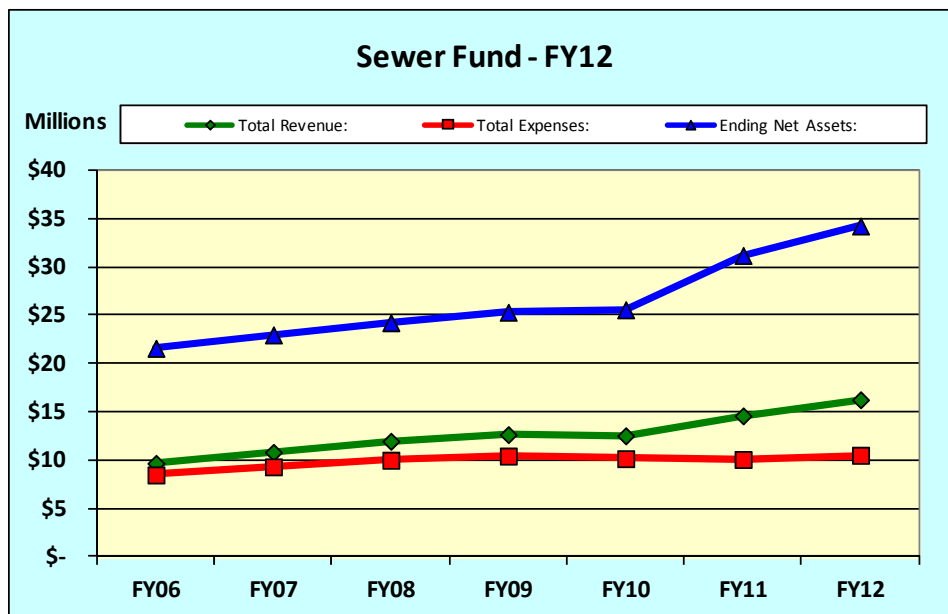
Sewer service revenue increased by \$1.7 million or 11.44% due primarily to a mid-year rate increase of 13.9% which went into effect on January 1, 2012, for all customer classes.

Sewer Fund Revenues							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Total Revenue:	\$ 9,686,100	\$ 10,825,343	\$ 11,970,651	\$ 12,657,780	\$ 12,538,504	\$ 14,597,556	\$ 16,268,217
Dollar Change:	1,308,498	1,139,243	1,145,308	687,129	(119,276)	2,059,052	1,670,661
Percentage Change:	15.62%	11.76%	10.58%	5.74%	(0.94%)	16.42%	11.44%

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

Sewer Fund Expenses							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Total Expenses:	\$ 8,486,404	\$ 9,323,220	\$ 10,011,428	\$ 10,441,785	\$ 10,170,433	\$ 10,085,065	\$ 10,521,561
Dollar Change:	1,097,643	836,816	688,208	430,357	(271,352)	(85,368)	436,496
Percentage Change:	14.86%	9.86%	7.38%	4.30%	(2.60%)	(0.84%)	4.33%

Similarly to the Water Fund, the Sewer Fund will also finance future capital improvements on a *pay-as-you-go* basis. The sewer rate structure includes a set-aside for a capital improvements reserve to pay for capital improvements to the Burlingame Wastewater Treatment Plant and repair and maintenance of the 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 re-invest in the capital assets of the Burlingame and Broadway Avenue shopping districts, which are served by the City's parking lots.

Ending net assets increased slightly by 2.5% or \$0.2 million since prior year ending net assets of \$7.8 million. This was due primarily to slightly higher cash balances and decline in current liabilities.

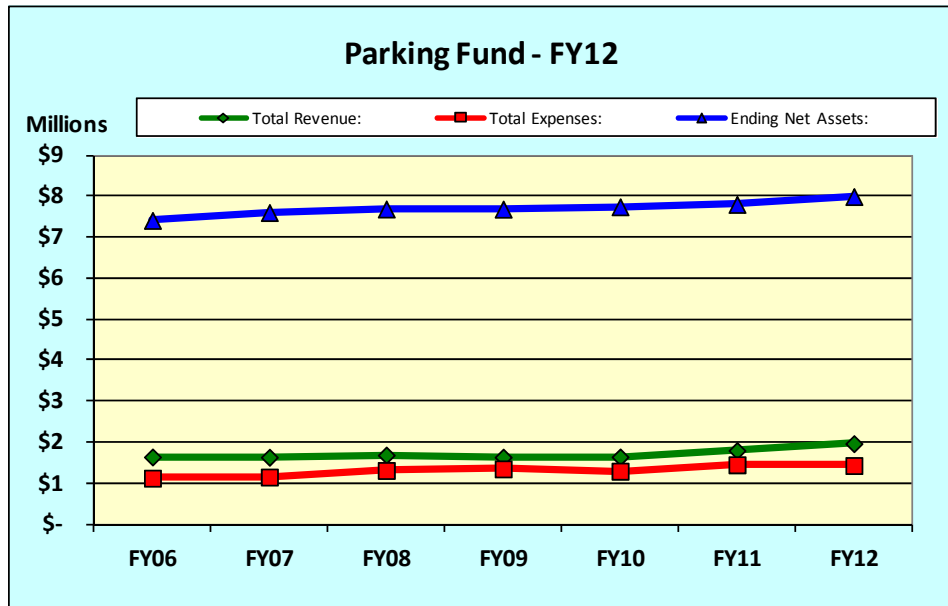
Parking Fund Ending Net Assets							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Ending Net Assets:	\$ 7,412,262	\$ 7,605,881	\$ 7,691,361	\$ 7,688,218	\$ 7,745,386	\$ 7,803,285	\$ 7,994,478
Dollar Change:	(172,763)	193,619	85,480	(3,143)	57,168	57,899	191,193
Percentage Change:	(2.28%)	2.61%	1.12%	(0.04%)	0.74%	0.75%	2.49%

Parking revenue increased by 9.3% due to a growth in the downtown employee parking permit program and an increase in parking rates in fiscal year 2011-12 to partially finance the Burlingame Avenue Streetscape Improvement Project which will break ground in Spring 2013 and ongoing capital needs. Rates increased in the spring of 2012 by \$0.25 - \$1.00 per hour for depending on the location of the metered space by action of the City Council.

Parking Fund Revenues							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Total Revenue:	\$ 1,644,401	\$ 1,637,729	\$ 1,691,139	\$ 1,639,867	\$ 1,645,227	\$ 1,801,535	\$ 1,969,803
Dollar Change:	(17,278)	(6,672)	53,410	(51,272)	5,360	156,308	168,268
Percentage Change:	(1.04%)	(0.41%)	3.26%	(3.03%)	0.33%	9.50%	9.34%

Parking expenses declined by 1.3% due to strong departmental controls over spending. The Parking Fund also made the ninth of ten payments to the General Fund for past capital improvements to the Broadway Avenue Business District. During fiscal year 2011-12, the Parking Fund made a small contribution of less than \$0.1 to fund parking-related capital improvements.

Parking Fund Expenses							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Total Expenses:	\$ 1,127,164	\$ 1,154,110	\$ 1,315,659	\$ 1,353,010	\$ 1,298,059	\$ 1,453,636	\$ 1,435,069
Dollar Change:	225,518	26,946	161,549	37,351	(54,951)	155,577	(18,567)
Percentage Change:	25.01%	2.39%	14.00%	2.84%	(4.06%)	11.99%	-1.28%



General Fund Budgetary Highlights

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

The fiscal year 2011-12 adopted General Fund budget assumed modest gains in operating revenue or 8% growth from prior year budgeted revenue and growth in expenditures of 5%. Final collections totaled \$46.3 million, an increase of 7% over prior year actuals.

Increases in General Fund revenue were mostly due to the following:

- Sales and use tax revenue performed \$0.9 million better than budget, or 5.7% growth over prior year actual
- Transient occupancy tax revenue performed \$2.3 million better than budget, or 20.7% growth over prior year actual

General Fund revenues are expected to continue this upward trend over the next fiscal year, and realize additional gains as the economy continues to reflect modest improvement through growth in travel and tourism and consumer confidence.

General Fund Revenue							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Total Revenue	\$ 38,381,180	\$ 41,603,028	\$ 43,378,480	\$ 40,190,363	\$ 36,725,735	\$ 43,266,203	\$ 46,313,538
Dollar Change	3,556,468	3,221,848	1,775,452	(3,188,117)	(3,464,628)	6,540,468	3,047,335
Percentage Change	10.21%	8.39%	4.27%	(7.35%)	(8.62%)	17.81%	7.04%

The fiscal year 2011-12 adopted General Fund budget assumed operating expenditures of \$37.9 million. The City did not enact mid-year budget realignments due to better than budgeted revenue performance and continued monitoring by departments to control spending to reduce unfavorable variances.

General Fund Operating Expenditures							
	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Total Operating Expenditures	\$ 36,251,636	\$ 34,311,274	\$ 37,531,733	\$ 38,046,279	\$ 35,817,177	\$ 34,533,995	\$ 36,683,828
Dollar Change	2,392,607	(1,940,362)	3,220,459	514,546	(2,229,102)	(1,283,182)	2,149,833
Percentage Change	7.07%	(5.35%)	9.39%	1.37%	(5.86%)	(3.58%)	6.23%

Capital Assets and Debt Administration

Capital Assets

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

Additional information can be 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 \$202.0 million on June 30, 2012, net of depreciation. Capital assets increased by 3.3% from prior fiscal year. The investments in capital assets include: land, construction in progress, buildings, improvements, machinery and equipment, facilities, roads, streets, and storm drains.

Capital Assets, Net of Accumulated Depreciation June 30, 2012 (Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2011	2012	% Change	2011	2012	% Change	2011	2012	% Change
Land and other assets not being depreciated	\$ 45.10	\$ 47.21	4.7%	\$ 16.90	\$ 6.98	-58.7%	\$ 62.00	\$ 54.19	-12.6%
Facilities, infrastructure, and equipment	54.81	54.88	-0.7%	78.72	92.93	18.1%	133.53	147.81	10.7%
Total:	\$ 99.91	\$ 102.09	2.2%	\$ 95.62	\$ 99.91	4.5%	\$ 195.53	\$ 202.00	3.3%

All depreciable capital assets were depreciated from their acquisition date to the end of the current fiscal year for the government-wide financial statement presentation. Governmental fund financial statements record capital asset purchases as expenditures during the year. Ongoing projects are accounted for as "construction in progress." Additional information about Capital Assets can be found in the Notes to the Financial Statements under Note 4 – Capital Assets on pages 67 through 69.

Long-Term Obligations

As of June 30, 2012, the City had total long-term obligations of \$105.8 million, a decline of \$4.6 million or 4.1% from prior year. More than half of all long-term debt relates to business-type activities of the Water and Sewer Funds due to loans and revenue bonds previously issued to support various capital projects overseen by each enterprise. Therefore, these obligations continue to decrease over time as principal amounts are 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 Burlingame landfill. The increase in fiscal year 2011-12 was 1.2% or less than \$0.1 million. The costs of monitoring and maintaining the former landfill are recovered through a portion of solid waste rates charged to City ratepayers.

Outstanding Long-Term Obligations
June 30, 2012
 (Amounts In Millions)

	Governmental Activities			Business-Type Activities			Total		
	2011	2012	% Change	2011	2012	% Change	2011	2012	% Change
Bonds Due in More than One Year	\$ 46.78	\$ 43.84	-6.3%	\$ 57.29	\$ 56.48	-1.4%	\$ 104.07	\$ 100.32	-3.6%
Bonds Due Within One Year	2.91	3.15	8.2%	3.43	2.39	-30.3%	6.34	5.54	-12.6%
Claims and Litigation	6.64	7.07	6.5%	-	-	0.0%	6.64	7.07	6.5%
Landfill Closure	-	-	0.0%	3.04	3.08	1.3%	3.04	3.08	1.3%
OPEB Obligation	9.42	12.85	36.4%	1.91	2.71	41.9%	11.33	15.56	37.3%
Compensated Absences	2.74	2.17	-20.8%	0.47	0.49	4.3%	3.21	2.66	-17.3%
Total:	\$ 68.49	\$ 69.08	0.9%	\$ 66.14	\$ 65.15	-5.8%	\$ 134.63	\$ 134.23	-0.3%

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 & Poor's Rating Service. Both ratings have been re-affirmed. The Burlingame Financing Authority has seven outstanding bond issues. City debt also includes two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant and a taxable bond issue for pension obligations.

During the year, the Burlingame Financing Authority issued the Water and Wastewater Refunding Bonds, Series 2011 in November 2011 to defease the Water and Wastewater Revenue Bonds, Series 2003 in order to take advantage of savings from declining interest rates.

The City also made the final debt service payment on the Lease Revenue Bonds, Series 1998 which matured in October 2011.

The City also entered into a low-interest loan with the California Energy Commission to finance energy efficiency upgrades to City-owned streetlights.

	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Governmental Debt:	\$ 12,792,946	\$ 43,927,097	\$ 41,362,068	\$ 39,206,629	\$ 36,977,024	\$ 49,690,340	\$ 46,982,203
Business-Type Debt:	51,352,675	75,461,019	72,693,189	69,338,107	66,325,722	60,723,806	58,863,327
Total	\$ 64,145,621	\$ 119,388,116	\$ 114,055,257	\$ 108,544,736	\$ 103,302,746	\$ 110,414,146	\$ 105,845,530

The City has no general obligation debt. As of June 30, 2012, the City's general obligation debt limit was \$295 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 Note 5 – Long-Term Debt on page 70 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 2012-13 budget:

Revenue Projections: The City prepared a five-year forecast of revenues and expenditures for the General Fund. The adopted budget will assume growth of approximately 10% in total General Fund revenue before transfers compared to the prior year adopted budget.

Expenditures: Expenditures are expected to remain in line with prior years and will be limited by revenue growth in keeping with City Council direction.

Employee Costs: Modest salary adjustments were included in the budget based on a memorandum of understanding with employee bargaining groups ranging from 1-2% which will be offset by increases in employee pension contributions. Employees hired after January 1, 2012, were enrolled in a retiree health savings plan after five years of service in an effort to reduce the City's long-term other post-employment benefits obligation.

The City will investigate the establishment of an irrevocable trust to fund the annual required contributions for retiree health benefits (OPEB). As of June 30, 2012, the City has assigned \$3.0 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 and Sewer Rate Adjustments: Water and sewer adjustments will be implemented in January 2013. Water rates are expected to increase by a blended average of 7.8%, based on a progressive tiered rate structure to be implemented that will result in higher volumetric charges for higher water units consumed. No rate increase is proposed for sewer service charges.

Solid Waste Rate Adjustments: The City provides solid waste services through a joint exercise of powers agreement (JPA) and a franchise with a private contractor. No solid waste rate adjustments are expected during fiscal year 2012-13.

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 Department of Finance
City Hall
501 Primrose Road,
Burlingame, CA 94010
(650) 558-7200



Comprehensive Annual Financial Report

June 30, 2012

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 50,849,617	\$ 21,063,478	\$ 71,913,095
Receivables (net of uncollectible amounts of \$0 for business-type activities):			
Due from consumers	328,212	6,331,547	6,659,759
Internal balances	15,332	(15,332)	-
Intergovernmental	4,731,094	-	4,731,094
Other receivables	3,782,557	73,971	3,856,528
Inventory	62,256	-	62,256
Prepaid items	204,690	116,290	320,980
Cash and investments, restricted	5,696,693	451,212	6,147,905
Net pension asset	27,524,175	-	27,524,175
Unamortized bond issuance cost (deferred charges)	754,737	896,196	1,650,933
Capital assets:			
Land and other assets not being depreciated	47,214,546	6,982,852	54,197,398
Facilities, infrastructure, and equipment, net of depreciation	54,875,859	92,929,085	147,804,944
Total assets	196,039,768	128,829,299	324,869,067
LIABILITIES			
Accounts payable	6,030,123	2,019,580	8,049,703
Retentions payable	606,244	-	606,244
Accrued payroll	1,285,303	-	1,285,303
Accrued interest	429,101	667,327	1,096,428
Deposits	372,193	789,360	1,161,553
Unearned revenue	4,435	23,188	27,623
Claims and judgments:			
Due in one year	1,547,835	-	1,547,835
Due in more than one year	5,523,165	-	5,523,165
Compensated absences:			
Due in one year	586,931	23,292	610,223
Due in more than one year	1,579,696	468,817	2,048,513
Landfill closure and post closure costs:			
Due in one year	-	651,520	651,520
Due in more than one year	-	1,777,212	1,777,212
Net OPEB obligation			
Due in one year	1,855,959	434,374	2,290,333
Due in more than one year	10,998,331	2,276,782	13,275,113
Long-term debt:			
Due in one year	3,146,180	2,196,355	5,342,535
Due in more than one year	43,836,023	56,666,972	100,502,995
Total liabilities	77,801,519	67,994,779	145,796,298
NET ASSETS			
Invested in capital assets, net of related debt	78,902,645	40,381,283	119,283,928
Restricted for:			
Debt service - revenue bonds	-	4,563,304	4,563,304
Restricted cash held with trustee	3,927,093	451,212	4,378,305
Public safety	101,046	-	101,046
Streetscape - Special Assessment District	341,868	-	341,868
Storm drainage	5,216,130	-	5,216,130
Street repair and maintenance	2,515,775	-	2,515,775
Total restricted	12,101,912	5,014,516	17,116,428
Unrestricted	27,233,692	15,438,721	42,672,413
Total net assets	\$ 118,238,249	\$ 60,834,520	\$ 179,072,769

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,358,297	\$ 2,025	\$ 412,858	\$ -	\$ 414,883
Public safety	20,264,890	1,052,161	201,618	-	1,253,779
Public works	8,248,442	560,306	35,425	3,520,704	4,116,435
Community development	1,244,964	318,692	15,738	-	334,430
Parks, recreation, and library	9,828,371	2,759,508	392,424	-	3,151,932
Shuttle operations	248,549	-	107,704	-	107,704
Financing and other activities	2,215,281	-	-	-	-
Total governmental activities	48,408,794	4,692,692	1,165,767	3,520,704	9,379,163
Business-type activities:					
Water	11,082,981	13,708,448	-	-	13,708,448
Sewer	9,685,877	16,157,287	-	-	16,157,287
Waste management	681,208	465,153	-	-	465,153
Parking	1,435,069	1,950,260	-	-	1,950,260
Building	1,222,095	1,579,683	-	-	1,579,683
Total business-type activities	24,107,230	33,860,831	-	-	33,860,831
Total governmental	\$ 72,516,024	\$ 38,553,523	\$ 1,165,767	\$ 3,520,704	\$ 43,239,994

General revenues

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Franchise tax, unrestricted

Business license tax

Other taxes

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, 2012

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (5,943,414)	\$ -	\$ (5,943,414)
(19,011,111)	-	(19,011,111)
(4,132,007)	-	(4,132,007)
(910,534)	-	(910,534)
(6,676,439)	-	(6,676,439)
(140,845)	-	(140,845)
(2,215,281)	-	(2,215,281)
<u>(39,029,631)</u>	<u>-</u>	<u>(39,029,631)</u>
-	2,625,467	2,625,467
-	6,471,410	6,471,410
-	(216,055)	(216,055)
-	515,191	515,191
-	357,588	357,588
<u>-</u>	<u>9,753,601</u>	<u>9,753,601</u>
<u>(39,029,631)</u>	<u>9,753,601</u>	<u>(29,276,030)</u>
13,672,182	-	13,672,182
8,495,398	-	8,495,398
16,183,158	-	16,183,158
1,239,721	227,656	1,467,377
897,858	-	897,858
444,449	-	444,449
1,895,513	-	1,895,513
<u>42,828,279</u>	<u>227,656</u>	<u>43,055,935</u>
472,445	(1,427,459)	(955,014)
4,513,389	(4,513,389)	-
<u>47,814,113</u>	<u>(5,713,192)</u>	<u>42,100,921</u>
8,784,482	4,040,409	12,824,891
109,453,767	56,142,591	165,596,358
<u>\$ 118,238,249</u>	<u>\$ 60,183,000</u>	<u>\$ 178,421,249</u>

See accompanying Notes to the Basic Financial Statements.



Comprehensive Annual Financial Report

June 30, 2012

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, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 14,031,593	\$ 502,639	\$ 11,884,251	\$ 9,188,034	\$ 35,606,517
Receivables (net of allowance for collectibles of \$0)	4,998,715	-	3,292,514	282,826	8,574,055
Advance to other funds	-	15,332	-	-	15,332
Prepaid expenditures	553	204,137	-	-	204,690
Cash and investments, restricted	-	5,677,580	19,113	-	5,696,693
Total assets	\$ 19,030,861	\$ 6,399,688	\$ 15,195,878	\$ 9,470,860	\$ 50,097,287
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 704,897	\$ 2,491,708	\$ 2,519,584	\$ 101,072	\$ 5,817,261
Retentions payable	-	-	606,244	-	606,244
Accrued payroll	1,285,303	-	-	-	1,285,303
Deposits	372,193	-	-	-	372,193
Unearned revenue	4,435	-	-	-	4,435
Deferred revenue	1,145,268	-	-	-	1,145,268
Total liabilities	3,512,096	2,491,708	3,125,828	101,072	9,230,704
Fund balances:					
Reserved for:					
Nonspendable	553	204,137	-	-	204,690
Restricted	-	3,703,843	19,113	8,174,819	11,897,775
Assigned	11,926,734	-	12,050,937	1,194,969	25,172,640
Unassigned	3,591,478	-	-	-	3,591,478
Total fund balances	15,518,765	3,907,980	12,070,050	9,369,788	40,866,583
Total liabilities and fund balances	\$ 19,030,861	\$ 6,399,688	\$ 15,195,878	\$ 9,470,860	\$ 50,097,287

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, 2012**

Fund balance – total governmental funds \$ 40,866,583

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. 100,334,005

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	(2,062,545)
Long-term debt	(46,241,207)
Net other post-employment benefits obligation	(12,854,290)

Unamortized bond premium represents amounts previously paid to issue long-term debt. This is amortized over the life of the bonds. (740,996)

Unamortized bond issuance costs represent amounts previously paid to issue long-term debt. This is amortized over the life of the bonds. 754,737

The proceeds of the pension obligation bonds were used to pre-pay the City's unfunded California Public Employees' Retirement System 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. 27,524,175

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (429,108)

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.

9,941,627

Net assets of governmental activities \$ 118,238,249

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 13,459,642	\$ -	\$ 212,540	\$ -	\$ 13,672,182
Sales and use taxes	8,495,398	-	-	-	8,495,398
Transient occupancy taxes	16,183,158	-	-	-	16,183,158
Other taxes	2,582,128	-	-	-	2,582,128
Charges for services - fees	3,439,921	-	267,801	-	3,707,722
Charges for services - licenses and permits	99,512	-	-	-	99,512
Fines, forfeitures, and penalties	838,614	-	-	50,843	889,457
Investment income	372,178	78	-	100,189	472,445
Intergovernmental taxes	399,321	-	-	1,496,192	1,895,513
Grant revenue	-	-	617,191	598,855	1,216,046
Other revenue	443,666	-	1,398	3,021,262	3,466,326
Total revenues	46,313,538	78	1,098,930	5,267,341	52,679,887
EXPENDITURES:					
Current:					
General government	5,463,624	-	434,418	47,153	5,945,195
Public safety	18,260,119	-	-	119,646	18,379,765
Public works	3,206,898	-	3,062,061	-	6,268,959
Community development	762,487	-	-	-	762,487
Parks, recreation, and library	8,990,700	-	6,512	175,556	9,172,768
Shuttle operations	-	-	-	144,633	144,633
Capital outlay	-	-	4,957,114	-	4,957,114
Debt service:					
Principal	-	3,034,093	-	-	3,034,093
Interest	-	2,304,722	-	-	2,304,722
Total expenditures	36,683,828	5,338,815	8,460,105	486,988	50,969,736
REVENUES OVER (UNDER) EXPENDITURES	9,629,710	(5,338,737)	(7,361,175)	4,780,353	1,710,151
OTHER FINANCING SOURCES (USES):					
Transfers in	1,493,400	5,354,143	22,379,200	49,439	29,276,182
Transfer out	(7,471,729)	(4,990,541)	(10,144,190)	(2,156,333)	(24,762,793)
Other financing sources (uses):					
Issuance of California Energy Commission, LED 2012	-	405,300	-	-	405,300
Total other financing sources (uses)	(5,978,329)	768,902	12,235,010	(2,106,894)	4,918,689
Net change in fund balances	3,651,381	(4,569,835)	4,873,835	2,673,459	6,628,840
FUND BALANCES:					
Beginning of year	11,867,384	8,477,815	7,196,215	6,696,329	34,237,743
End of year	<u>\$ 15,518,765</u>	<u>\$ 3,907,980</u>	<u>\$ 12,070,050</u>	<u>\$ 9,369,788</u>	<u>\$ 40,866,583</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, 2012**

Net change in fund balances – total governmental funds \$ 6,628,840

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. 4,957,114

Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance. (2,588,834)

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	(405,300)
Accrued interest calculated on bonds payable	39,873
Amortization of bond premium	49,568
Amortization of net pension asset	(873,237)

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: 3,034,093

Principal payments

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.	578,218
Net other post-employment benefits obligation expense	(3,432,537)

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	796,684
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Change in net assets of governmental activities	\$ 8,784,482
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See accompanying Notes to the Basic Financial Statements.



Comprehensive Annual Financial Report

June 30, 2012

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, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
ASSETS			
Current assets:			
Cash and investments	\$ 11,075,684	\$ 3,150,070	\$ 2,177,641
Receivables (net of uncollectible amounts of \$0):			
Due from consumers	2,026,456	4,167,717	137,374
Due from other governments	-	-	-
Other receivables	41,266	13,706	5,104
Prepaid items	-	116,290	-
Inventory	-	-	-
Total current assets	<u>13,143,406</u>	<u>7,447,783</u>	<u>2,320,119</u>
Noncurrent assets:			
Cash and investments, restricted	3,228	447,984	-
Advances to other funds	-	-	-
Capital assets:			
Land and other assets not being depreciated	196,515	1,034,489	-
Facilities, infrastructure, and equipment, net of depreciation	32,274,667	59,402,473	658
Unamortized bond issuance cost	553,014	343,182	-
Total noncurrent assets	<u>33,027,424</u>	<u>61,228,128</u>	<u>658</u>
Total assets	<u><u>\$ 46,170,830</u></u>	<u><u>\$ 68,675,911</u></u>	<u><u>\$ 2,320,777</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,210,616	\$ 348,340	\$ 191,561
Accounts payable - Allied Waste	-	-	170,480
Advances from other funds	7,666	7,666	-
Accrued interest	272,262	395,065	-
Deposits	14,775	-	-
Unearned revenue	23,188	-	-
Claims and litigation due in one year	-	-	-
Other post-employment benefits obligation payable due in one year	147,556	134,271	14,751
Landfill closure and post closure liability	-	-	651,520
Bonds and loans payable due in one year	1,012,374	1,183,981	-
Compensated absences due in one year	9,406	8,176	252
Total current liabilities	<u>2,697,843</u>	<u>2,077,499</u>	<u>1,028,564</u>
Noncurrent liabilities:			
Advances from other funds	-	-	-
Bonds payable	25,185,178	31,481,794	-
Landfill closure and post closure liability	-	-	2,428,732
Other post-employment benefits obligation payable	778,680	717,146	68,334
Claims and litigation	-	-	-
Compensated absences	189,324	164,575	5,064
Total noncurrent liabilities	<u>26,153,182</u>	<u>32,363,515</u>	<u>2,502,130</u>
Total liabilities	<u><u>28,851,025</u></u>	<u><u>34,441,014</u></u>	<u><u>3,530,694</u></u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	6,001,368	27,376,122	658
Unrestricted assets (deficit)	<u>11,318,437</u>	<u>6,858,775</u>	<u>(1,210,575)</u>
Total net assets (deficit)	<u><u>\$ 17,319,805</u></u>	<u><u>\$ 34,234,897</u></u>	<u><u>\$ (1,209,917)</u></u>

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
JUNE 30, 2012

Enterprise Funds			Governmental Activities - Internal Service Funds
Parking Fund	Building Fund	Total	
\$ 1,512,640	\$ 3,147,443	\$ 21,063,478	\$ 15,243,102
-	-	6,331,547	135,918
-	-	-	131,890
5,731	8,164	73,971	-
-	-	116,290	-
-	-	-	62,256
<u>1,518,371</u>	<u>3,155,607</u>	<u>27,585,286</u>	<u>15,573,166</u>
-	-	451,212	-
-	-	-	-
5,751,848	-	6,982,852	-
1,251,287	-	92,929,085	1,756,405
-	-	896,196	-
<u>7,003,135</u>	<u>-</u>	<u>101,259,345</u>	<u>1,756,405</u>
<u>\$ 8,521,506</u>	<u>\$ 3,155,607</u>	<u>\$ 128,844,631</u>	<u>\$ 17,329,571</u>
\$ 18,618	\$ 79,965	\$ 1,849,100	\$ 212,862
-	-	170,480	-
-	-	15,332	-
-	-	667,327	-
-	774,585	789,360	-
-	-	23,188	-
-	-	-	1,547,835
74,036	63,760	434,374	-
-	-	651,520	-
-	-	2,196,355	-
<u>2,248</u>	<u>3,210</u>	<u>23,292</u>	<u>8,663</u>
<u>94,902</u>	<u>921,520</u>	<u>6,820,328</u>	<u>1,769,360</u>
-	-	-	-
-	-	56,666,972	-
-	-	2,428,732	-
386,881	325,741	2,276,782	-
-	-	-	5,523,165
<u>45,245</u>	<u>64,609</u>	<u>468,817</u>	<u>95,419</u>
<u>432,126</u>	<u>390,350</u>	<u>61,841,303</u>	<u>5,618,584</u>
<u>527,028</u>	<u>1,311,870</u>	<u>68,661,631</u>	<u>7,387,944</u>
7,003,135	-	40,381,283	1,756,405
<u>991,343</u>	<u>1,843,737</u>	<u>19,801,717</u>	<u>8,185,222</u>
<u>\$ 7,994,478</u>	<u>\$ 1,843,737</u>	<u>\$ 60,183,000</u>	<u>\$ 9,941,627</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, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
OPERATING REVENUES:			
Water sales	\$ 13,525,369	\$ -	\$ -
Sewer service charges:			
Burlingame users	-	15,008,217	-
Other agencies	-	1,149,070	-
Special surcharges	125,458	-	-
Parking fee	-	-	-
Charges for services	-	-	-
Other revenue	57,621	-	465,153
Franchise tax	-	-	227,656
Total operating revenues	13,708,448	16,157,287	692,809
OPERATING EXPENSES:			
Salaries and benefits	2,332,816	2,256,511	213,698
Supplies and services	763,017	745,589	323,433
Water purchase	5,409,029	-	-
Contractual services	440,474	3,787,152	138,541
Communication and utilities	69,629	44,623	197
Maintenance			
Depreciation and amortization	1,970,428	2,753,731	3,086
Insurance claims and expenses	97,588	98,271	2,253
Total operating expenses	11,082,981	9,685,877	681,208
Operating income	2,625,467	6,471,410	11,601
NONOPERATING REVENUES (EXPENSES):			
Investment income	213,379	110,930	26,297
Interest expense	(1,003,988)	(835,684)	-
Net nonoperating revenues (expenses)	(790,609)	(724,754)	26,297
Income before transfers	1,834,858	5,746,656	37,898
Transfers in	3,292,439	4,895,743	-
Transfers out	(4,611,837)	(7,601,470)	-
Change in net assets	515,460	3,040,929	37,898
NET ASSETS:			
Beginning of year	16,804,345	31,193,968	(1,247,815)
End of year	<u>\$ 17,319,805</u>	<u>\$ 34,234,897</u>	<u>\$ (1,209,917)</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, 2012

Enterprise Funds			Governmental
Parking Fund	Building Fund	Total	Activities - Internal Service Funds
\$ -	\$ -	\$ 13,525,369	\$ -
-	-	15,008,217	-
-	-	1,149,070	-
-	-	125,458	-
1,949,285	-	1,949,285	-
-	1,433,824	1,433,824	5,755,096
975	145,859	669,608	41,322
-	-	227,656	-
<u>1,950,260</u>	<u>1,579,683</u>	<u>34,088,487</u>	<u>5,796,418</u>
1,089,004	868,654	6,760,683	1,069,471
191,196	179,664	2,202,899	286,699
-	-	5,409,029	-
86,641	164,668	4,617,476	1,194,904
13,975	4,722	133,146	65,021
-	-	-	454,134
49,463	-	4,776,708	548,786
4,790	4,387	207,289	1,559,325
<u>1,435,069</u>	<u>1,222,095</u>	<u>24,107,230</u>	<u>5,178,340</u>
<u>515,191</u>	<u>357,588</u>	<u>9,981,257</u>	<u>618,078</u>
19,543	42,064	412,213	178,606
-	-	(1,839,672)	-
<u>19,543</u>	<u>42,064</u>	<u>(1,427,459)</u>	<u>178,606</u>
534,734	399,652	8,553,798	796,684
-	-	8,188,182	-
<u>(343,541)</u>	<u>(144,723)</u>	<u>(12,701,571)</u>	<u>-</u>
191,193	254,929	4,040,409	796,684
<u>7,803,285</u>	<u>1,588,808</u>	<u>56,142,591</u>	<u>9,144,943</u>
<u>\$ 7,994,478</u>	<u>\$ 1,843,737</u>	<u>\$ 60,183,000</u>	<u>\$ 9,941,627</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, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from consumers	\$ 13,416,647	\$ 15,547,258	\$ 612,415
Payments to suppliers	(7,160,816)	(4,630,345)	(173,746)
Payment to employees for services	(2,072,031)	(1,986,628)	(188,805)
Net cash provided by operating activities	4,183,800	8,930,285	249,864
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	-	-	-
Transfers to other funds	(1,311,732)	(4,077,169)	-
Net cash (used in) noncapital financing activities	(1,311,732)	(4,077,169)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on long-term debt	(5,257,276)	(4,853,474)	-
Issuance of debt	3,790,000	4,460,271	-
Interest paid on long-term debt	(1,027,682)	(873,393)	-
Acquisition of capital assets	(3,659,551)	(5,380,787)	-
Net cash (used in) capital and related financing activities	(6,154,509)	(6,647,383)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	213,379	110,930	26,297
Net cash provided by investing activities	213,379	110,930	26,297
Net increase (decrease) in cash and cash equivalents	(3,069,062)	(1,683,337)	276,161
CASH AND CASH EQUIVALENTS:			
Beginning of year	14,147,974	5,281,391	1,901,480
End of year	<u>\$ 11,078,912</u>	<u>\$ 3,598,054</u>	<u>\$ 2,177,641</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 2,625,467	\$ 6,471,410	\$ 11,601
Adjustments for noncash activities:			
Depreciation and amortization	1,970,428	2,753,731	3,086
Changes in assets and liabilities:			
Receivables	(289,492)	(610,029)	(80,393)
Deposits	3,350	-	-
Inventory	-	-	-
Other assets	-	(116,290)	-
Accounts payable/claims and litigation	(381,079)	161,580	252,849
Advances from other funds	-	-	-
Landfill closure liability	-	-	37,828
Other Post-Employment Benefit obligation	272,899	248,330	27,286
Compensated absences	(12,114)	21,553	(2,393)
Unearned revenue	(5,659)	-	-
Total adjustments	1,558,333	2,458,875	238,263
Net cash provided by operating activities	\$ 4,183,800	\$ 8,930,285	\$ 249,864
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:			
Cash and investments – current	\$ 11,075,684	\$ 3,150,070	\$ 2,177,641
Cash and investments, restricted	3,228	447,984	-
Cash and cash equivalents on the statement of cash flows	\$ 11,078,912	\$ 3,598,054	\$ 2,177,641
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Contributions of capital assets from capital project funds	\$ 3,174,564	\$ 4,895,743	\$ -

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, 2012

Enterprise Funds			Governmental Activities - Internal Service Funds
Parking Fund	Building Fund	Total	
\$ 1,944,528 (285,681) (947,892)	\$ 1,377,135 (301,862) (739,723)	\$ 32,897,983 (12,552,450) (5,935,079)	\$ 7,454,069 (3,546,316) (1,060,808)
<u>710,955</u>	<u>335,550</u>	<u>14,410,454</u>	<u>2,846,945</u>
-	-	-	1,379,108
<u>(343,541)</u>	<u>(144,723)</u>	<u>(5,877,165)</u>	<u>-</u>
<u>(343,541)</u>	<u>(144,723)</u>	<u>(5,877,165)</u>	<u>1,379,108</u>
-	-	(10,110,750)	-
-	-	8,250,271	-
-	-	(1,901,075)	-
<u>(26,844)</u>	<u>-</u>	<u>(9,067,182)</u>	<u>(359,909)</u>
<u>(26,844)</u>	<u>-</u>	<u>(12,828,736)</u>	<u>(359,909)</u>
<u>19,543</u>	<u>42,064</u>	<u>412,213</u>	<u>178,606</u>
<u>19,543</u>	<u>42,064</u>	<u>412,213</u>	<u>178,606</u>
360,113	232,891	(3,883,234)	4,044,750
<u>1,152,527</u>	<u>2,914,552</u>	<u>25,397,924</u>	<u>12,577,460</u>
<u>\$ 1,512,640</u>	<u>\$ 3,147,443</u>	<u>\$ 21,514,690</u>	<u>\$ 16,622,210</u>
\$ 515,191	\$ 357,588	\$ 9,981,257	\$ 618,078
49,463	-	4,776,708	548,784
(5,731)	(8,164)	(993,809)	(152,457)
-	(194,384)	(191,034)	-
-	-	-	(5,938)
-	-	(116,290)	-
10,920	51,579	95,849	450,707
-	-	-	-
-	-	37,828	-
136,927	117,923	803,365	-
4,185	11,008	22,239	8,663
<u>-</u>	<u>-</u>	<u>(5,659)</u>	<u>-</u>
<u>195,764</u>	<u>(22,038)</u>	<u>4,429,197</u>	<u>849,759</u>
<u>\$ 710,955</u>	<u>\$ 335,550</u>	<u>\$ 14,410,454</u>	<u>\$ 1,467,837</u>
\$ 1,512,640	\$ 3,147,443	\$ 21,063,478	\$ 15,243,102
<u>-</u>	<u>-</u>	<u>451,212</u>	<u>-</u>
<u>\$ 1,512,640</u>	<u>\$ 3,147,443</u>	<u>\$ 21,514,690</u>	<u>\$ 15,243,102</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,070,307</u>	<u>\$ -</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Agency Funds
	<hr/>
ASSETS	
Cash and investments	\$ 219,066
Accounts receivable	<hr/> 976,983
Total assets	<hr/> \$ 1,196,049 <hr/>
LIABILITIES	
Accounts payable	\$ 192,094
Due to other governments	<hr/> 1,003,955
Total liabilities	<hr/> \$ 1,196,049 <hr/>

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
INDEX TO THE NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, whose members are each elected to a four year term. The Mayor of the City is a two-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 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 the 2010 Lease Revenue Refunding Bonds to defease the 2001 Lease Revenue Bonds, as well as the 2010 Storm Drain Revenue Bonds to finance improvements to the City's storm drainage system. In 2011, the Authority issued the 2011 Water and Wastewater Refunding Bonds to defease the 2003 Water and Wastewater Revenue Bonds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Definition of the Reporting Entity (Continued)

Burlingame Financing Authority (Continued)

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 Department of Finance, 501 Primrose Road, Burlingame, CA 94010.

Burlingame Redevelopment Agency

The Redevelopment Agency was established in November 1995 and is a component of the City. The Redevelopment Agency was dissolved as of February 1, 2012. Prior to that date, the Redevelopment Agency was inactive.

Non-Disclosed Organizations

There are other agencies that provide services within 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 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 CalPERS.

The CCFD is a Joint Powers Authority (JPA) which provides fire, emergency medical, and disaster preparedness services to the City and the 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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.

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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements (Continued)

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 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.

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 Governmental 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Financial Statements (Continued)

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.

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, information technology support, and 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and Broadway Business Improvement District (BID) fees, Central County Fire Department (CCFD), specialized training and Emergency Medical Systems (EMS) training fund, building standards administration, Quality of Work Life Committee (QWLC), the elementary and high school districts, and unclaimed property from the police department.

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.

Expenditures exceeded budgetary appropriations for the year ended June 30, 2012, as follows:

<u>Fund/Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Exceeded Budget</u>
<u>Major Fund</u>			
General Fund			
City Attorney ¹	\$ 406,230	\$ 452,836	\$ (46,606)
Fire ²	8,820,362	8,977,854	(157,492)
<u>Non-Major Funds</u>			
State/Federal Grants Fund			
Public safety - police ³	-	107,314	(107,314)
Local Grants Fund			
Public safety - police ⁴	-	12,332	(12,332)
Parks, recreation, and library ⁴	-	175,556	(175,556)

¹ Due to ongoing litigation and consultation on various legal matters.

² The City is required to provide support to Central County Fire on a budgetary basis. Final reconciliation data to be finalized during fiscal year 2013 is expected to reflect actuals that are under-budget. The above reflects best available information as of June 30.

³ The variance is due to the original fiscal year 2012 budget which assumed no revenue from Supplemental Law Enforcement Services Funds and Citizens Option for Public Safety (SLESF COPS) from the State of California. Actual receipts reflected \$109,455 in revenue from the State of California which was used as a source to support Public Safety.

⁴ The variance is due to the City's historic practice of not making annual revenue assumptions relating to receipts from local donations in its budget.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pooled Investments and Investment by City Treasury (Continued)

The 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 San Mateo County (the County) Investment Pool 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 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Valuation (Continued)

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

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)

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

Intangible Assets (Continued)

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.

The City has analyzed the impact of GASB Statement No. 51, and determined that no reclassification was necessary as of June 30, 2012.

I. Compensated Employee Absences

The City permits its employees to accumulate vacation up to two years of entitlement and sick leave up to 1,440, 1,560, or 2,080 or unlimited hours depending on the bargaining unit. Effective December 1, 2011, memorandums of understanding with collective bargaining units capped sick leave accruals at 2,000 hours. 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 for employees separated prior to December 1, 2011. Effective December 1, 2011, cash payouts of accumulated and unused sick leave were eliminated. 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 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 County Assessor.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes (Continued)

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 occur 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 since they are apportioned to the City as if the tax levy had been collected in full.

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 financial 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as 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.

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

- **Unrestricted** fund balance includes three categories:
 - **Committed** fund balance includes amounts that can only be used for specific purposes determined by formal action of the City’s highest level of decision-making authority (e.g., the 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. The aggregate balance of unassigned fund balance was \$3,591,478 as of June 30, 2012.

Committed and Assigned Fund Balance

The current designation of General Fund balance by City Council constitutes an “assignment of intention” to use certain amounts for specific purposes. Therefore the City Council’s designated fund balance reserves are considered either “Committed” or “Assigned” and will be reported as such. The annual budget has traditionally designated the amounts to be assigned by the City Council and purpose of the fund assignments. 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 with 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.

The aggregate balance of assigned fund balance was \$11,926,734 as of June 30, 2012. The breakdown is shown below:

- **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 balance at June 30, 2012, was \$5,000,000.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

Committed and Assigned Fund Balance (Continued)

- **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 balance at June 30, 2012, was \$2,000,000.
- **Other Post-employment Benefits (OPEB) Retiree Health Reserve** is 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 Post-employment Benefits Other than Pensions*. The balance at June 30, 2012, was \$3,000,000.
- **Contingency Reserve** is 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, 2012, was \$500,000.
- **The Highway 101 and Broadway Interchange Reserve** is available to fund the City's share of costs related to the forthcoming reconfiguration of the Highway 101 and Broadway Interchange and includes construction of a new overpass, traffic improvements, and the installation of metering equipment. The estimated project cost is approximately \$75.2 million, and will be jointly funded by the San Mateo County Transportation Authority, state transportation fund, and the City of Burlingame. As of June 30, 2012, the project was not yet underway and not yet authorized to proceed. The balance at June 30, 2012, was \$1,426,734.

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.
- **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 the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

Restricted Net Assets (Continued)

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 gas tax.

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

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 affect 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. Future GASB Pronouncements

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 63 modifies current financial reporting of those elements. This statement is effective for periods beginning after December 15, 2011. The City has elected not to early implement GASB Statement No. 63 and has not determined its effects if any on the City's financial statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Future GASB Pronouncements (Continued)

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions

GASB Statement No. 64 amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. The City does not enter into hedge agreements with swap providers for the purpose of managing risk beyond investment return. As such, GASB Statement No. 64 will not apply.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limited the use of the term “deferred” in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has elected not to early implement this statement.

GASB Statement No. 66, Technical Corrections – An Amendment of GASB Statements No. 10 and 62

GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. It also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has elected not to early implement this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Future GASB Pronouncements (Continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27

GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement No. 68 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. In addition, GASB Statement No. 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. GASB Statement No. 68 also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan. Various new note disclosures and required supplementary information will be presented. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. The City has elected not to early implement GASB Statement No. 68.

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		Fiduciary Funds	
	Activities	Activities	Total	Statement of	Total
				Net Assets	
Cash and investments held with Treasury	\$ 50,849,617	\$ 21,063,478	\$ 71,913,095	\$ 226,630	\$ 72,139,725
Restricted cash held with Treasury	\$ -	\$ 447,984	\$ 447,984	\$ -	\$ 447,984
Restricted cash held by fiscal agent	\$ 5,696,693	\$ 3,228	\$ 5,699,921	\$ -	\$ 5,699,921

The City's Cash and Investments at June 30 in more detail:

	Fair Value
City Treasury:	
<i>Deposits:</i>	
Deposit	\$ 29,706,287
Total deposits	29,706,287
<i>Investments:</i>	
U.S. Government Securities	25,049,976
Certificates of Deposit	1,035,985
South Bayside Waste Management Authority	3,000,000
San Mateo County Investment Pool	4,914,586
Local Agency Investment Fund	8,899,543
Total investments	42,900,090
Total City Treasury	72,606,377
Restricted Cash and Investments:	
Cash held by fiscal agent (Bank of New York)	4,736,460
Cash held by fiscal agent (Deutsche Bank)	944,793
Total restricted cash and investments	5,681,253
Total cash and investments	\$ 78,287,630

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Deposits

The carrying amounts of the City's cash deposits were \$29,706,287 at June 30. Bank balances before reconciling items were \$29,819,279 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.

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)**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 maturity of less than 5 years. Those over two years will be confined to U.S. Government and Agency securities.

	Investment Maturities in Years					
	Fair Value	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years
U.S. Agencies						
Federal Home Loan Bank	\$ 6,018,840	\$ -	\$ -	\$ -	\$ -	\$ 6,018,840
Federal Home Loan Mortgage Corp	2,003,630	-	-	-	-	2,003,630
Federal National Mortgage Association (Fannie Mae)	9,018,670	-	-	-	-	9,018,670
Federal Farm Credit Bank	8,008,836	-	-	-	6,007,710	2,001,126
Certificates of Deposit						
Goldman Sachs Bank	260,131	-	-	-	-	260,131
Discover Bank	260,131	-	-	-	-	260,131
GE Capital Retail Bank	260,142	-	-	-	-	260,142
GE Capital Financial Bank	255,581	-	-	-	255,581	-
Municipal Bonds						
South Bayside Waste Management Authority	3,000,000	-	3,000,000	-	-	-
External Pool						
State of California - Local Agency Investment Fund	8,899,543	8,899,543	-	-	-	-
San Mateo County Investment Pool	4,914,586	4,914,586	-	-	-	-
Total	\$ 42,900,090	\$ 13,814,129	\$ 3,000,000	\$ -	\$ 6,263,291	\$ 19,822,670

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)**B. Investments** (Continued)*Interest Rate Risk* (Continued)

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. GASB Statement No. 31 fair market value adjustment for the City's investments as of June 30, 2012, was \$119,052.

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	\$ 6,018,840	AA+
Federal Home Loan Mortgage Corp	2,003,630	AA+
Federal National Mortgage Association (Fannie Mae)	9,018,670	AA+
Federal Farm Credit Bank	8,008,836	AA+
Certificates of Deposit - Goldman Sachs	260,131	FDIC Insured
Certificates of Deposit - Discover Bank	260,131	FDIC Insured
Certificates of Deposit - GE Capital Retail Bank	260,142	FDIC Insured
Certificates of Deposit - GE Capital Financial Bank	255,581	FDIC Insured
South Bayside Waste Management Authority	3,000,000	Not Rated
State of California - Local Agency Investment Fund	8,899,543	Not Rated
San Mateo County Investment Pool	4,914,586	Aa2
Total	<u>\$ 42,900,090</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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Investments in LAIF

LAIF is a voluntary program created by statute in 1977. 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. LIAB 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 CMO's) or credit card receivables.

As of June 30, the City had \$8,899,543 invested in LAIF. The LAIF fair value factor of 1.00121964 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.

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 \$4,914,586 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 1.00424.

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 Governmental Funds	Water Fund	Sewer Fund	Building Fund	Parking Fund	Waste Management Fund	Internal Service Funds	
Receivables:										
Customer accounts	\$ -	\$ -	\$ -	\$ 2,026,456	\$ 2,673,054	\$ -	\$ 1,938	\$ 137,374	\$ 232,212	\$ 5,071,034
Transient occupancy tax	1,841,622	-	-	-	-	-	-	-	-	1,841,622
Sales tax	979,800	-	-	-	-	-	-	-	-	979,800
Real property transfer tax	32,734	-	-	-	-	-	-	-	-	32,734
Public safety sales tax	9,871	-	-	-	-	-	-	-	-	9,871
Interest	39,765	-	20,251	41,266	13,706	8,164	3,793	5,104	35,596	167,645
Intergovernmental	1,145,268	531,592	261,976	-	-	-	-	-	-	1,938,836
Other receivables	949,655	2,760,922	599	-	1,494,663	-	-	-	-	5,205,839
Gross receivables	4,998,715	3,292,514	282,826	2,067,722	4,181,423	8,164	5,731	142,478	267,808	15,247,381
Less: allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	-
Net total receivables	<u>\$ 4,998,715</u>	<u>\$ 3,292,514</u>	<u>\$ 282,826</u>	<u>\$ 2,067,722</u>	<u>\$ 4,181,423</u>	<u>\$ 8,164</u>	<u>\$ 5,731</u>	<u>\$ 142,478</u>	<u>\$ 267,808</u>	<u>\$ 15,247,381</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, relating to governmental activities was as follows:

	Governmental Activities				
	Balance July 1, 2011	Increases	Decreases	Transfers In/Out	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 6,407,198	\$ -	\$ -	\$ -	\$ 6,407,198
Pavement accounted for using the modified approach	32,947,987	-	-	-	32,947,987
Construction in progress	5,747,028	4,892,566	-	(2,780,233)	7,859,361
Total capital assets, not being depreciated	45,102,213	4,892,566	-	(2,780,233)	47,214,546
Capital assets, being depreciated:					
Buildings and structures	38,924,022	56,422	-	88,847	39,069,291
Improvements other than buildings	31,016,350	-	-	360,533	31,376,883
Machinery and equipment	14,057,875	368,033	(242,977)	1,451,892	15,634,823
Infrastructure	34,735,085	-	-	878,961	35,614,046
Total capital assets, being depreciated	118,733,332	424,455	(242,977)	2,780,233	121,695,043
Less accumulated depreciation for:					
Buildings and structures	12,616,271	780,139	-	-	13,396,410
Improvements other than buildings	25,099,095	925,950	-	-	26,025,045
Machinery and equipment	11,635,986	885,317	(242,977)	-	12,278,326
Infrastructure	14,573,192	546,211	-	-	15,119,403
Total accumulated depreciation	63,924,544	3,137,617	(242,977)	-	66,819,184
Total capital assets, being depreciated, net	54,808,788	(2,713,162)	-	2,780,233	54,875,859
Governmental activities capital assets, net	\$ 99,911,001	\$ 2,179,404	\$ -	\$ -	\$ 102,090,405

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2012, relating to business-type activities was as follows below. Transfers of \$5,826,556 and \$12,643,916 were made from the Capital Projects Fund to the Water Fund and Sewer Fund, respectively, for the acquisition and construction of capital assets.

	Business-Type Activities			
	Balance July 1, 2011	Increases	Decreases	Transfer In/Out
Capital assets not being depreciated:				
Land	\$ 6,357,188	\$ -	\$ -	\$ -
Construction in progress	10,539,966	8,556,170	-	(18,470,472)
Total capital assets, not being depreciated	16,897,154	8,556,170	-	(18,470,472)
Capital assets, being depreciated:				
Buildings and structures	2,661,566	-	-	-
Improvements other than buildings	122,457,597	190,558	-	18,318,706
Machinery and equipment	4,081,065	320,454	-	151,766
Total capital assets, being depreciated	129,200,228	511,012	-	18,470,472
Less accumulated depreciation for:				
Buildings and structures	1,045,533	50,449	-	-
Improvements other than buildings	46,310,704	4,093,131	-	-
Machinery and equipment	3,116,434	636,376	-	-
Total accumulated depreciation	50,472,671	4,779,956	-	-
Total capital assets, being depreciated, net	78,727,557	(4,268,944)	-	18,470,472
Business activities capital assets, net	\$ 95,624,711	\$ 4,287,226	\$ -	\$ -

NOTE 4 – CAPITAL ASSETS (Continued)

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:

	<u>Depreciation</u>
Governmental activities:	
General government	\$ 790,620
Public safety	412,349
Public works	983,725
Parks, recreation, and library	<u>950,923</u>
 Total depreciation expense – governmental activities	 <u>\$ 3,137,617</u>
 Business-type activities:	
Water	\$ 1,972,670
Sewer	2,754,738
Solid waste management	3,086
Parking	<u>49,462</u>
 Total depreciation expense – business-type activities	 <u>\$ 4,779,956</u>

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, 2012:

Description	Beginning Balance June 30, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Lease Revenue Refunding Bonds, Series 2004	\$ 3,350,000	\$ -	\$ (620,000)	\$ 2,730,000	\$ 640,000
- Unamortized Premium	73,251	-	(17,939)	55,312	(17,939)
Pension Obligation Bonds, Series 2006	26,010,000	-	(1,775,000)	24,235,000	1,960,000
Storm Drainage Revenue Bonds, Series 2010	9,805,000	-	(445,000)	9,360,000	205,000
- Unamortized Premium	203,440	-	(7,040)	196,400	(7,040)
Lease Revenue Refunding Bonds, Series 2010	8,205,000	-	-	8,205,000	200,000
- Unamortized Premium	543,649	-	(54,365)	489,284	(54,365)
Master Equipment Lease Purchase Agreement, 2011	1,500,000	-	(194,093)	1,305,907	200,955
California Energy Commission, 2012	-	405,300	-	405,300	19,569
Total Governmental Activities	\$ 49,690,340	\$ 405,300	\$ (3,113,437)	\$ 46,982,203	\$ 3,146,180
Business-Type Activities:					
Lease Revenue Bonds, Series 1998	\$ 1,625,000	\$ -	\$ (1,625,000)	\$ -	\$ -
- Deferred Amount on Refunding	(74,138)	74,138	-	-	-
- Unamortized Premium	4,372	-	(4,372)	-	-
Water and Wastewater Revenue Bonds, Series 2003	6,810,000	-	(6,810,000)	-	-
State Water Resource Loan - 2003	9,322,262	-	(481,019)	8,841,243	493,045
State Water Resource Loan - 2010	3,332,275	2,315,271	(190,603)	5,456,943	-
Water and Wastewater Revenue Bonds, Series 2004	16,245,000	-	(645,000)	15,600,000	665,000
- Unamortized Premium	23,891	-	(1,352)	22,539	(1,352)
Water and Wastewater Revenue Bonds, Series 2007	23,415,000	-	(470,000)	22,945,000	800,000
- Unamortized Premium	24,783	-	(1,194)	23,589	(1,194)
- Unamortized Discount	(4,639)	-	222	(4,417)	445
Water and Wastewater Revenue Bonds, Series 2011	-	5,935,000	(330,000)	5,605,000	265,000
- Deferred Amount on Refunding	-	(182,116)	-	(182,116)	(6,071)
- Unamortized Premium	-	575,800	(20,254)	555,546	(18,518)
Total Business-Type Activities	\$ 60,723,806	\$ 8,718,093	\$ (10,578,572)	\$ 58,863,327	\$ 2,196,355

A. Long-Term Debt from Governmental Activities

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

On August 4, 2004, the 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, purchased a Reserve Facility for deposit in the reserve fund for the bonds, and paid 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 bonds, \$16,444 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)Lease Revenue Refunding Bonds, Series 2004 – Original Issue \$6,705,000 (Continued)

Year Ending June 30	Governmental		Total
	Principal	Interest	
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
	2,730,000	262,935	2,992,935
Plus unamortized premium	55,312	-	55,312
	<u>\$ 2,785,312</u>	<u>\$ 262,935</u>	<u>\$ 3,048,247</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 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 bonds were used to provide funds to allow the City to refund its current 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 bond 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. Interest on the bonds is payable semi-annually June 1 and December 1. The bonds mature on June 1, 2036, with an interest rate that varies from 5.190% to 5.551%.

Year Ending June 30	Governmental		Total
	Principal	Interest	
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	2,905,000	829,042	3,734,042
2018-2022	5,300,000	2,495,814	7,795,814
2023-2027	2,785,000	1,527,913	4,312,913
2028-2032	1,935,000	927,850	2,862,850
2033-2036	2,125,000	305,583	2,430,583
	<u>\$ 24,235,000</u>	<u>\$ 10,700,267</u>	<u>\$ 34,935,267</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 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 bonds annually at 10% of the premium balance. 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 2012, the City paid a total of \$288,375 in debt service on the bonds, consisting of \$0 in principal and \$288,375 in interest. Principal is due annually on December 1, commencing December 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>
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	990,000	173,975	1,163,975
2018-2021	<u>4,280,000</u>	<u>381,300</u>	<u>4,661,300</u>
	8,205,000	1,587,975	9,792,975
Plus unamortized premium	<u>489,284</u>	<u>-</u>	<u>489,284</u>
	<u><u>\$ 8,694,284</u></u>	<u><u>\$ 1,587,975</u></u>	<u><u>\$ 10,282,259</u></u>

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

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 Authority issued Storm Drainage Revenue 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 \$2,570,000 in tax-exempt bonds and \$7,255,000 taxable Build America Bonds under the American Recovery and Reinvestment Act of 2009 (Recovery Act). 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 bonds, \$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%.

Storm Drainage - Series 2010A -1- Tax Exempt			
Year Ending June 30	Governmental		
	Principal	Interest	Total
2013	\$ 205,000	\$ 91,375	\$ 296,375
2014	215,000	83,175	298,175
2015	225,000	74,575	299,575
2016	230,000	67,825	297,825
2017	240,000	56,325	296,325
2018-2021	1,075,000	111,900	1,186,900
	2,190,000	485,175	2,675,175
Plus unamortized premium	196,400	-	196,400
	<u>\$ 2,386,400</u>	<u>\$ 485,175</u>	<u>\$ 2,871,575</u>

NOTE 5 – LONG-TERM DEBT (Continued)A. Long-Term Debt from Governmental Activities (Continued)Storm Drainage Revenue Bonds, Series 2010 – Original Issue \$9,805,000 (Continued)

Storm Drainage - Series 2010A -2- Taxable - Build America Bonds				
Year Ending June 30	Governmental			Total
	Principal	Interest	Subsidy	
2013	\$ -	\$ 475,245	\$ (166,336)	\$ 308,909
2014	-	475,245	(166,336)	308,909
2015	-	475,245	(166,336)	308,909
2016	-	475,245	(166,336)	308,909
2017	-	475,245	(166,336)	308,909
2018-2022	-	2,376,226	(831,680)	1,544,546
2023-2027	1,605,000	2,189,366	(766,278)	3,028,088
2028-2032	1,975,000	1,628,662	(570,032)	3,033,630
2033-2037	2,455,000	900,735	(315,257)	3,040,478
2038-2039	1,135,000	116,586	(40,805)	1,210,781
	<u>\$ 7,170,000</u>	<u>\$ 9,587,800</u>	<u>\$ (3,355,732)</u>	<u>\$ 13,402,068</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.

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	
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>\$ 1,305,907</u>	<u>\$ 137,968</u>	<u>\$ 1,443,875</u>

NOTE 5 – LONG-TERM DEBT (Continued)A. Long-Term Debt from Governmental Activities (Continued)*California Energy Commission, LED Streetlight Turnkey, 2012 – Principal \$405,300*

In May 2012, the City received a loan from the California Energy Commission to finance an energy efficiency initiative to retrofit City maintained streetlights. The interest rate on the loan is 3.00%, and principal and interest is payable in semiannual installments in December and June, commencing December 2012 and ending in December 2020. The interest rate on the loan is below-market, and was made possible through stimulus funds made available to the California Energy Commission via the American Recovery and Reinvestment Act of 2009.

Year Ending June 30	Governmental		Total
	Principal	Interest	
2013	\$ 19,569	\$ 7,728	\$ 27,297
2014	21,527	5,770	27,297
2015	21,819	5,478	27,297
2016	22,176	5,121	27,297
2017	27,297	6,489	33,786
2018-2021	292,912	28,167	321,079
	<u>\$ 405,300</u>	<u>\$ 58,753</u>	<u>\$ 464,053</u>

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

In 1998 the 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, financed the acquisition of certain additional improvements to the wastewater treatment system, funded a reserve fund for the bonds, and paid 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.

The City made the final principal and interest payment in October 2011.

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 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 that 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 \$280,000 and \$307,809 respectively. The bonds were defeased during the fiscal year by the Water and Wastewater Revenue Bonds Series 2011.

NOTE 5 – LONG-TERM DEBT (Continued)**B. Long-Term Debt from Business-Type Activities** (Continued)*Water and Wastewater Revenue Bonds, Series 2004 – Original Issue \$20,320,000*

The 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 bonds mature 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 \$645,000 and \$659,429, respectively.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
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	765,000	539,227	1,304,227
2018-2022	4,305,000	2,220,323	6,525,323
2023-2027	5,280,000	1,243,913	6,523,913
2028-2029	2,445,000	164,781	2,609,781
	15,600,000	6,588,401	22,188,401
Plus unamortized premium	22,539	-	22,539
	<u>\$ 15,622,539</u>	<u>\$ 6,588,401</u>	<u>\$ 22,210,940</u>

NOTE 5 – LONG-TERM DEBT (Continued)B. Long-Term Debt from Business-Type Activities (Continued)Water and Wastewater Revenue Bonds, Series 2007 – Original Issue \$25,180,000

The 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 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, 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 \$470,000 and \$1,028,708, respectively.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
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	950,000	852,583	1,802,583
2018-2022	5,445,000	3,593,750	9,038,750
2023-2028	6,665,000	2,420,944	9,085,944
2029-2031	6,465,000	674,879	7,139,879
	22,945,000	11,345,188	34,290,188
Plus unamortized premium	23,589	-	23,589
Less unamortized discount	(4,417)	-	(4,417)
	<u>\$ 22,964,172</u>	<u>\$ 11,345,188</u>	<u>\$ 34,309,360</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 installment payments at an interest of 2.5%. Installment payments will start August 2007 and shall be fully amortized August 2026. 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>	
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	544,229	156,241	700,470
2018-2022	2,932,164	638,216	3,570,380
2023-2027	3,317,475	252,905	3,570,380
	<u>\$ 8,841,243</u>	<u>\$ 1,856,290</u>	<u>\$ 10,697,533</u>

NOTE 5 – LONG-TERM DEBT (Continued)**B. Long-Term Debt from Business-Type Activities** (Continued)*State Water Resources Control Board, 2010 – Principal \$5,456,943*

In 2010 the City entered into an agreement with 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, 2012, the City has drawn down a principal loan amount of \$5,456,943.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2013	\$ -	\$ 158,251	\$ 158,251
2014	214,778	152,023	366,801
2015	221,007	145,614	366,621
2016	227,416	139,019	366,435
2017	234,011	132,232	366,243
2018-2022	1,275,872	589,275	1,865,147
2023-2027	1,471,919	393,228	1,865,147
2028-2032	1,811,940	167,057	1,978,997
	<u>\$ 5,456,943</u>	<u>\$ 1,876,698</u>	<u>\$ 7,333,640</u>

Water and Wastewater Refunding Revenue Bonds, Series 2011 – Original Issue \$5,935,000

In 2011, the Burlingame Financing Authority issued \$5,935,000 of Water and Wastewater Refunding Revenue Bonds, Series 2011 to refund and defease all of the Authority's outstanding Water and Wastewater Revenue Bonds, Series 2003, which financed certain improvements to the City's water and wastewater system, and to pay the costs of issuance of the bonds. The bonds are a 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, 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 April 1, 2012. Principal is payable annually on April 1, commencing April 1, 2012. The bonds mature on April 1, 2028, with an interest rate that varies from 4.00 to 4.75%. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2011 were \$330,000 and \$76,102, respectively.

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

A premium of \$575,800 was paid and will be amortized over the life of the bond. The transaction resulted in an economic gain of \$450,734 and a reduction of \$1,429,732 in future debt service payments.

Year Ending June 30	Business-Type		
	Principal	Interest	Total
2013	\$ 265,000	\$ 235,850	\$ 500,850
2014	270,000	230,551	500,551
2015	280,000	219,751	499,751
2016	290,000	214,151	504,151
2017	290,000	208,351	498,351
2018-2022	1,645,000	851,001	2,496,001
2023-2027	2,085,000	411,551	2,496,551
2028	480,000	20,401	500,401
	5,605,000	2,391,606	7,996,606
Plus unamortized premium	555,546	-	555,546
Less: Deferred Amounts	(182,116)	-	(182,116)
	<u>\$ 5,978,430</u>	<u>\$ 2,391,606</u>	<u>\$ 8,370,036</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, 2012, for governmental activities is as follows:

Year Ending June 30	Governmental Activities			
	Principal	Interest	Subsidies	Total
2013	\$ 3,225,524	\$ 2,332,540	\$ (166,336)	\$ 5,391,728
2014	4,153,882	2,182,203	(166,336)	6,169,749
2015	4,470,778	1,985,980	(166,336)	6,290,422
2016	4,802,949	1,770,545	(166,336)	6,407,158
2017	4,390,102	1,553,917	(166,336)	5,777,683
2018-2022	11,182,972	5,398,993	(831,680)	15,750,285
2023-2027	4,390,000	3,717,279	(766,278)	7,341,001
2028-2032	3,910,000	2,556,512	(570,032)	5,896,480
2033-2037	4,580,000	1,206,318	(315,257)	5,471,061
2038-2040	1,135,000	116,586	(40,805)	1,210,781
Less: Deferred amounts	740,996	-	-	740,996
	<u>\$ 46,982,203</u>	<u>\$ 22,820,874</u>	<u>\$ (3,355,732)</u>	<u>\$ 66,447,344</u>

The future outstanding debt of the City, net of amortized costs as of June 30, 2012, for business-type activities is as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 2,223,045	\$ 2,261,594	\$ 4,484,639
2014	2,510,148	2,184,127	4,694,275
2015	2,599,012	2,089,325	4,688,337
2016	2,708,371	1,992,280	4,700,651
2017	2,783,240	1,888,634	4,671,874
2018-2022	15,603,036	7,892,565	23,495,601
2023-2027	18,819,394	4,722,541	23,541,935
2028-2032	11,201,940	1,027,118	12,229,058
	58,448,186	24,058,184	82,506,370
Plus unamortized premium	601,674	-	-
Less: Deferred amounts, net	<u>(186,533)</u>	<u>116,586</u>	<u>(69,947)</u>
	<u>\$ 58,863,327</u>	<u>\$ 24,174,770</u>	<u>\$ 82,436,423</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:

	Balance June 30, 2011	Additions	Amortization	Balance June 30, 2012
Business-Type Activities:				
Lease Revenue Bonds, Series 1998	\$ 2,497	\$ -	\$ (2,497)	\$ -
Water and Wastewater Revenue Bonds, Series 2003	182,115	-	(182,115)	-
Water and Wastewater Revenue Bonds, Series 2004	331,290	-	(18,752)	312,538
Water and Wastewater Revenue Bonds, Series 2007	377,044	-	(18,171)	358,873
Water and Wastewater Refunding Bonds, Series 2011	-	229,200	-	229,200
	<u>\$ 892,946</u>	<u>\$ 229,200</u>	<u>\$ (221,535)</u>	<u>\$ 900,611</u>
Total Business-Type Activities				
	<u>\$ 892,946</u>	<u>\$ 229,200</u>	<u>\$ (221,535)</u>	<u>\$ 900,611</u>
Governmental Activities				
Lease Revenue Refunding Bonds, Series 2010	\$ 133,725	\$ -	\$ (4,875)	\$ 128,850
Storm Drainage Revenue Bonds, Series 2010	160,807	-	(5,443)	155,364
Pension Obligation Bonds, Series 2006	489,926	-	(19,403)	470,523
	<u>\$ 784,458</u>	<u>\$ -</u>	<u>\$ (29,721)</u>	<u>\$ 754,737</u>
Total Governmental Activities				
	<u>\$ 784,458</u>	<u>\$ -</u>	<u>\$ (29,721)</u>	<u>\$ 754,737</u>

D. Legal Debt Limit and Debt Margin

As of June 30, the City's debt limit was \$295,549,890. 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 \$295,549,890.

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, 2012.

F. Credit Rating

As of June 30, 2012, 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).

NOTE 5 – LONG-TERM DEBT (Continued)

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: 1) Water and Wastewater Revenue Bonds, Series 2004; 2) Water and Wastewater Revenue Bonds, Series 2007; and 3) Water and Wastewater Refunding Revenue Bonds, Series 2011.

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

Under the provisions of GASB Statement No. 48, the City's net revenue for the year ended June 30, 2012, 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	\$ 37,750,024	\$ 44,946,951
Principal and interest paid during the year	2,171,763	1,672,480
Net revenue, excluding depreciation and amortization	3,234,244	6,558,473
Percentage of revenue pledged	67.15%	25.50%
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, 2012, the Water and Sewer Funds had sufficient net revenues 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 2010 and the Pension Obligation Bonds Series 2006, which are subordinate to previously issued parity debt relating to the Water and Sewer Funds.

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

The following table summarizes debt service coverage levels for the Water Fund for the fiscal year ending June 30, 2012:

Water Fund	
	2012
Net Revenue, Excluding Depreciation and Amortization	\$ 3,234,244
Debt Service	
Water Revenue Bond, Series 2003	100,570
Water Revenue Bond, Series 2004	868,183
Water Revenue Bonds, Series 2007	939,463
Water Refunding Bonds, Series 2011	263,547
Parity Debt Service	2,171,763
Lease Revenue Bonds, Series 2010	95,164
Pension Obligation Bonds, 2006	398,918
Total Debt Service	\$ 2,665,845
Parity Debt Service Coverage	1.49
Total Debt Service Coverage	1.21

The following table summarizes debt service coverage levels for the Sewer Fund for the fiscal year ending June 30, 2012:

Sewer Fund	
	2012
Net Revenue, Excluding Depreciation and Amortization	\$ 6,558,473
Debt Service	
Wastewater Revenue Bond, Series 2003	53,334
Wastewater Revenue Bond, Series 2004	436,246
Wastewater Revenue Bond, Series 2007	559,245
State Water Resource Board Loan, 2003	481,019
State Water Resource Board Loan, 2010	-
Water Refunding Bonds, Series 2011	142,556
Parity Debt Service	1,672,400
Lease Revenue Bonds, Series 2010	95,164
Pension Obligation Bonds	398,918
Total Debt Service	\$ 2,166,482
Parity Debt Service Coverage	3.92
Total Debt Service Coverage	3.03

NOTE 6 – OTHER LONG-TERM LIABILITIES

The following table summarizes the City's government-wide other long-term liabilities and the short-term portion as of June 30, 2012:

Description	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Self-Insurance and Contingent Liabilities	\$ 6,640,000	\$ 431,000	\$ -	\$ 7,071,000	\$ 1,547,835
Net OPEB Obligation	9,421,756	3,432,534	-	12,854,290	1,855,959
Compensated Absences	2,736,131	2,717,682	(3,287,186)	2,166,627	586,931
Total Governmental Activities	<u>\$ 18,797,887</u>	<u>\$ 6,581,216</u>	<u>\$ (3,287,186)</u>	<u>\$ 22,091,917</u>	<u>\$ 3,990,725</u>
Business-Type Activities:					
Compensated Absences	\$ 469,870	\$ 274,659	\$ (252,420)	\$ 492,109	\$ 23,292
Net OPEB Obligation	1,907,791	803,365	-	2,711,156	434,374
Landfill Post Closure Care Costs	3,042,424	225,803	(187,975)	3,080,252	651,520
Total Business-Type Activities	<u>\$ 5,420,085</u>	<u>\$ 1,303,827</u>	<u>\$ (440,395)</u>	<u>\$ 6,283,517</u>	<u>\$ 1,109,186</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.

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 \$200,000,000.

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.

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

Changes in the balances of the City's claims liabilities were as follows:

		Outstanding Liabilities		
	Balance	Current Year	Payments for	Balance
	July 1	Claims and	Current and	June 30
		Changes in	Prior Fiscal	
		Estimates	Years	
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
2011-12	6,640,000	1,516,000	(1,085,000)	7,071,000

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 August 2012, an actuarial study was conducted and completed 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 as of June 30, 2012. The study estimated that the outstanding claims at June 30, 2012, were \$5,833,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2012, the City has funded the workers' compensation program at the 70% confidence level noted in the actuarial report or \$5,833,000.

In October 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 \$1,238,000 as of June 30, 2012. 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, 2012, the City has funded the general liability program at the 70% confidence level noted in the actuarial report or \$1,238,000.

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, *Accounting and Financial Reporting for Pollution Remediation Obligations*, 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 or \$3,080,252. As of June 30, 2012, the deficit in the Waste Management Enterprise Fund amounted to \$1,209,917, as a result of this remediation liability.

D. Commitments and Contingent Liabilities

Grant Programs

The City may, from time to time, participate in Federal and State grant programs. No cost allowances were proposed as a result of the City's financial audit. As of June 30, 2012, the City has not made an allowance for expenditures which may be disallowed by the granting agencies. Any disallowance for expenditures is expected to be immaterial.

Litigation

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is one case pending in which there is at least a possibility that the plaintiff could be entitled to monetary damages. However, the City believes that its financial position would not be adversely affected due to the availability of reserves in the remote event that the plaintiff prevails.

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, 2008, are summarized as follows:

	<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	3.00%	3.00%	2.50%
Required employee contribution rates	9.00%	9.00%	8.00%

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

Police Safety employees are covered under the "3% at 50." Under this retirement plan, an employee's retirement earnings at age 50 for Police 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 payrolls 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 20-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.

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

In September 2007, the City issued Pension Obligation Bonds to provide funds to refund its current unfunded accrued actuarial liability (UUAL) creating a net pension asset. The net pension asset as of June 30, 2012, was \$27,524,175.

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's 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.

Total current payroll for all covered employees for the fiscal year ended June 30, 2012, was \$15,370,392. The payroll subject to retirement amounted to \$3,937,611 for police safety, and \$11,432,781 for the miscellaneous group. For the year ended June 30, 2012, the City's miscellaneous plan annual pension cost of \$1,605,908 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 \$780,626 was equal to the City's required and actual contributions.

The required contribution was determined as part of the June 30, 2012, actuarial valuation as follows:

	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>
2010	20.059%	17.221%	11.209%
2011	20.880%	0.000%	11.853%
2012	26.416%	0.000%	15.711%

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, 2011, which as of date of report issuance, is the most recent available information:

	<u>Miscellaneous</u>
Actuarial value as of June 30, 2010	\$ 90,502,099
Contributions received	2,667,158
Benefit and refunds paid	(4,988,912)
Expected investment earnings credited at 7.75%	<u>6,896,457</u>
Expected actuarial value of the assets	<u>\$ 94,476,802</u>
Market value of assets as of June 30, 2011	<u>\$ 82,380,238</u>
Actuarial value of assets as of June 30, 2011	<u>\$ 93,810,219</u>

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

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

Miscellaneous Employees			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2010	\$ 1,515,310	91%	\$ (9,596,476)
6/30/2011	1,393,140	89%	(9,426,569)
6/30/2012	1,360,154	87%	(9,213,801)

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

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)	\$ 1,360,154
Interest on net pension assets	(730,559)
Adjustment to annual required contribution	<u>976,313</u>
Annual pension cost	1,605,908
Contribution made	<u>(1,393,140)</u>
Decrease in net pension assets	(212,768)
Net pension assets - beginning of year	<u>9,426,569</u>
Net pension assets - end of year	<u><u>\$ 9,213,801</u></u>

D. Funded Status

A schedule of funding progress as of the most recent actuarial date is presented below (in thousands):

<u>Miscellaneous Plan</u>						
<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>
06/30/2009	\$ 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%
06/30/2011	105,996	93,810	12,186	88.5%	12,034	101.3%

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.

NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)

D. Funded Status (Continued)

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 Retiree Healthcare Plan does not issue a financial report.

The City provides eligible certain retirees with retiree medical benefits through the California Public Employees' Retirement System 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.

Employees hired after November 1, 2011, are enrolled in a retiree health savings plan (RHS Plan) after five years of service. Upon enrollment, the City contributes 2% of annual base pay into the RHS Plan. After nineteen years of service, the City contributes 2.5% of annual base pay into the RHS Plan.

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 2012, the City paid approximately \$3,318,338 for Retiree Healthcare Plan benefits.

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 21-year amortization of the unfunded actuarial liability.

NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN (Continued)**C. Annual Other Post-Employment Benefits (OPEB) Cost and Net OPEB Obligation** (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 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>
6/30/2010	\$ 5,987,000	38%	\$ 7,071,589
6/30/2011	6,666,000	36%	11,329,547
6/30/2012	7,276,975	31%	15,565,446

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 4.25% discount rate:

	<u>2012</u>
Annual required contribution	\$ 6,871,000
Interest on net OPEB obligation	481,506
Adjustment to annual required contribution	<u>(826,273)</u>
Annual OPEB cost (expense)	6,526,233
Trust pre-funding	-
Contributions made	<u>(2,290,334)</u>
Increase in net OPEB obligation	4,235,899
Net OPEB obligation - beginning of year	<u>11,329,547</u>
Net OPEB obligation - end of year	<u><u>\$ 15,565,446</u></u>

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>
1/1/2010	\$ 67,518	\$ -	\$ 67,518	0.0%	\$ 22,394	301.5%
1/1/2011	76,402	-	76,402	0.0%	16,961	450.5%
1/1/2012	76,402	-	76,402	0.0%	15,370	497.1%

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

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.

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 76,402,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 76,402,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 15,370,392

The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty year period. As of January 1, 2011, the most recent actuarial valuation date, the funded status of retiree healthcare benefits was 0%, resulting in an unfunded actuarial liability (UAAL) of \$76.4 million. For the year ended June 30, 2012, the estimated covered payroll (annual payroll of active employees covered by the Plan) was \$15,370,392, and the ratio of the UAAL to the covered payroll was 497%.

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 dollar amount over 30 years on a closed basis, starting June 30, 2009.

NOTE 9 – WASTE MANAGEMENT DEFICIT

As of June 30, 2012, the Waste Management Fund, an Enterprise Fund, had a deficit of \$1,209,917.

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 franchise solid waste collection activities.

NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS**A. Transfers**

Transfers and advances between funds for the year ending June 30, 2012, are as follows:

	Transfers In						Total Out
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	
General	\$ -	\$ 4,464,472	\$ 2,957,818	\$ 49,439	\$ -	\$ -	\$ 7,471,729
Debt Service	-	-	4,990,541	-	-	-	4,990,541
Capital Projects	7,902	-	2,065,981	-	3,174,564	4,895,743	10,144,190
Nonmajor Governmental	62,611	889,671	1,204,051	-	-	-	2,156,333
Water	494,082	-	4,117,755	-	-	-	4,611,837
Sewer	494,082	-	6,989,513	-	117,875	-	7,601,470
Building	144,723	-	-	-	-	-	144,723
Parking	290,000	-	53,541	-	-	-	343,541
Total in	\$ 1,493,400	\$ 5,354,143	\$ 22,379,200	\$ 49,439	\$ 3,292,439	\$ 4,895,743	\$ 37,464,364

The \$7.5 million General Fund transfer out includes \$4.5 million for the payment of debt service, \$3.0 million in contributions to fund capital improvement projects, and \$50,000 to fund the commuter shuttle program.

The \$5.0 million transfer out of the Debt Service Fund relates to withdrawals from available capital project proceeds from debt and the transfer of such funds to the storm drain and facilities capital project programs. Approximately \$3.5 million relates to previously issued taxable and tax-exempt storm drain bonds, \$1.0 million relates to support of communication and technology infrastructure improvements under the Master Equipment Lease Purchase 2011, and \$0.4 million relates to proceeds from a loan received from the California Energy Commission to retrofit streetlights with energy efficient LED lighting.

The \$10.1 million transfer out of the Capital Projects Fund relates to amounts expended in support of the City's capital improvement program. Approximately \$2.1 million relates to expenditure reclasses between capital project programs. Approximately \$3.2 million and \$4.9 million relate to capital contributions from the Capital Project Fund to the Water and Sewer operating funds, respectively, for current construction in progress placed in service as fixed assets during the fiscal year.

NOTE 10 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

A. Transfers (Continued)

The \$2.2 million transfer out of nonmajor governmental funds includes a \$1.2 million transfer from the Measure A and Gas Tax Funds in support of traffic, street, and pedestrian improvements; \$0.9 million for debt service due on the taxable and tax-exempt Storm Drainage Bonds, Series 2010; and minor transfers to the General Fund for the reimbursement of services.

The \$4.6 million transfer out of the Water Enterprise Fund and the \$7.6 million transfer out from the Sewer Enterprise Fund relate to amounts needed from the operating funds to subsidize the cost of water and wastewater infrastructure projects. Sources of funds include remaining capital project funds held with Trustee from the previous issuance of the Water and Wastewater Revenue Bonds, Series 2007, the State Revolving Fund Loan, 2010, and ratepayer revenue. A \$0.5 million transfer from each of the Water and Sewer operating funds to the General Fund relate to reimbursements for each fund's proportionate share of debt service due on the previously issued Pension Obligation Bond, Series 2006 and Lease Revenue Bond, Series 2010 which was issued to construct the Public Works Corporation Yard.

The \$290,000 transfer from Parking Fund to General Fund represent reimbursements for capital improvements to the City's downtown parking districts and cost allocations in support of the enterprise. A minor transfer was made to the Capital Projects Fund to support parking-related capital improvements and studies.

The \$144,723 transfer from the Building Fund to the General Fund represents a one time transfer of various budget items.

NOTE 11 – SUBSEQUENT EVENTS

A. Issuance of the Lease Revenue Bonds, Series 2012

On December 4, 2012, the Burlingame Financing Authority issued the Lease Revenue Bonds, Series 2012 in the amount of approximately \$9.2 million for the purpose of landscaping, street and traffic, lighting, water and sewer infrastructure improvements to be made in the Burlingame Avenue Business Improvement District. The bond will be secured by the full faith and credit of the City, and debt service payments will be funded by special assessments on certain property owners and revenues from a parking rate increase approved by City Council during the fiscal year.

B. Issuance of the Storm Drain Revenue Bonds, Series 2012

On December 18, 2012, the Burlingame Financing Authority issued the Storm Drain Revenue Bonds, Series 2012 in the amount of approximately \$10 million for the purpose of funding the City's ongoing storm drain capital needs in accordance with its five year capital improvement plan. The bonds will be secured by a voter-approved storm drain fee assessed on property owners in the City.

NOTE 11 – SUBSEQUENT EVENTS (Continued)

C. Review of Subsequent Events

Subsequent events were evaluated through December 21, 2012, which is the date the financial statements were available to be issued.



Comprehensive Annual Financial Report

June 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION



Comprehensive Annual Financial Report

June 30, 2012

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS) FUNDING

Miscellaneous Plan

**Schedule of CalPERS Funding Progress - Unaudited
(dollars 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>
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%
6/30/11	105,996	93,810	12,186	88.5%	12,034	101.3%

The above information is the most recent information available from the California Public Employees' Retirement System (CalPERS).

The City contributes to 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 plan 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.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	301.5%
1/1/10	-	67,518	67,518	0.0%	22,394	301.5%
1/1/11	-	76,402	76,402	0.0%	16,961	497.0%

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 Fund is governed by the appropriate bond indentures. The Capital Projects Fund is 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.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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.

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.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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, 2012, 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 ‘Very Good’. The City’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, 2012**

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

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

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

The projected pavement budget for fiscal year 11-12 through fiscal year 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.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

The City has an ongoing 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, 2012

NOTE 5 – BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues				
Property taxes	\$ 13,750,225	\$ 13,750,225	\$ 13,459,642	\$ (290,583)
Sales and use taxes	7,555,469	7,555,469	8,495,398	939,929
Transient occupancy taxes	13,844,968	13,844,968	16,183,158	2,338,190
Other taxes	2,273,350	2,273,350	2,582,128	308,778
Licenses and permits	80,800	80,800	99,512	18,712
Fines, forfeitures, and penalties	920,000	920,000	838,614	(81,386)
Investment income	845,000	845,000	372,178	(472,822)
Intergovernmental revenues	242,700	242,700	399,321	156,621
Charges for services	3,373,812	3,373,812	3,439,921	66,109
Grant revenue	100,000	100,000	-	(100,000)
Other revenue	30,000	30,000	443,666	413,666
Total revenues	43,016,324	43,016,324	46,313,538	3,297,214
Expenditures				
Current:				
General government:				
City attorney	406,230	406,230	452,836	(46,606)
City clerk	270,286	270,286	231,360	38,926
City council	155,180	155,180	145,710	9,470
City manager	396,793	396,793	380,321	16,472
Human resources	580,669	580,669	579,777	892
Finance	862,063	862,063	765,287	96,776
Other employee benefits	2,533,000	2,533,000	2,430,179	102,821
Nondepartmental	646,860	646,860	478,154	168,706
Total general government	5,851,081	5,851,081	5,463,624	387,457
Public safety:				
Fire	8,820,362	8,820,362	8,977,854	(157,492)
Police	9,556,819	9,556,819	9,282,265	274,554
Total public safety	18,377,181	18,377,181	18,260,119	117,062
Public works	3,438,134	3,438,134	3,206,898	231,236
Community development	731,757	731,757	762,487	(30,730)
Parks, recreation, and library:				
Library	3,658,567	3,658,567	3,621,344	37,223
Parks	2,441,998	2,441,998	2,337,310	104,688
Recreation	3,359,309	3,359,309	3,032,046	327,263
Total leisure and culture service	9,459,874	9,459,874	8,990,700	469,174
Capital outlay		-	-	-
Total expenditures	37,858,027	37,858,027	36,683,828	1,174,199
Excess of revenues over expenditures	5,158,297	5,158,297	9,629,710	4,471,413
Other financing sources (uses)				
Transfers in	906,000	906,000	1,493,400	587,400
Transfers out	(3,917,630)	(3,917,630)	(7,471,729)	(3,554,099)
Total other financing sources (uses)	(3,011,630)	(3,011,630)	(5,978,329)	(2,966,699)
Net change in fund balance	\$ 2,146,667	\$ 2,146,667	3,651,381	\$ 1,504,714
FUND BALANCE				
Beginning of year			11,867,384	
End of year			<u>\$ 15,518,765</u>	



Comprehensive Annual Financial Report

June 30, 2012

SUPPLEMENTARY INFORMATION



Comprehensive Annual Financial Report

June 30, 2012

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.

Special Assessment District – This fund accounts for revenue from special assessments received from a special benefit district formed during fiscal year 2011-2012 on Burlingame Avenue. The special benefit district will undergo lighting, landscape, and utility-related upgrades, and the revenues are used to finance these improvements.

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 Burlingame 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, 2012**

	Special Revenue Funds				
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Special Assessment District Fund	Traffic Safety Fund
ASSETS					
Cash and investments	\$ 1,481,888	\$ 885,835	\$ 5,203,430	\$ 258,309	\$ -
Receivables (net of uncollectible amount of \$0):					
Accounts	4,327	2,746	12,700	83,559	-
Due from other governments	140,979	-	-	-	9,232
Total assets	<u>\$ 1,627,194</u>	<u>\$ 888,581</u>	<u>\$ 5,216,130</u>	<u>\$ 341,868</u>	<u>\$ 9,232</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	1,627,194	888,581	5,216,130	341,868	9,232
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>1,627,194</u>	<u>888,581</u>	<u>5,216,130</u>	<u>341,868</u>	<u>9,232</u>
Total liabilities and fund balances	<u>\$ 1,627,194</u>	<u>\$ 888,581</u>	<u>\$ 5,216,130</u>	<u>\$ 341,868</u>	<u>\$ 9,232</u>

CITY OF BURLINGAME, CALIFORNIA
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

Special Revenue Funds					Total Nonmajor Governmental Funds
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
\$ 21,783	\$ 90,570	\$ 520,114	\$ 598,823	\$ 127,282	\$ 9,188,034
12,510	-	600	1,519	11,840	129,801
-	2,814	-	-	-	153,025
<u>\$ 34,293</u>	<u>\$ 93,384</u>	<u>\$ 520,714</u>	<u>\$ 600,342</u>	<u>\$ 139,122</u>	<u>\$ 9,470,860</u>
<u>\$ 20,874</u>	<u>\$ 1,570</u>	<u>\$ 78,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,072</u>
<u>20,874</u>	<u>1,570</u>	<u>78,628</u>	<u>-</u>	<u>-</u>	<u>101,072</u>
-	91,814	-	-	-	8,174,819
-	-	-	-	-	-
<u>13,419</u>	<u>-</u>	<u>442,086</u>	<u>600,342</u>	<u>139,122</u>	<u>1,194,969</u>
<u>13,419</u>	<u>91,814</u>	<u>442,086</u>	<u>600,342</u>	<u>139,122</u>	<u>9,369,788</u>
<u>\$ 34,293</u>	<u>\$ 93,384</u>	<u>\$ 520,714</u>	<u>\$ 600,342</u>	<u>\$ 139,122</u>	<u>\$ 9,470,860</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, 2012**

	Special Revenue Funds				
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Special Assessment District Fund	Traffic Safety Fund
REVENUES:					
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ 50,843
Investment income	23,709	10,624	56,082	285	-
Intergovernmental	656,496	839,696	-	-	-
Grant revenue	-	-	-	-	-
Other revenue	-	-	2,561,931	341,583	-
Total revenues	<u>680,205</u>	<u>850,320</u>	<u>2,618,013</u>	<u>341,868</u>	<u>50,843</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-
Shuttle operations	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>680,205</u>	<u>850,320</u>	<u>2,618,013</u>	<u>341,868</u>	<u>50,843</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfer out	(646,537)	(556,000)	(904,671)	-	(41,611)
Total other financing sources (uses)	<u>(646,537)</u>	<u>(556,000)</u>	<u>(904,671)</u>	<u>-</u>	<u>(41,611)</u>
Net change in fund balances	<u>33,668</u>	<u>294,320</u>	<u>1,713,342</u>	<u>341,868</u>	<u>9,232</u>
FUND BALANCES:					
Beginning of year	<u>1,593,526</u>	<u>594,261</u>	<u>3,502,788</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 1,627,194</u>	<u>\$ 888,581</u>	<u>\$ 5,216,130</u>	<u>\$ 341,868</u>	<u>\$ 9,232</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, 2012**

Special Revenue Funds					Total Nonmajor Governmental Funds
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,843
-	-	-	7,827	1,662	100,189
-	-	-	-	-	1,496,192
49,704	129,205	419,946	-	-	598,855
58,000	-	-	15,738	44,010	3,021,262
107,704	129,205	419,946	23,565	45,672	5,267,341
-	-	-	-	47,153	47,153
-	107,314	12,332	-	-	119,646
-	-	-	-	-	-
-	-	175,556	-	-	175,556
144,633	-	-	-	-	144,633
-	-	-	-	-	-
144,633	107,314	187,888	-	47,153	486,988
(36,929)	21,891	232,058	23,565	(1,481)	4,780,353
49,439	-	-	-	-	49,439
-	-	-	(7,514)	-	(2,156,333)
49,439	-	-	(7,514)	-	(2,106,894)
12,510	21,891	232,058	16,051	(1,481)	2,673,459
909	69,923	210,028	584,291	140,603	6,696,329
\$ 13,419	\$ 91,814	\$ 442,086	\$ 600,342	\$ 139,122	\$ 9,369,788

**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, 2012**

	Special Revenue Funds					
	Measure A Fund			Gas Tax Fund		
	Budget ¹	Actual	Variance Positive (Negative)	Budget ¹	Actual	Variance Positive (Negative)
REVENUES:						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	15,000	23,709	8,709	15,000	10,624	(4,376)
Intergovernmental	550,000	656,496	106,496	766,468	839,696	73,228
Grant revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>565,000</u>	<u>680,205</u>	<u>115,205</u>	<u>781,468</u>	<u>850,320</u>	<u>68,852</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety – police	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-	-
Shuttle operations	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>565,000</u>	<u>680,205</u>	<u>115,205</u>	<u>781,468</u>	<u>850,320</u>	<u>68,852</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	(804,500)	(646,537)	157,963	-	(556,000)	(556,000)
Total other financing sources (uses)	<u>(804,500)</u>	<u>(646,537)</u>	<u>157,963</u>	<u>-</u>	<u>(556,000)</u>	<u>(556,000)</u>
Net change in fund balances	<u>\$ (239,500)</u>	<u>33,668</u>	<u>\$ 273,168</u>	<u>\$ 781,468</u>	<u>294,320</u>	<u>\$ (487,148)</u>
FUND BALANCES:						
Beginning of year		<u>1,593,526</u>			<u>594,261</u>	
End of year		<u>\$ 1,627,194</u>			<u>\$ 888,581</u>	

¹ 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, 2012

Special Revenue Funds								
Storm Drainage Fund			Special Assessment District Fund			Traffic Safety Fund		
Budget ¹	Actual	Variance Positive (Negative)	Budget ¹	Actual	Variance Positive (Negative)	Budget ¹	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 50,843	\$ (9,157)
-	56,082	56,082	-	285	285	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,472,480	2,561,931	89,451	-	341,583	341,583	-	-	-
2,472,480	2,618,013	145,533	-	341,868	341,868	60,000	50,843	(9,157)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,472,480	2,618,013	145,533	-	341,868	341,868	60,000	50,843	(9,157)
-	-	-	-	-	-	-	-	-
(2,842,545)	(904,671)	1,937,874	-	-	-	-	(41,611)	(41,611)
(2,842,545)	(904,671)	1,937,874	-	-	-	-	(41,611)	(41,611)
\$ (370,065)	1,713,342	\$ 2,083,407	\$ -	341,868	\$ 341,868	\$ 60,000	9,232	\$ (50,768)
	3,502,788			-			-	
	\$ 5,216,130			\$ 341,868			\$ 9,232	

¹ 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, 2012

	Special Revenue Funds					
	Train Shuttle Fund			State/Federal Grants Funds		
	Budget ¹	Actual	Variance Positive (Negative)	Budget ¹	Actual	Variance Positive (Negative)
REVENUES:						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Grant revenue	52,800	49,704	(3,096)	-	129,205	129,205
Other revenue	58,000	58,000	-	-	-	-
Total revenues	<u>110,800</u>	<u>107,704</u>	<u>(3,096)</u>	<u>-</u>	<u>129,205</u>	<u>129,205</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety – police	-	-	-	-	107,314	(107,314)
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-	-
Shuttle operations	174,930	144,633	30,297	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>174,930</u>	<u>144,633</u>	<u>30,297</u>	<u>-</u>	<u>107,314</u>	<u>(107,314)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(64,130)</u>	<u>(36,929)</u>	<u>27,201</u>	<u>-</u>	<u>21,891</u>	<u>21,891</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	68,300	49,439	(18,861)	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>68,300</u>	<u>49,439</u>	<u>(18,861)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 4,170</u>	<u>12,510</u>	<u>\$ 8,340</u>	<u>\$ -</u>	<u>21,891</u>	<u>\$ 21,891</u>
FUND BALANCES:						
Beginning of year		<u>909</u>			<u>69,923</u>	
End of year		<u>\$ 13,419</u>			<u>\$ 91,814</u>	

¹ There were no changes between the original and final budgets.

² 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, 2012**

Special Revenue Funds					
Local Grants Fund			Development Fees Fund		
Budget ²	Actual	Variance Positive (Negative)	Budget ²	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	7,827	7,827	-
-	-	-	-	-	-
-	419,946	419,946	-	-	-
-	-	-	15,738	15,738	-
-	419,946	419,946	23,565	23,565	-
-	-	-	-	-	-
-	12,332	(12,332)	-	-	-
-	-	-	-	-	-
-	175,556	(175,556)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	187,888	(187,888)	-	-	-
-	232,058	232,058	23,565	23,565	-
-	-	-	-	-	-
-	-	-	(60,000)	(7,514)	52,486
-	-	-	(60,000)	(7,514)	52,486
<u>\$ -</u>	<u>232,058</u>	<u>\$ 232,058</u>	<u>\$ (36,435)</u>	<u>16,051</u>	<u>\$ 52,486</u>
	<u>210,028</u>			<u>584,291</u>	
	<u>\$ 442,086</u>			<u>\$ 600,342</u>	

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, 2012

	Public TV Access Fund			Totals		
	Budget ¹	Actual	Variance Positive (Negative)	Budget ¹	Actual	Variance Positive (Negative)
REVENUES:						
Fines, forfeitures, and penalties	\$ 45,000	\$ -	\$ (45,000)	\$ 105,000	\$ 50,843	\$ (54,157)
Investment income	-	1,662	1,662	37,827	100,189	62,362
Intergovernmental	-	-	-	1,316,468	1,496,192	179,724
Grant revenue	-	-	-	52,800	598,855	546,055
Other revenue	-	44,010	44,010	2,546,218	3,021,262	475,044
Total revenues	45,000	45,672	672	4,058,313	5,267,341	1,209,028
EXPENDITURES:						
Current:						
General government	70,000	47,153	22,847	70,000	47,153	22,847
Public safety – police	-	-	-	-	119,646	119,646
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	175,556	175,556
Shuttle operations	-	-	-	174,930	144,633	(30,297)
Capital outlay	-	-	-	-	-	-
Total expenditures	70,000	47,153	22,847	244,930	486,988	287,752
REVENUES OVER (UNDER) EXPENDITURES	(25,000)	(1,481)	(22,175)	3,813,383	4,780,353	921,276
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	68,300	49,439	(18,861)
Transfers out	(60,000)	-	60,000	(3,767,045)	(2,156,333)	1,610,712
Total other financing sources (uses)	(60,000)	-	60,000	(3,698,745)	(2,106,894)	1,591,851
Net change in fund balances	\$ (85,000)	(1,481)	\$ 37,825	\$ 114,638	2,673,459	\$ 2,513,127
FUND BALANCES:						
Beginning of year		140,603			6,696,329	
End of year		<u>\$ 139,122</u>			<u>\$ 9,369,788</u>	

¹ There were no changes between the original and final budgets.

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 operation 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, 2012

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
ASSETS					
Current assets:					
Cash and investments, available for operations	\$ 8,153,086	\$ 310,391	\$ 6,171,839	\$ 607,786	\$ 15,243,102
Receivables (net of uncollectible amounts of \$0):					
Accounts	-	77,312	6,206	52,400	135,918
Other receivables	115,580	884	13,866	1,560	131,890
Inventory	-	-	62,256	-	62,256
Total current assets	<u>8,268,666</u>	<u>388,587</u>	<u>6,254,167</u>	<u>661,746</u>	<u>15,573,166</u>
Noncurrent assets:					
Capital assets:					
Facilities, infrastructure, and equipment, net of depreciation	-	128,077	1,546,162	82,166	1,756,405
Total noncurrent assets	<u>-</u>	<u>128,077</u>	<u>1,546,162</u>	<u>82,166</u>	<u>1,756,405</u>
Total assets	<u><u>\$ 8,268,666</u></u>	<u><u>\$ 516,664</u></u>	<u><u>\$ 7,800,329</u></u>	<u><u>\$ 743,912</u></u>	<u><u>\$ 17,329,571</u></u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 54,718	\$ 44,292	\$ 62,296	\$ 51,556	\$ 212,862
Compensated absences	-	4,857	3,806	-	8,663
Claims and litigation	1,547,835	-	-	-	1,547,835
Total current liabilities	<u>1,602,553</u>	<u>49,149</u>	<u>66,102</u>	<u>51,556</u>	<u>1,769,360</u>
Noncurrent liabilities:					
Compensated absences	-	45,228	50,191	-	95,419
Claims and litigation	5,523,165	-	-	-	5,523,165
Total noncurrent liabilities	<u>5,523,165</u>	<u>45,228</u>	<u>50,191</u>	<u>-</u>	<u>5,618,584</u>
Total liabilities	<u><u>7,125,718</u></u>	<u><u>94,377</u></u>	<u><u>116,293</u></u>	<u><u>51,556</u></u>	<u><u>7,387,944</u></u>
NET ASSETS					
Invested in capital assets, net of related debt	-	128,077	1,546,162	82,166	1,756,405
Unrestricted	1,142,948	294,210	6,137,874	610,190	8,185,222
Total net assets	<u><u>\$ 1,142,948</u></u>	<u><u>\$ 422,287</u></u>	<u><u>\$ 7,684,036</u></u>	<u><u>\$ 692,356</u></u>	<u><u>\$ 9,941,627</u></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, 2012**

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 2,328,338	\$ 1,176,788	\$ 1,457,387	\$ 792,583	\$ 5,755,096
Other revenue	3,033	6,871	31,418	-	41,322
Total operating revenues	<u>2,331,371</u>	<u>1,183,659</u>	<u>1,488,805</u>	<u>792,583</u>	<u>5,796,418</u>
OPERATING EXPENSES:					
Salaries and benefits	-	627,181	376,972	65,318	1,069,471
Supplies and services	-	124,816	41,607	120,276	286,699
Insurance claims and expenses	1,548,581	3,753	4,198	2,793	1,559,325
Communication and utilities	-	53,308	520	11,193	65,021
Maintenance	-	114,100	292,802	47,232	454,134
Depreciation and amortization	-	18,303	503,800	26,683	548,786
Contractual services	524,802	201,534	1,348	467,220	1,194,904
Total operating expenses	<u>2,073,383</u>	<u>1,142,995</u>	<u>1,221,247</u>	<u>740,715</u>	<u>5,178,340</u>
Operating income	<u>257,988</u>	<u>40,664</u>	<u>267,558</u>	<u>51,868</u>	<u>618,078</u>
NONOPERATING REVENUES:					
Investment income	94,570	4,555	71,442	8,039	178,606
Net nonoperating revenues	<u>94,570</u>	<u>4,555</u>	<u>71,442</u>	<u>8,039</u>	<u>178,606</u>
Change in net assets	352,558	45,219	339,000	59,907	796,684
NET ASSETS:					
Beginning of year	790,390	377,068	7,345,036	632,449	9,144,943
End of year	<u>\$ 1,142,948</u>	<u>\$ 422,287</u>	<u>\$ 7,684,036</u>	<u>\$ 692,356</u>	<u>\$ 9,941,627</u>

**CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from transactions with other funds	\$ 2,743,022	\$ 1,105,463	\$ 2,854,032	\$ 751,552	\$ 7,454,069
Payments to suppliers	(2,077,070)	(479,119)	(346,124)	(644,003)	(3,546,316)
Payments to employees for services	-	(622,324)	(373,166)	(65,318)	(1,060,808)
Net cash provided by operating activities	665,952	4,020	2,134,742	42,231	2,846,945
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances from other funds	-	-	1,379,108	-	1,379,108
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	-	(14,302)	(315,242)	(30,365)	(359,909)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	94,570	4,555	71,442	8,039	178,606
Net increase (decrease) in cash and cash equivalents	760,522	(5,727)	3,270,050	19,905	4,044,750
CASH AND CASH EQUIVALENTS:					
Beginning of year	7,392,564	316,118	4,280,897	587,881	12,577,460
End of year	<u>\$ 8,153,086</u>	<u>\$ 310,391</u>	<u>\$ 7,550,947</u>	<u>\$ 607,786</u>	<u>\$ 16,622,210</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	\$ 257,988	\$ 40,664	\$ 267,558	\$ 51,868	\$ 618,078
Adjustments for noncash activities:					
Depreciation	-	18,303	503,800	26,681	548,784
Changes in assets and liabilities:					
Receivables	(19,349)	(78,196)	(13,881)	(41,031)	(152,457)
Inventories	-	-	(5,938)	-	(5,938)
Advances to other funds	-	-	1,379,108	-	1,379,108
Accounts payable	(3,687)	18,392	289	4,713	19,707
Claims and litigation	431,000	-	-	-	431,000
Compensated absences	-	4,857	3,806	-	8,663
Total adjustments	407,964	(36,644)	1,867,184	(9,637)	2,228,867
Net cash provided by operating activities	\$ 665,952	\$ 4,020	\$ 2,134,742	\$ 42,231	\$ 2,846,945

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.

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 – Police Department – 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.

Quality of Work Life (QWL) Committee – This fund accounts for collections received as an Agent for the Quality of Work Life 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, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Library Trustee Account Fund				
Assets:				
Cash and investments	\$ 192,648	\$ 2,232	\$ 196,849	\$ (1,969)
Total assets	<u>\$ 192,648</u>	<u>\$ 2,232</u>	<u>\$ 196,849</u>	<u>\$ (1,969)</u>
Liabilities:				
Accounts payable	\$ 646	\$ -	\$ 646	\$ -
Due to other governmental units	192,002	2,232	196,203	(1,969)
Total liabilities	<u>\$ 192,648</u>	<u>\$ 2,232</u>	<u>\$ 196,849</u>	<u>\$ (1,969)</u>
Seismic Education Fees				
Assets:				
Cash and investments	\$ 29,642	\$ 17,303	\$ 14,106	\$ 32,839
Total assets	<u>\$ 29,642</u>	<u>\$ 17,303</u>	<u>\$ 14,106</u>	<u>\$ 32,839</u>
Liabilities:				
Accounts payable	\$ 1,271	\$ 3,292	\$ 1,271	\$ 3,292
Due to other governmental units	28,371	9,448	8,272	29,547
Total liabilities	<u>\$ 29,642</u>	<u>\$ 12,740</u>	<u>\$ 9,543</u>	<u>\$ 32,839</u>
Hotel BID Fees				
Assets:				
Cash and investments	\$ 174,465	\$ 2,151,198	\$ 2,191,674	\$ 133,989
Accounts receivable	891,950	2,088,393	2,017,209	963,134
Total assets	<u>\$ 1,066,415</u>	<u>\$ 4,239,591</u>	<u>\$ 4,208,883</u>	<u>\$ 1,097,123</u>
Liabilities:				
Accounts payable	\$ 174,073	\$ 132,825	\$ 174,073	\$ 132,825
Due to other governmental units	892,342	2,089,557	2,017,601	964,298
Total liabilities	<u>\$ 1,066,415</u>	<u>\$ 2,222,382</u>	<u>\$ 2,191,674</u>	<u>\$ 1,097,123</u>
Elementary School Development Fees				
Assets:				
Cash and investments	\$ 33,672	\$ 127,286	\$ 131,577	\$ 29,381
Total assets	<u>\$ 33,672</u>	<u>\$ 127,286</u>	<u>\$ 131,577</u>	<u>\$ 29,381</u>
Liabilities:				
Accounts payable	\$ 33,672	\$ 29,381	\$ 33,672	\$ 29,381
Total liabilities	<u>\$ 33,672</u>	<u>\$ 29,381</u>	<u>\$ 33,672</u>	<u>\$ 29,381</u>

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
High School Development Fees				
Assets:				
Cash and investments	\$ 22,511	\$ 85,096	\$ 87,965	\$ 19,642
Total assets	<u>\$ 22,511</u>	<u>\$ 85,096</u>	<u>\$ 87,965</u>	<u>\$ 19,642</u>
Liabilities:				
Accounts payable	\$ 22,511	\$ 85,096	\$ 87,965	\$ 19,642
Total liabilities	<u>\$ 22,511</u>	<u>\$ 85,096</u>	<u>\$ 87,965</u>	<u>\$ 19,642</u>
Unclaimed Property - PD				
Assets:				
Cash and investments	\$ 1,846	\$ -	\$ -	\$ 1,846
Total assets	<u>\$ 1,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,846</u>
Liabilities:				
Due to other governmental units	\$ 1,846	\$ -	\$ -	\$ 1,846
Total liabilities	<u>\$ 1,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,846</u>
EMS Training Fund				
Assets:				
Cash and investments	\$ (3,871)	\$ -	\$ -	\$ (3,871)
Accounts receivable	-	-	-	-
Total assets	<u>\$ (3,871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,871)</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	(3,871)	-	-	(3,871)
Total liabilities	<u>\$ (3,871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,871)</u>
BID Trust - Broadway				
Assets:				
Cash and investments	\$ 7,375	\$ 18,376	\$ 24,663	\$ 1,088
Total assets	<u>\$ 7,375</u>	<u>\$ 18,376</u>	<u>\$ 24,663</u>	<u>\$ 1,088</u>
Liabilities:				
Accounts payable	\$ 7,375	\$ 18,376	\$ 24,663	\$ 1,088
Total liabilities	<u>\$ 7,375</u>	<u>\$ 18,376</u>	<u>\$ 24,663</u>	<u>\$ 1,088</u>
Library Foundation Account Fund				
Assets:				
Cash and investments	\$ 623	\$ 8,448	\$ 8,442	\$ 629
Total assets	<u>\$ 623</u>	<u>\$ 8,448</u>	<u>\$ 8,442</u>	<u>\$ 629</u>
Liabilities:				
Accounts payable	\$ 623	\$ 1,314	\$ 623	\$ 1,314
Due to other governmental units	-	7,135	7,820	(685)
Total liabilities	<u>\$ 623</u>	<u>\$ 8,449</u>	<u>\$ 8,443</u>	<u>\$ 629</u>

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Building Standards Administration				
Assets:				
Cash and investments	\$ 1,912	\$ 3,998	\$ 2,903	\$ 3,007
Total assets	<u>\$ 1,912</u>	<u>\$ 3,998</u>	<u>\$ 2,903</u>	<u>\$ 3,007</u>
Liabilities:				
Accounts payable	\$ 505	\$ 3,252	\$ 2,912	\$ 845
Due to other governmental units	1,407	755	-	2,162
Total liabilities	<u>\$ 1,912</u>	<u>\$ 4,007</u>	<u>\$ 2,912</u>	<u>\$ 3,007</u>
QWL Committee				
Assets:				
Cash and investments	\$ 208	\$ 3,265	\$ 2,480	\$ 993
Total assets	<u>\$ 208</u>	<u>\$ 3,265</u>	<u>\$ 2,480</u>	<u>\$ 993</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	208	3,265	2,480	993
Total liabilities	<u>\$ 208</u>	<u>\$ 3,265</u>	<u>\$ 2,480</u>	<u>\$ 993</u>
Unclaimed - General Accounts				
Assets:				
Cash and investments	\$ -	\$ -	\$ 1,191	\$ (1,191)
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191</u>	<u>\$ (1,191)</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	1,191	(1,191)
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191</u>	<u>\$ (1,191)</u>
Downtown Business Improvement District				
Assets:				
Cash and investments	\$ 3,533	\$ 3,883	\$ 4,733	\$ 2,683
Accounts receivable	11,950	1,899	-	13,849
Total assets	<u>\$ 15,483</u>	<u>\$ 5,782</u>	<u>\$ 4,733</u>	<u>\$ 16,532</u>
Liabilities:				
Accounts payable	\$ 3,533	\$ 3,708	\$ 3,533	\$ 3,708
Due to other governmental units	11,950	13,698	12,824	12,824
Total liabilities	<u>\$ 15,483</u>	<u>\$ 17,406</u>	<u>\$ 16,357</u>	<u>\$ 16,532</u>
TOTALS				
Assets:				
Cash and investments	\$ 464,564	\$ 2,421,085	\$ 2,666,583	\$ 219,066
Accounts receivable	903,900	2,090,292	2,017,209	976,983
Total assets	<u>\$ 1,368,464</u>	<u>\$ 4,511,377</u>	<u>\$ 4,683,792</u>	<u>\$ 1,196,049</u>
Liabilities:				
Accounts payable	\$ 244,209	\$ 277,243	\$ 329,358	\$ 192,094
Due to other governmental units	1,124,255	2,126,091	2,246,391	1,003,955
Total liabilities	<u>\$ 1,368,464</u>	<u>\$ 2,403,334</u>	<u>\$ 2,575,749</u>	<u>\$ 1,196,049</u>

STATISTICAL SECTION



Comprehensive Annual Financial Report

June 30, 2012

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.	132-139
<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.	140-147
<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.	148-152
<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.	153-156
<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.	157-162

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)

	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 104,839	\$ 98,042	\$ 97,102	\$ 95,584	\$ 93,700
Restricted	1,707	1,254	1,892	1,655	1,800
Unrestricted	16,679	15,717	11,811	12,206	12,709
Total governmental activities net assets	<u>\$ 123,225</u>	<u>\$ 115,013</u>	<u>\$ 110,805</u>	<u>\$ 109,445</u>	<u>\$ 108,209</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 25,038	\$ 25,621	\$ 27,990	\$ 27,651	\$ 27,631
Restricted	-	-	-	-	-
Unrestricted	1,068	4,167	6,323	8,610	13,540
Total business-types activities net assets	<u>\$ 26,106</u>	<u>\$ 29,788</u>	<u>\$ 34,313</u>	<u>\$ 36,261</u>	<u>\$ 41,171</u>
Primary government:					
Invested in capital assets, net of related debit	\$ 129,877	\$ 123,663	\$ 125,092	\$ 123,235	\$ 121,331
Restricted	1,707	1,254	1,892	1,655	1,800
Unrestricted	17,747	19,884	18,134	20,816	26,249
Total primary government net assets	<u>\$ 149,331</u>	<u>\$ 144,801</u>	<u>\$ 145,118</u>	<u>\$ 145,706</u>	<u>\$ 149,380</u>

(1) 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>2008</u>	<u>(1) 2009</u>	<u>(1) 2010</u>	<u>(1) 2011</u>	<u>2012</u>
\$ 92,795	\$ 60,967	\$ 59,936	\$ 51,521	\$ 79,360
3,299	3,575	3,515	8,674	12,102
<u>16,265</u>	<u>41,005</u>	<u>42,298</u>	<u>49,259</u>	<u>26,291</u>
<u>\$ 112,359</u>	<u>\$ 105,547</u>	<u>\$ 105,749</u>	<u>\$ 109,454</u>	<u>\$ 117,753</u>
\$ 30,824	\$ 32,014	\$ 30,759	\$ 38,406	\$ 41,110
-	-	-	-	5,015
<u>14,385</u>	<u>18,119</u>	<u>19,260</u>	<u>17,736</u>	<u>14,058</u>
<u>\$ 45,209</u>	<u>\$ 50,133</u>	<u>\$ 50,019</u>	<u>\$ 56,142</u>	<u>\$ 60,183</u>
\$ 123,619	\$ 92,981	\$ 90,695	\$ 119,030	\$ 119,284
3,299	3,575	3,515	8,674	17,117
<u>30,650</u>	<u>59,124</u>	<u>61,558</u>	<u>37,892</u>	<u>42,672</u>
<u>\$ 157,568</u>	<u>\$ 155,680</u>	<u>\$ 155,768</u>	<u>\$ 165,596</u>	<u>\$ 179,073</u>

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

	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 4,613	\$ 4,051	\$ 4,201	\$ 4,488	\$ 4,957
Public safety	16,755	16,142	18,042	19,758	17,804
Public works	9,318	9,954	5,628	7,526	7,685
City planning	996	896	771	837	835
Parks, recreation, and library	10,993	10,294	10,803	11,373	11,304
Shuttle operations	193	328	250	286	306
Financing and other activities	588	716	1,072	519	2,644
Total governmental activities expenses	43,456	42,381	40,767	44,787	45,535
Business-type activities:					
Water	5,119	5,955	6,363	6,934	7,629
Sewer	6,346	8,664	7,388	8,486	9,323
Waste management	650	292	290	318	372
Golf	657	-	-	-	-
Parking	-	710	902	1,127	1,154
Total business-type activities expenses	12,772	15,621	14,943	16,865	18,478
Total primary government expenses	\$ 56,228	\$ 58,002	\$ 55,710	\$ 61,652	\$ 64,013
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 124	\$ 231	\$ 244	\$ 275	\$ 574
Public safety	2,063	1,588	1,672	1,892	2,355
Public works	879	1,009	1,077	1,393	3,032
City planning	179	309	305	317	344
Shuttle operations	-	-	-	-	-
Parks, recreation, and library	1,992	2,245	2,424	2,514	2,810
Operating grants and contributions	1,838	1,796	1,756	2,080	166
Capital grants and contributions	750	1,129	885	1,086	-
Total government activities program revenues	7,825	8,307	8,363	9,557	9,281
Business-types activities:					
Charges for services:					
Water	5,709	7,168	8,095	8,726	10,484
Sewer	7,020	8,952	8,253	9,584	10,825
Waste management	454	-	-	-	-
Parking	-	-	1,662	1,644	1,638
Building	-	1,283	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	13,183	17,403	18,010	19,954	22,947
Total primary governmental program revenues	\$ 21,008	\$ 25,710	\$ 26,373	\$ 29,511	\$ 32,228
Net (expenses)/revenue					
Government activities	\$ (35,631)	\$ (34,074)	\$ (32,404)	\$ (35,230)	\$ (36,254)
Business-type activities	411	1,782	3,067	3,089	4,469
Total primary government net revenues (expenses)	\$ 35,220	\$ 32,292	\$ 29,337	\$ 32,141	\$ (31,785)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 6,844	\$ 7,399	\$ 9,360	\$ 10,390	\$ 11,469
Sales tax	8,095	8,834	8,508	8,806	9,231
Transient occupancy tax	6,680	7,299	8,067	9,273	10,356
Franchise taxes	568	782	777	820	875
Business license tax	600	604	684	637	648
Other taxes	-	-	-	-	-
Intergovernmental taxes	1,957	1,680	708	1,041	567
Unrestricted investment income	1,008	684	782	716	1,408
Transfers	2,497	(1,420)	(689)	11,039	464
Total governmental activities	28,249	25,862	28,197	42,722	35,018
Business-type activities:					
Franchise tax	174	295	401	747	905
Investment earnings	100	184	367	299	-
Transfers	(2,497)	1,420	689	(11,039)	(464)
Total business-type activities	(2,223)	1,899	1,457	(9,993)	441
Total primary government	26,026	27,761	29,654	32,729	35,459
Change in Net Assets					
Government activities	(7,382)	(8,212)	(4,207)	7,492	(1,236)
Business-type activities	(1,812)	3,681	4,524	(6,904)	4,910
Total primary government	\$ (9,194)	\$ (4,531)	\$ 317	\$ 588	\$ 3,674

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 5,199	\$ 5,493	\$ 5,354	\$ 6,803	\$ 6,358
18,981	21,154	21,050	21,141	20,265
4,307	8,071	8,453	8,514	8,249
4,168	3,263	2,318	1,752	1,245
9,465	10,868	9,191	10,475	9,828
304	318	130	324	249
1,401	2,093	1,876	2,656	2,215
<u>43,825</u>	<u>51,260</u>	<u>48,372</u>	<u>51,665</u>	<u>48,409</u>
8,662	9,315	9,370	9,569	11,083
10,011	10,442	10,170	9,509	9,686
307	1,217	687	936	681
-	1,353	1,298	1,454	1,435
1,316	1,185	1,075	1,141	1,222
<u>20,296</u>	<u>23,512</u>	<u>22,600</u>	<u>22,609</u>	<u>24,107</u>
<u>\$ 64,121</u>	<u>\$ 74,772</u>	<u>\$ 70,972</u>	<u>\$ 74,274</u>	<u>\$ 72,516</u>
\$ 269	\$ 240	\$ 350	\$ 616	\$ 2
1,737	2,104	1,179	2,202	1,052
1,438	556	314	1,713	560
263	300	336	744	319
-	-	-	72	-
2,719	2,565	2,643	2,744	2,760
2,730	2,590	2,040	2,210	1,166
105	918	3,407	3,189	3,521
<u>9,261</u>	<u>9,273</u>	<u>10,269</u>	<u>13,490</u>	<u>9,380</u>
11,119	11,800	11,516	12,734	13,708
11,592	12,467	12,534	14,566	16,157
-	7	2	653	465
1,691	1,640	1,645	1,802	1,950
-	2,356	1,479	1,404	1,580
1,105	535	23	-	-
<u>25,507</u>	<u>28,805</u>	<u>27,199</u>	<u>31,159</u>	<u>33,860</u>
<u>\$ 34,768</u>	<u>\$ 38,078</u>	<u>\$ 37,468</u>	<u>\$ 44,649</u>	<u>\$ 43,240</u>
\$ (34,564)	\$ (41,987)	\$ (38,103)	\$ (38,175)	\$ (39,029)
5,211	5,293	4,599	8,550	9,753
<u>\$ (29,353)</u>	<u>\$ (36,694)</u>	<u>\$ (33,504)</u>	<u>\$ (29,625)</u>	<u>\$ (29,276)</u>
\$ 12,198	\$ 12,798	\$ 13,355	\$ 13,310	\$ 13,672
9,458	8,251	6,276	8,041	8,495
11,265	10,155	10,342	13,404	16,183
908	969	994	1,116	1,240
690	813	869	955	898
-	-	-	-	444
505	313	404	2,966	1,896
1,610	897	618	805	472
2,080	980	5,447	1,282	4,513
<u>38,714</u>	<u>35,176</u>	<u>38,305</u>	<u>41,879</u>	<u>47,813</u>
906	610	734	-	228
-	-	-	(1,145)	(1,427)
(2,080)	(980)	(5,447)	(1,282)	(4,513)
<u>(1,174)</u>	<u>(370)</u>	<u>(4,713)</u>	<u>(2,427)</u>	<u>(5,712)</u>
<u>37,540</u>	<u>34,806</u>	<u>33,592</u>	<u>39,452</u>	<u>42,101</u>
4,150	(6,811)	202	3,704	8,784
4,037	4,923	(114)	6,123	4,041
<u>\$ 8,187</u>	<u>\$ (1,888)</u>	<u>\$ 88</u>	<u>\$ 9,827</u>	<u>\$ 12,825</u>

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

	2003	2004	2005	2006	2007	2008	2009
General Fund:							
Reserved	\$ 100	\$ -	\$ -	\$ -	\$ 88	\$ 669	\$ 109
Unreserved	<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>\$ 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	\$ 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>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>\$ 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>
	2010	2011	2012				
General Fund:							
Nonspendable	\$ 4,752	\$ 2,799	\$ 553				
Assigned	7,200,000	10,200,000	11,926,734				
Unassigned	<u>(349,166)</u>	<u>1,664,585</u>	<u>3,591,478</u>				
Subtotal General Fund	<u>6,855,586</u>	<u>11,867,384</u>	<u>15,518,765</u>				
All other governmental funds:							
Nonspendable	986,602	474,533	204,137				
Restricted	4,435,396	5,755,902	11,897,775				
Assigned	<u>4,341,649</u>	<u>16,139,924</u>	<u>13,245,905</u>				
Subtotal all other governmental funds	<u>9,763,647</u>	<u>22,370,359</u>	<u>25,347,817</u>				
Total governmental fund balance	<u>\$ 16,619,233</u>	<u>\$ 34,237,743</u>	<u>\$ 40,866,582</u>				



Comprehensive Annual Financial Report

June 30, 2012

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

	2003	2004	2005	2006	2007
REVENUES:					
Property taxes	\$ 6,844	\$ 7,400	\$ 11,726	\$ 10,390	\$ 11,469
Sales and use taxes	8,095	8,834	13,229	8,806	9,231
Transient occupancy taxes	6,680	7,299	8,067	9,273	10,355
Other taxes	1,445	1,728	1,861	1,843	1,900
Licenses and permits	1,679	758	816	927	967
Fines, forfeitures, and penalties	668	1,120	1,070	984	1,184
Investment income	1,021	742	809	773	1,491
Motor vehicle in lieu tax	1,679	1,289	308	655	190
Intergovernmental	1,234	1,147	1,186	1,390	1,515
Charges for services	2,807	3,316	3,637	4,237	4,145
Grant revenue	1,093	637	502	613	577
Other revenue	333	1,312	1,099	1,306	777
Total revenues	33,578	35,582	44,310	41,197	43,801
EXPENDITURES:					
General government	3,943	3,841	3,965	4,306	4,686
Public safety	15,816	15,983	17,734	18,949	16,550
Public works	7,634	6,366	6,158	6,881	6,204
City planning	954	756	739	841	780
Parks, recreation, and library	8,519	7,785	8,388	9,028	8,784
Shuttle operations	192	205	250	286	306
Other	-	-	-	-	-
Capital outlay	7,962	2,677	3,253	2,050	1,456
Debt service:					
Principal	653	683	267	803	2,405
Interest	593	721	1,158	540	2,297
Total expenditures	46,266	39,017	41,912	43,684	43,468
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,688)	(3,435)	2,398	(2,487)	333
OTHER FINANCING SOURCES (USES):					
Transfers in	14,234	16,652	11,880	15,455	16,935
Transfers out	(11,737)	(14,543)	(12,569)	(13,268)	(16,471)
Pension obligation bonds issued	-	-	-	-	32,975
Payment to CalPERS retirement	-	-	-	-	(32,393)
Refund bond issued	-	-	6,705	-	-
Premium on refinancing bonds issued	-	-	197	-	-
Proceeds from issuance of debt	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	(7,050)	-	-
Total other financing sources (uses)	2,497	2,109	(837)	2,187	1,046
Net change in fund balances	\$ (10,191)	\$ (1,326)	\$ 1,561	\$ (300)	\$ 1,379
Debt service as a percentage of noncapital expenditures	3%	4%	4%	3%	11%

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)

2008	2009	2010	2011	2012
\$ 12,198	\$ 12,798	\$ 12,209	\$ 13,310	\$ 13,672
9,459	8,251	6,276	8,041	8,495
11,264	10,155	10,342	13,404	16,183
1,981	2,012	2,159	2,416	2,582
1,221	298	92	97	100
1,178	1,298	467	1,025	889
1,677	959	694	803	473
122	83	108	148	-
1,829	1,898	1,506	1,500	1,896
3,797	3,986	3,955	3,618	3,708
319	824	1,146	662	1,216
823	877	2,990	3,347	3,466
<u>45,868</u>	<u>43,439</u>	<u>41,944</u>	<u>48,371</u>	<u>52,680</u>
4,987	5,111	4,842	5,458	5,945
18,846	19,097	18,830	17,378	18,380
4,723	6,839	7,231	5,713	6,269
1,697	890	780	731	763
9,505	10,319	8,500	8,620	9,172
304	318	130	139	145
-	-	-	17	-
6,680	1,269	5,028	4,023	4,957
2,547	2,138	2,212	7,526	3,034
1,543	2,104	1,922	2,425	2,304
<u>50,832</u>	<u>48,085</u>	<u>49,475</u>	<u>52,030</u>	<u>50,969</u>
<u>(4,964)</u>	<u>(4,646)</u>	<u>(7,531)</u>	<u>(3,659)</u>	<u>1,711</u>
15,532	17,398	16,797	26,312	29,276
(7,605)	(16,418)	(6,861)	(25,029)	(24,763)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	20,300	405
-	-	-	(305)	-
<u>7,927</u>	<u>980</u>	<u>9,936</u>	<u>21,278</u>	<u>4,918</u>
<u>\$ 2,963</u>	<u>\$ (3,666)</u>	<u>\$ 2,405</u>	<u>\$ 17,619</u>	<u>\$ 6,629</u>
9%	9%	9%	21%	12%

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

Category	2002-03	2003-04	2004-05	2005-06
Residential	\$ 2,933,705,123	\$ 3,192,699,192	\$ 3,460,465,971	\$ 3,768,862,689
Commercial	960,807,581	890,698,125	951,146,122	1,050,922,639
Industrial	295,300,670	305,433,159	304,397,652	340,313,166
Government	1,528,024	1,558,582	1,587,678	1,619,429
Institutional	29,465,409	30,448,555	30,439,591	30,906,932
Miscellaneous	2,122,372	2,164,816	2,205,229	2,249,331
Recreational	10,533,997	10,737,135	11,316,394	11,499,783
Vacant Land	110,324,152	88,831,363	88,019,922	10,209,748
SBE Nonunitary	1,180,967	1,348,677	1,682,882	1,569,728
Unsecured	318,366,279	293,708,468	293,279,512	272,414,954
Unknown	-	-	-	-
TOTALS	\$ 4,663,334,574	\$ 4,817,628,072	\$ 5,144,540,953	\$ 5,490,568,399
Total Direct Rate	1.0486	1.0471	1.0475	1.0443

Source: San Mateo County Assessor 2002/03 - 2011/12 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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$	4,092,575,618	\$ 4,423,442,635	\$ 4,752,146,688	\$ 4,919,338,207	\$ 4,971,745,975	\$ 5,074,351,496
	1,111,613,900	1,218,274,542	1,199,478,175	1,230,658,965	1,234,655,169	1,244,640,144
	367,137,642	386,532,903	403,343,837	417,397,081	450,526,896	449,409,192
	1,651,816	1,684,851	1,718,546	1,752,914	477,622	481,217
	31,826,071	32,449,526	27,466,494	23,302,586	51,559,497	48,329,329
	2,294,312	2,340,192	2,386,992	2,430,829	47,625,930	46,149,474
	12,299,913	12,527,505	20,570,100	21,085,577	21,392,656	21,565,053
	11,497,891	10,038,189	43,750,096	46,892,067	50,379,786	44,684,470
	1,290,599	3,837,425	3,837,425	3,837,425	3,680,597	2,560,452
	324,100,493	291,377,516	300,758,515	299,902,769	447,177,839	949,159,576
	4,241,980	2,345,079	6,570,105	-	-	-
\$	5,960,530,235	\$ 6,384,850,363	\$ 6,762,026,973	\$ 6,966,598,420	\$ 7,279,221,967	\$ 7,881,330,403
	1.0523	1.0523	1.0931	1.1775	1.1970	0.0000

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

TAXABLE PROPERTY VALUES

LIEN YEAR	SECURED		UNSECURED		SBE	NET TOTAL	% CHANGE
					NONUNITARY	ASSESSED VALUE	
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%
2011/12		6,838,109,244		270,906,684	2,560,452	7,111,576,380	1.43%

Source: San Mateo County Assessor 2002/03 - 2011/12 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	
	\$	\$	\$	\$	\$	\$	\$	\$
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
2012	1.0000	0.0000	0.0000	0.0000	0.0199	0.1388	0.0383	1.1970

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 in which the subject property resides. 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) Redevelopment Agency (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. incremental property values. The Burlingame Redevelopment Agency is currently inactive.

Source: HDL Coren & Cone

**CITY OF BURLINGAME, CALIFORNIA
TOP TEN PROPERTY TAXPAYERS
JUNE 30, 2012
(AMOUNTS EXPRESSED IN THOUSANDS)**

Taxpayer	2012			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)
EQR-Northpark LP	\$ 110,000,000	1	1.55%	\$ -		0.00%
HMC Burlingame Hotel LLC	81,841,514	2	1.15%	161,929,053	1	2.32%
Inland American Lodging Burlingame	72,000,000	3	1.01%	-		0.00%
Bay Park Plaza Associates	51,900,000	4	0.73%	97,942,440	2	1.41%
Mills Peninsula Health Services	47,137,708	5	0.66%	-		0.00%
Felcor CCS Holdings LP 9520	44,771,063	6	0.63%	40,577,900	6	0.58%
EQR Skyline Terrace LP	42,599,563	7	0.60%	-		0.00%
DCT Rollins Road LLC	34,256,020	8	0.48%	-		0.00%
One Bay Plaza Associates LLC	33,700,000	9	0.47%	51,000,000	4	0.73%
Harbour View Hotels, Inc	27,926,707	10	0.39%	23,994,329	9	0.34%
Glenborough Properties LP			0.00%	43,000,000	5	0.62%
Airport Blvd. Hotel LLC			0.00%	25,955,375	7	0.37%
Northpark Properties			0.00%	25,546,792	8	0.37%
HMH SFO Inc.			0.00%	66,326,266	3	0.95%
California Teachers Association			0.00%	22,100,923	10	0.32%
	<u>\$ 546,132,575</u>		<u>7.68%</u>	<u>\$ 558,373,078</u>		<u>8.02%</u>

(1) 2011-12 Local Secured Assessed Valuation \$ 7,111,576,380

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
2003	\$ 7,726,711	\$ (1,169,618)	\$ (69,986)	\$ 6,487,107	\$ 6,815,623	105.06%	\$ 29,184	\$ 6,844,807	105.51%
2004	7,988,685	(1,209,268)	(65,192)	6,714,225	7,384,578	109.98%	14,877	7,399,455	110.21%
2005	8,539,731	(1,292,708)	(73,432)	7,173,591	8,596,528	119.84%	17,028	8,613,556	120.07%
2006	9,141,651	(1,385,785)	(67,016)	7,688,850	9,278,777	120.68%	23,570	9,302,347	120.98%
2007	9,939,398	(1,504,653)	(95,293)	8,339,452	8,799,467	105.52%	(17,992)	8,781,475	105.30%
2008	10,661,563	(1,614,041)	(98,200)	8,949,322	9,371,585	104.72%	15,146	9,386,731	104.89%
2009	11,304,881	(1,711,368)	(106,082)	9,487,431	9,730,358	102.56%	20,349	9,750,707	102.77%
2010	11,653,813	(1,764,250)	(105,431)	9,784,132	8,840,920	90.36%	13,545	8,854,465	90.50%
2011	11,729,356	(1,775,717)	(108,024)	9,845,615	10,050,908	102.09%	(87)	10,050,821	102.08%
2012	11,900,220	(1,801,642)	(108,024)	9,990,554	10,976,456	109.87%	-	10,976,456	109.87%

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.

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>
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
2012	13,672	8,495	16,183	2,582	1,896	42,828

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)**

<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>
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
2012	13,672	8,495	16,183	2,582	1,896	42,828

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)
	Lease Revenue Bond	Storm Drainage	Pension Obligation Bonds	State Loans	Lease Purchase	Sewer Bonds	Water Bonds and Loans		
2003	\$ 14,727,500	\$ -	\$ -	\$ -	\$ -	\$ 19,081,250	\$ 9,311,250	\$ 43,120,000	3.32%
2004	14,045,000	-	-	-	-	24,532,500	22,577,500	61,155,000	4.41%
2005	13,613,386	-	-	-	-	29,234,189	21,775,826	64,623,401	4.38%
2006	12,792,946	-	-	-	-	30,920,099	21,304,310	65,017,355	4.04%
2007	11,950,007	-	31,395,000	-	-	41,192,796	34,268,223	118,806,026	6.96%
2008	11,082,068	-	30,280,000	-	-	39,106,563	33,188,846	113,657,477	6.51%
2009	10,186,629	-	29,020,000	-	-	36,984,561	32,353,546	108,544,736	6.38%
2010	9,280,834	-	27,605,000	-	-	36,064,336	32,110,553	105,060,723	8.24%
2011	11,555,000	9,805,000	26,010,000	-	1,500,000	33,125,227	27,598,579	109,593,806	6.45%
2012	11,479,596	9,556,400	24,235,000	405,300	1,305,907	32,665,775	26,197,552	105,845,530	8.31%

Note: Details regarding the City's outstanding debt can be found in the notes to the basic 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
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%	-
2012	-	-	-	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, 2012**

2011-12 Assessed Valuation** : \$ 7,111,576,380

	Total Debt June 30, 2012	Percent Applicable (1)	City's Share of Debt June 30, 2012
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 580,659,994	5.016%	\$ 29,125,905
San Mateo Union High School District	449,747,289	14.525%	65,325,794
Burlingame Elementary School District	57,067,486	94.396%	53,869,424
Hillsborough School District	56,921,434	0.100%	56,921
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,144,396,203		\$ 148,378,044
<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>			
San Mateo County General Fund Obligations	\$ 311,729,816	5.016%	\$ 15,636,368
San Mateo County Board of Education Certificates of Participation	11,945,000	5.016%	599,161
San Mateo Union High School District Certificates of Participation	-	15.982%	-
Subtotal	323,674,816		16,235,529
City of Burlingame General Fund Obligations	10,935,000	100.000%	10,935,000
City of Burlingame Pension Obligation Bond	24,235,000	100.000%	24,235,000
Subtotal	35,170,000		35,170,000
TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT	\$ 358,844,816		51,405,529
Less: City of Burlingame General Fund Obligations Supported from Enterprise Revenues			4,102,500
Less: City of Burlingame Pension Obligations Supported by Enterprise Revenues			6,058,750
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 41,244,279
GROSS COMBINED TOTAL DEBT			\$ 199,783,572
NET COMBINED TOTAL DEBT			\$ 189,622,322

Ratios to 2011-12 Assessed Valuation:

Gross Combined Direct (\$35,170,000).....	0.47%	* Source: California Municipal Statistics, Inc.
Net Combined Direct Debt (\$25,008,750).....	0.34%	** Total assessed valuation less other exemptions
Gross Combined Total Debt	2.96%	
Net Combined Total Debt	2.55%	

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 693,884	\$ 722,620	\$ 766,012	\$ 780,344	\$ 888,627	\$ 239,432	\$ 253,576	\$ 261,247	\$ 262,917	\$ 295,550
Total net debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 295,550</u>
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Legal Debt Margin Calculation for Fiscal Year 2012

Gross Assessed Valuation	\$ 7,111,576,380
Debt Margin Ratio (1)	15%
Debt Margin	266,684,114
Less: Outstanding Debt	<u>\$ -</u>
Debt limit	<u><u>\$ 295,550</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			Debt Service			Coverage
	Water Charges	Less:	Net	Principal	Interest		
		Operating Expenses	Available Revenue				
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	
2012	13,708,448	9,112,553	4,595,895	5,490,000	1,131,762	0.69	

Fiscal Year	Wastewater Revenue Bonds			Debt Service			Coverage
	Wastewater Charges	Less:	Net	Principal	Interest		
		Operating Expenses	Available Revenue				
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	
2012	16,157,287	6,932,146	9,225,141	4,390,000	1,041,949	1.70	

Source: City financial statements

Notes:

Details regarding the City's outstanding debt can be found in the notes to the basic 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)	Population 25+ with High School Enrollment (3)	Unemployment Rate (4)
2003	28,179	\$ 1,297,177	\$ 46,031	N/A	4.2%
2004	28,168	1,387,298	49,251	N/A	3.5%
2005	28,180	1,475,381	52,356	N/A	3.1%
2006	28,277	1,610,910	56,969	N/A	2.6%
2007	28,453	1,708,173	60,035	N/A	2.7%
2008	28,762	1,747,107	60,744	N/A	3.5%
2009	29,050	1,700,088	58,523	27,685	6.2%
2010	29,342	1,274,382	43,432	27,699	6.5%
2011	29,106	1,396,972	47,996	27,389	5.8%
2012(5)					

Sources:

(1) California State Department of Finance

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

(3) For 2003-2008, education level attained for population 25 years of age and over was not available.

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

(5) Data for calendar year 2012 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	2012		
	Employee	Rank	Percentage of Total City Employment
Virgin America, Inc	2,056	1	7.50%
Wright Medical Technology Inc	1,200	2	4.38%
United Natural Foods	555	3	2.02%
Critchfield Mechanical, Inc	517	4	1.89%
California Teachers Association	500	5	1.82%
Getinge USA	500	6	1.82%
Wine Warehouse	483	7	1.76%
Hyatt Regency San Francisco Airport	467	8	1.70%
Berkeley Farms	463	9	1.69%
ECC Remediation Services Corp.	460	10	1.68%
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			

Sources: City of Burlingame Business License Data

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

2011			2010		
Employee	Rank	Percentage of Total City Employment	Employee	Rank	Percentage of Total City Employment
2,056	1	7.50%			
1,200	2	4.38%			
555	3	2.02%			
517	4	1.89%			
500	5	1.82%			
500	6	1.82%			
483	7	1.76%			
467	8	1.70%	550	4	2.02%
463	9	1.69%			
460	10	1.68%			
			2,000	1	7.36%
			800	2	2.94%
			600	3	2.21%
			400	5	1.47%
			300	6	1.10%
			270	7	0.99%
			250	8	0.92%
			250	9	0.92%
			250	10	0.92%



Comprehensive Annual Financial Report

June 30, 2012

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	22.34	19.09	18.13	18.13	19.13	19.13	19.13	19.00	18.00	18.00
Public safety										
Police:										
Officers	50.00	43.00	43.00	42.00	42.00	42.00	42.00	39.00	37.00	37.00
Civilians	21.50	20.50	20.75	20.00	20.00	20.00	20.00	19.00	19.00	18.25
Fire:										
Firefighters and officers	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	1.75	1.75	1.75	1.75	-
Public works	38.00	35.05	34.55	27.74	25.30	24.80	24.80	27.55	56.76	28.98
Community development	13.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00
Leisure and culture	65.13	58.26	54.53	54.02	55.14	55.42	55.42	52.29	50.39	49.77
Water	14.60	14.60	14.00	14.78	16.75	16.75	16.75	17.00	17.09	17.09
Sewer	12.00	12.00	11.00	12.78	14.50	14.75	14.75	15.00	15.08	15.08

Source: City budget document

Note: The Central County Fire Department (CCFD) is a Joint Powers Authority shared by the Town of Hillsborough and City of Burlingame.

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

	2003	2004	2005	2006	2007
Function					
Police					
Calls for service	24,133	21,931	21,520	22,825	26,275
Physical arrests	551	553	548	602	537
Crimes reported	2,492	2,347	2,399	2,476	2,155
Traffic violations	3,075	2,996	1,384	2,438	2,893
Fire					
Number of calls answered	-	- (2)	1,880	4,306	4,233
Inspections	-	- (2)	1,681	1,725	2,259
Public works					
Street repair (sq. ft.)	12,524	14,000	8,000	12,000	17,204
Sidewalk and curb repair (sq. ft.)	6,907	9,169	5,992	4,800	5,618
City planning					
Plans checked	592	518	518	547	560
Planning applications reviewed	135	125	121	127	144
Leisure and culture					
Recreation class participants	16,227	16,111	15,651	17,927	15,914
Library circulation	455,471	535,616	607,878	624,000	599,833
Tree plantings	213	165	240	266	334
Tree trimmings	1,173	1,041	1,307	1,532	1,350
Water					
New connections	260	390	356	273	4
Main and valve repairs	87	89	10	14	20
Millions of gallons purchased (millions of gallons)	1,529	1,746	1,650	1,635	1,652
Wastewater					
Average daily sewage treatment (millions of gallons)	4.10	4.10	4.12	4.50	4.50
Preventive maintenance, main cleaning (feet)	266,386	440,882	347,355	389,490	314,497

Note:

Information relating to Police was not available at the time of report submission, but will be made available next year.

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
30,337	28,481	29,124	30,865	N/A
541	343	438	348	N/A
2,053	2,296	1,797	1,516	N/A
4,128	6,354	5,255	3,683	N/A
4,374	4,205	4,267	4,152	-
2,089	1,299	1,414	987	5,700
15,000	15,529	10,000	752,270	637,827
6,000	8,278	4,000	5,468	4,898
548	500	364	355	362
140	187	131	58	75
n/a	14,462	15,500	15,000	15,579
600,000	698,558	713,394	696,096	721,132
229	466	222	205	193
1,574	1,576	1,831	1,093	766
8	17	50	37	20
20	61	15	19	19
1,700	1,561	1,600	1,474	1,494
4.10	3.82	3.30	3.59	3.14
385,293	450,937	450,000	404,488	408,437

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Function				
Public safety				
Police:				
Stations	1	1	1	1
Parking lots	23	23	23	23
Fire stations	3	3	3	3
Public works				
Streets (miles)	152	152	152	152
Streetlights	1,700	1,700	1,700	1,700
Traffic signals	16	16	16	16
Culture and recreation				
Parks acreage	96	96	96	96
Parks	13	13	13	13
Swimming pools	1	1	1	1
Tennis courts	8	8	8	8
Community centers	1	1	1	1
Baseball/softball fields	9	9	9	9
Golf range	1	1	1	1
Water				
Water mains (miles)	94	94	94	94
Fire hydrants	822	822	822	822
Maximum daily capacity (thousands of gallons)	2,850	2,850	2,850	2,850
Sewer				
Sanitary sewers (miles)	84	84	84	84
Storm sewers (miles)	38.1	38.1	38.6	38.6
Maximum daily treatment capacity (thousands of gallons)	4,100	4,100	4,100	4,100
Storm drain pump station	5	5	5	5

Source: Various City department records

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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, 2012

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

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

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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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 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

Management of the City is responsible for establishing and maintaining effective 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.

Member of

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North America
An association of legally
independent firms

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

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*.

We noted certain matters that we reported to management of the City in a separate letter dated December 21, 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 blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 21, 2012