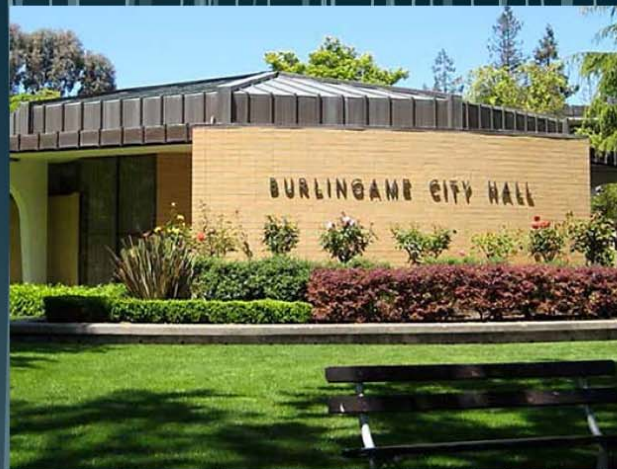


Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2014



City of Burlingame, California



City of Burlingame, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2014

**Prepared by
City of Burlingame Finance Department**

**CITY OF BURLINGAME, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2014**

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INTRODUCTORY SECTION



Comprehensive Annual Financial Report

June 30, 2014



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

December 22, 2014

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Burlingame, California (City) for the fiscal year ended June 30, 2014. This financial report contains a complete set of audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Management takes responsibility for the accuracy of the data presented and the completeness and fairness of financial presentations and disclosures. Information contained in this report is based upon a comprehensive framework of internal controls 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. The 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 City and its component unit that is considered to be fiscally interdependent. For financial reporting purposes, the City's basic financial statements include all funds, boards, commissions, and authorities that are controlled by or are dependent upon the Burlingame City Council.

The California Government Code requires an annual audit of the basic financial statements of the City. The accounting firm Brown Armstrong Accountancy Corporation performed the audit for the fiscal year ended June 30, 2014. 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, 2014, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with GAAP. For the year ended June 30, 2014, single audits were not required in accordance with the provisions of the Single Audit Act, as threshold expenditure requirements from federal funding were not reached during the fiscal year.

Government Profile

The City 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. 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 199 full-time employees. An executive team helps the City Manager lead the City organization. It includes eight 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 San Francisco. According to the State Department of Finance, the population for the City of Burlingame is 29,685, a 0.9% increase from 2013.

Budget Process

The City adopts an annual budget for all funds. Major funds include the General, Capital Projects, Debt Service, Water, Sewer, Parking, Waste Management, Landfill and Building Funds. Budgets are prepared on the same basis of accounting as the associated financial statements.

The City's formal budget is employed as a management control device during the year, and it is adopted annually for all City funds, except for the fiduciary funds and certain special revenue funds where appropriate. 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, accounted for as capital assets or abandoned at the discretion of the City and/or City Council.

Budget amendments that increase a fund's appropriations require majority approval by the City Council. Certain budgetary re-allocations within departments require approval by the Finance Director and department heads. Budget amendments between departments are approved by the Finance Director and City Manager. A mid-year budget status report and a long-term financial forecast for the next five years are presented to the City Council as part of an ongoing assessment and evaluation of budgetary performance, with special attention to the General Fund and certain other major funds.

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds three public meetings to provide guidance on the budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to City staff.

Under these policy directives and guidance, departments prepare their budget requests in support of their programs for submission in early April. Expenditure assumptions are based on known factors such as collective bargaining agreements, current pay and benefit policies, consumer price indices, and other information available from expert third-parties or governing authorities.

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 before the final budget is formally adopted in June at a public hearing, which gives residents an additional opportunity to comment on the spending plan.

Assessment of Economic Condition

The City continues to recover from the 2008-2010 recession, as evidenced by rebounds in the City's largest revenue sources, with many of its revenues meeting or exceeding levels experienced prior to the downturn, most notably in transient occupancy tax and sales tax. Key indicators of the City's economic health are job growth, real estate values, and retail activity.

Employment

Local employment has also shown signs of revitalization; the unemployment rate remains one of the lowest in the State of California, based upon recent Employment Development Department (EDD) data. The unemployment rate in San Mateo County was 4.1% in October 2014, which is below last year's rate of 5.1%. Comparatively, the State of California's unemployment rate also improved; it is now 7.3% as of October 2014, a 1.3% decline since last year.

Bay Area workers who were previously displaced during the recession are now re-entering the workforce and finding jobs, while others saw an improvement in the size of their take-home pay. The total number of jobs located in the counties of Marin, San Francisco, and San Mateo rose by 38,200, or 3.5% between October 2013 and October 2014. The highest job growth occurred in the education sector (3,200), followed by professional and business service employment (3,100). Real personal income growth is also slated to grow by 3.1% by the end of calendar year 2014, with projected growth rates of 4.1% in 2015 and 2016, as reported by the UCLA Anderson School of Business in its June 2014 economic forecast.

Real Estate and Property Taxes

Property taxes, which are based on assessed value, are one of the City's largest revenue sources, accounting for approximately 28% of the City's General Fund revenue.

Fiscal year 2013-14 property tax receipts were \$15.5 million. After adjusting for the one-time Proposition 1A property tax reimbursement revenue of \$1.1 million received last year, property tax revenues were up 8%.

According to data obtained from the San Mateo County Assessor, the City has 8,670 parcels with a total assessed value of \$8.4 billion, an increase of \$568.4 million, or 7.3% since last year. Residential assessed values grew by 7%, while commercial assessed values grew by 9%.

According to DataQuick, the median price of homes sold in Burlingame during the month of October 2014 was \$1,856,000, which is a 6.6% increase compared to the same time last year. However, only 32 homes were sold. County-wide, 672 homes were sold, with a median value of \$865,000, a 10.9% year-over-year increase in sales price since October 2013.

Sales and Use Taxes

The City is a highly desirable residential community and upscale commercial location with attractive shopping districts. Burlingame borders the Town of Hillsborough, an affluent community that is 100% residential. Therefore, in many cases, Burlingame businesses have the opportunity to serve the commercial needs of Hillsborough residents, and benefit from the additional disposable income from neighboring communities. Numerous national retailers are located in the Burlingame Avenue Business District, making the area 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.

The City heralded the completion of the Burlingame Avenue Streetscape Improvement Project with a ribbon cutting in November 2014. The project provided significant upgrades to sidewalks, parking, street lights, street furniture, parking meters and landscaping throughout downtown Burlingame.

Sales and use taxes account for 18% of General Fund revenue in fiscal year 2013-14. Sales and use tax revenues were \$10.2 million, which is a 10.8% increase over the prior year's receipts of \$9.2 million. The top 25 sales tax producers in Burlingame account for nearly 50% of total sales tax revenue, and include several auto dealers, hotels, general merchandise stores and restaurants. Heightened activity in construction also fueled sales tax gains for lumber, building materials and supplies. Other gains were seen in general retail, casual dining, and gasoline/service station outfits.

Tourism and Business Travel

The City's 13 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO), with a total of approximately 3,742 rooms available for rental. Hotel occupancy rates are indicative of continued improvement in the economy. As the City's largest revenue source, transient occupancy tax revenues account for nearly 38% of all General Fund revenues, and grew by \$3.1 million (17%) compared to the prior year. Combined occupancy rates were 85.3%, with average City room rates also increasing 17%, thanks to the success of many Bay Area sports teams and increased tourism. As reported by the San Francisco Airport, total domestic and international airport passengers increased by 3.2% since fiscal year 2012-13.

Financial Information

Accounting System, Budgetary Control & Fund Accounting: 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 expenses are recorded when the liability is incurred, rather than when paid. Conversely, the accrual basis of accounting is used for proprietary funds. 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 the governmental fund 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 GAAP. 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 Finance Director submits a monthly investment report to the City Council. The City 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 per claim. The City maintains reserves for all claims below its self-insured retention in separate Internal Service Funds, and charges the costs of the program to operating departments. An actuarial study of the current obligations for the General Liability and Workers' Compensation Funds was completed in March 2014, and the related accruals for current and expected claims have been included in the year-end results for these funds. The City has implemented and is in compliance with GASB 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, an AA+ rating for its water and wastewater debt, and an A+ rating for the storm drain debt as issued by Standard & Poor's Rating Service. The AA+ general obligation credit rating was re-affirmed in March 2014. In fiscal year 2013-14, the City had thirteen outstanding bonds or loans, including a taxable bond issue for pension obligations, two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant, one capital lease, a loan from the California Energy Commission, and a storm drain revenue bond issued under the Internal Revenue Service's Build America Bond program. The City annually evaluates each outstanding debt obligation that is subject to arbitrage rebate requirements and determined that there was no arbitrage rebate liability as of June 30, 2014.

The City has no general obligation debt. As of June 30, 2014, the City's general obligation debt limit was \$314.6 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) in the Notes to the Basic Financial Statements and in the Statistical Section under Legal Debt Margin information.

Certificate 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, 2013. The City has received the award for 14 consecutive years. To receive the award, a government must publish a readable and well organized annual financial report. The report must satisfy both GAAP and applicable legal requirements. The certificate is valid for one year. Staff believes that the City's current CAFR continues to meet the Certificate of Achievement Program's requirements.

Acknowledgments

Special thanks go to Diana Truong Narahara, Deputy Finance Director, Amy Bernardo, Senior Accountant, and Sabrina Lee, Accountant, for their work in overseeing the fiscal year-end close, annual audit and compilation of these financial reports. Their diligent work, as well as the contributions of other members of the Finance Department, was instrumental in ensuring the successful completion of this document.

The City Council's continued support in fiscal matters, especially in the maintenance of a long-term, sustainable financial vision, is essential and sincerely appreciated. The financial health of the City is a direct result of their vigilant fiduciary stewardship.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Lisa K. Goldman".

Lisa K. Goldman
City Manager

A handwritten signature in blue ink, appearing to read "Carol Augustine".

Carol Augustine
Finance Director & Treasurer



Government Finance Officers Association

**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, 2013

Executive Director/CEO



**CITY OF BURLINGAME, CALIFORNIA
ELECTED AND APPOINTED OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2014**

CITY COUNCIL

Michael Brownrigg, MayorNovember 2017
Terry Nagel, Vice MayorNovember 2015
Jerry DealNovember 2015
Ann Keighran.....November 2017
Ricardo OrtizNovember 2017

CITY MANAGER

Lisa K. Goldman

DEPARTMENT DIRECTORS

Community Development..... William Meeker
Finance Director and Treasurer Carol Augustine
Central County Fire (JPA) Chief Mark Ladas
Human Resources Leslie Loomis
Library Patricia Harding
Parks and Recreation Margaret Glomstad
Police..... Ed Wood
Public Works Syed Murtuza

CITY CLERK

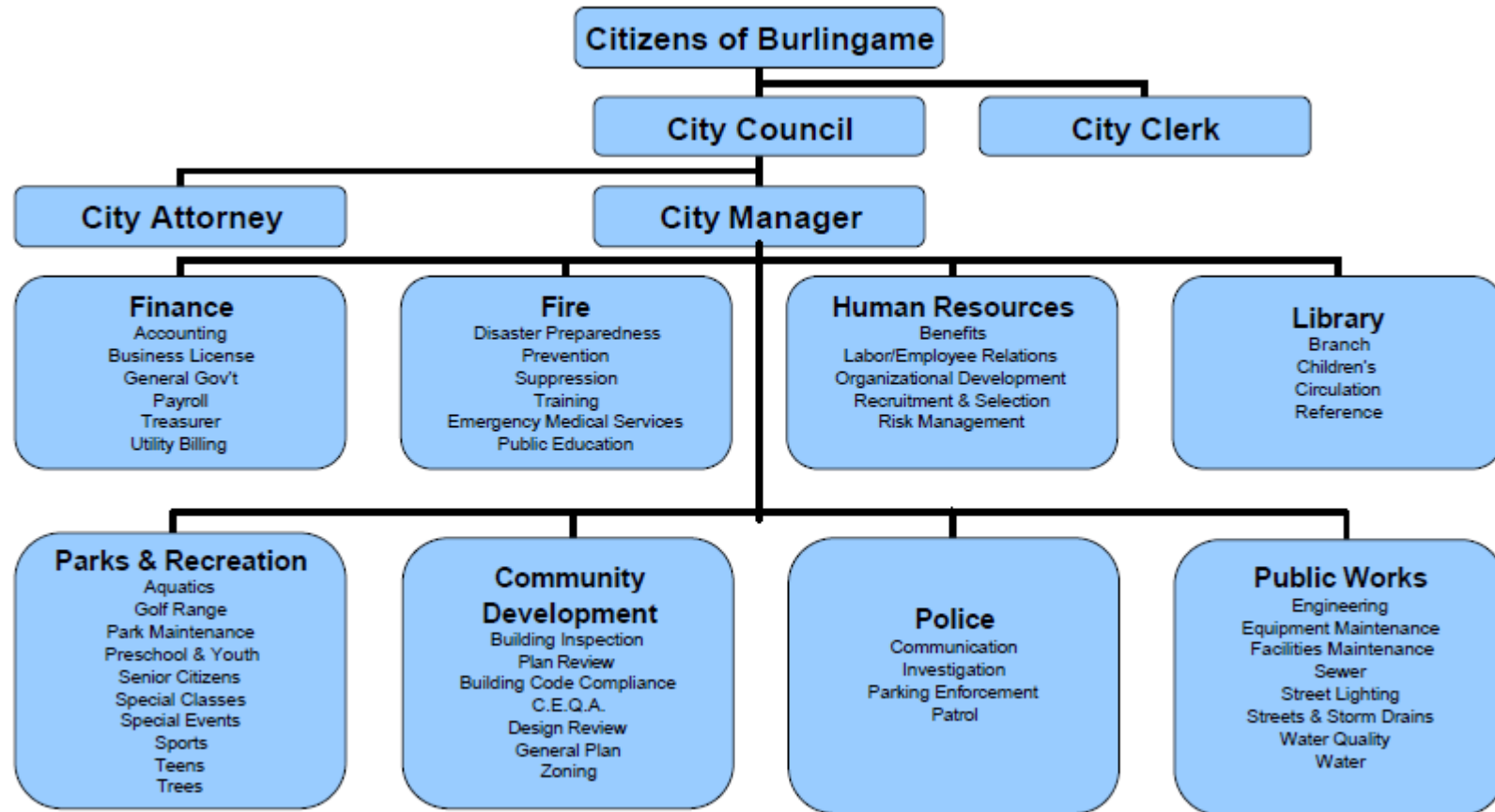
Mary Ellen Kearney

CITY ATTORNEY

Kathleen Kane



**CITY OF BURLINGAME, CALIFORNIA
ORGANIZATIONAL CHART**



CITY ORGANIZATION BY CRITICAL SERVICE AREA

General Government

City Attorney

In-house counsel, risk management, and code enforcement

City Clerk

Elections, City records, public noticing, and maintenance of municipal code

City Manager

Supervision of departments and implementation of City policy and strategy

Finance

Revenue management, disbursements, budget and forecasting, payroll, financial reporting, treasury, purchasing, information technology, telecom and utility billing, business licenses, cashiering and front-desk customer service, and solid waste

Human Resources

Salary and benefits administration, employment, health and safety, employee training and wellness, and collective bargaining

Public Works

Engineering

Administration of capital improvement program including major and minor repair and replacement of city infrastructure

Water & Sewer

Delivery of potable water, treatment and discharge of sanitary flows in accordance with environmental, health and safety guidelines

Streets & Storm Drainage

Street sweeping, transportation and regional shuttles, streetlights, and stormwater management and compliance

Public Safety

Police

Community patrol, 911 communications and dispatch, crime prevention, special weapons and tactics (SWAT), K-9 Program, traffic safety, parking enforcement, and community outreach

Central County Fire Department (JPA)

Fire suppression and prevention, emergency medical services, and disaster preparedness for the Town of Hillsborough and the City of Burlingame

Leisure and Neighborhood Services

Library

City literacy advocacy, circulation of written and digital media, special programs, and community education for citizens, children, and teens

Parks

Operation and maintenance of urban forest, landscaping, City parks, and infrastructure

Recreation

Recreational, educational and after-school programs for pre-school children, youth, and seniors

Community Development

Building

Plan checking, inspection, complaint response, development review and consultation, and building research and development

Planning

Public outreach, Climate Action Plan, land use, economic development, plan checks, and code and zoning enforcement

CITY OF BURLINGAME COMMISSIONERS

BEAUTIFICATION COMMISSION	DATE	TERM	TERMS
Meets 1 st Thursday, Recreation Center, 6:30 pm; Appointed 3-year term	APPOINTED	EXPIRES	SERVED
Karen Dittman	Feb 2009	Oct 2015	1
Anne Hinckle	Dec 2010	Oct 2016	1
Mary Hunt	Feb 2009	Oct 2015	1
Richard Kirchner	Feb 2012	Oct 2015	
Leslie McQuaide	Dec 2003	Oct 2015	4

LIBRARY BOARD	DATE	TERM	TERMS
Meets 3 rd Tuesday, Library, 5:30 pm; Appointed 3-year term	APPOINTED	EXPIRES	SERVED
Kerbey Altman	August 2014	Jun 2017	
Elizabeth Corcoran	Jul 2009	Jul 2015	1
Debra Donaldson	Jun 2013	Jun 2016	
Mike Nagler	August 2014	Jun 2017	
Lisa Rosenthal	Jul 2010	Jun 2016	1

PARKS AND RECREATION COMMISSION	DATE	TERM	TERMS
Meets 3 rd Thursday, Recreation Center, 7:00 pm; Appointed 3-year term	APPOINTED	EXPIRES	SERVED
Julie Baird	Nov 2013	Oct 2016	
Steven Baum	Dec 2010	Oct 2016	1
Donna Wills Colson	Nov 2013	Oct 2016	
Joseph Dito	Dec 2014	Oct 2017	
Shari Lewis	Dec 2014	Oct 2017	
Janet Martin	Dec 2012	Oct 2015	
Claire Schissler	Dec 2014	Oct 2015	

PLANNING COMMISSION	DATE	TERM	TERMS
Meets 2 nd and 4 th Monday, City Hall, 7:00 pm; Appointed 4-year term	APPOINTED	EXPIRES	SERVED
Nirmala Bandrapalli	April 2013	April 2017	
Jeff DeMartini	April 2013	April 2017	
Peter Gum	April 2014	April 2018	
William Loftis	April 2014	April 2018	
Richard Sargent	May 2012	April 2016	
Richard Terrones	Jan 2006	April 2018	2
Sandra Yie	Feb 2008	April 2015	2

TRAFFIC SAFETY PARKING COMMISSION Meets 2 nd Thursday, City Hall, 7:00 pm; Appointed 3-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Nicklas Akers	Feb 2010	Nov 2017	2
Jeffrey Londer	Oct 2008	Nov 2017	2
John Martos	Dec 2013	Nov 2016	
J. Mark Noworolski	Dec 2006	Nov 2015	2
Howard Wettan	Dec 2012	Nov 2015	

MOSQUITO ABATEMENT DISTRICT 1351 Rollins Road, 344-8592, Board Rep. Appointed 2-year term	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Joseph Galligan	Feb 2014	Feb 2016	

STORM DRAINAGE CITIZENS OVERSIGHT COMMITTEE	DATE APPOINTED	TERM EXPIRES	TERMS SERVED
Rudy Horak	Jan 2010	Nov 2018	1
Rosalie O'Mahony	Jan 2010	Jan 2015	1
Kevin Osborne	Nov 2014	Nov 2018	



**CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT
FISCAL YEAR ENDED JUNE 30, 2014**

Carol Augustine Finance Director and Treasurer

Diana Truong Narahara..... Financial Services Manager

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

Amy Bernardo.....Senior Accountant

Sabrina Lee..... Accountant

Margaret OnoAccounting Assistant III

Geeta Nair-Parsons.....Accounting Technician

Kristen Sinkhorn.....Accounting Technician

Lisa RancatoreAccountant Assistant III

Andrea BrownAccountant Assistant I/II

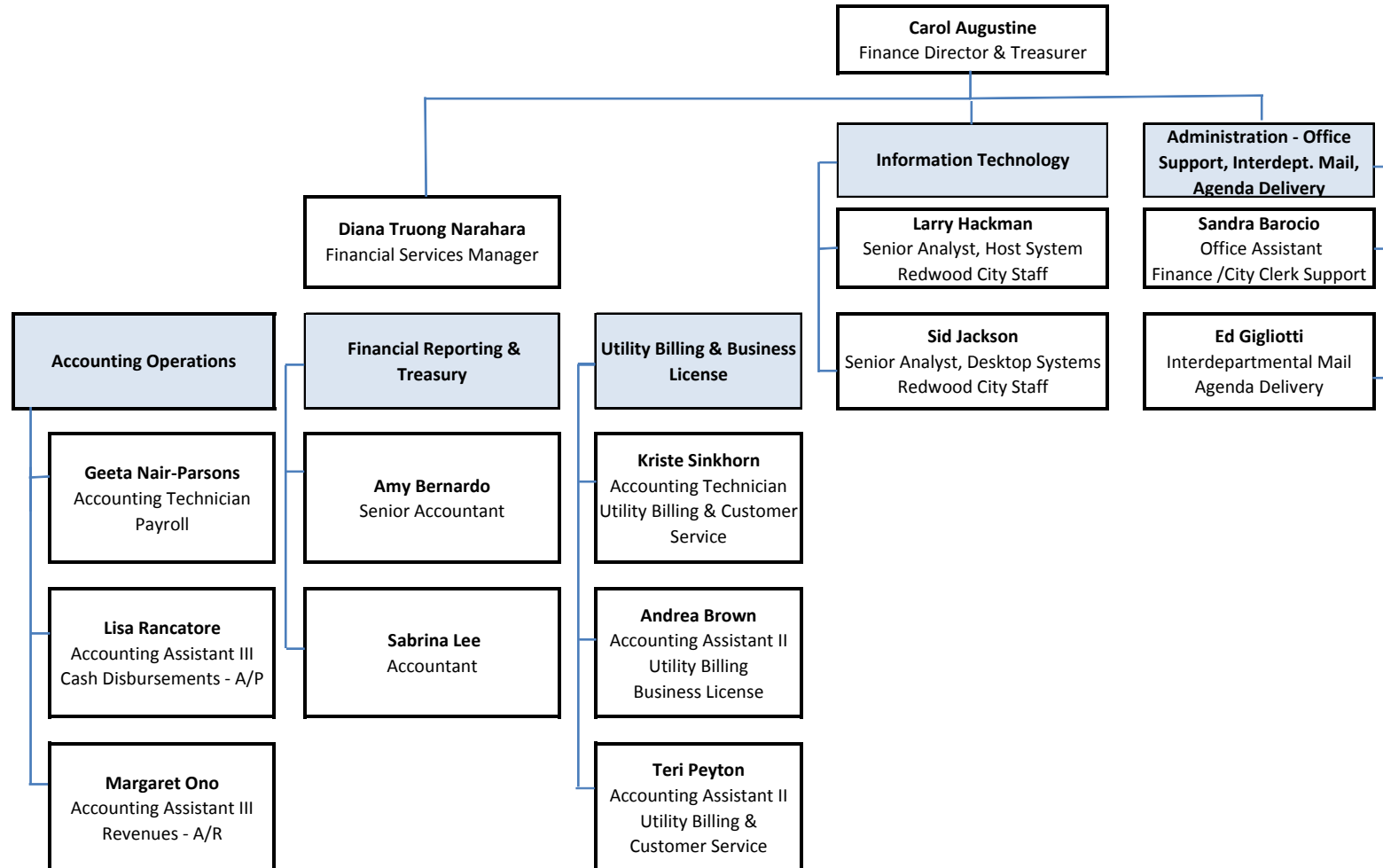
Theresa PeytonAccountant Assistant I/II

Kirsten Ivazes.....Office Assistant

Ed Gigliotti.....Interoffice Mail & Administrative Services



CITY OF BURLINGAME, CALIFORNIA
FINANCE DEPARTMENT ORGANIZATION CHART FOR FISCAL YEAR 2013-14



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.

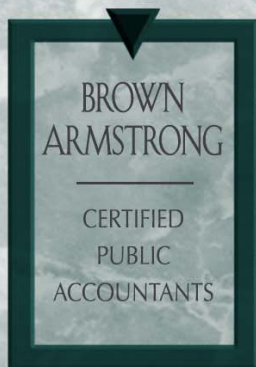
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FINANCIAL SECTION



Comprehensive Annual Financial Report

June 30, 2014



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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

MAIN OFFICE

4200 TRUXTON AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

7673 N. INGRAM AVENUE

SUITE 101
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

221 E. WALNUT STREET

SUITE 260
PASADENA, CALIFORNIA 91101
TEL 626.204.6542
FAX 626.204.6547

5250 CLAREMONT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 28 and the Required Supplementary Information on pages 117 to 124 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

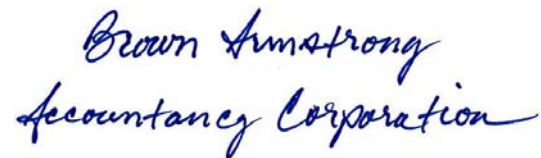
The combining and individual nonmajor fund financial statements and schedules and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic 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 nonmajor fund financial statements and schedules and the other supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, 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* in considering the City's internal control over financial reporting and compliance.

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 22, 2014



Comprehensive Annual Financial Report

June 30, 2014

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2014. This information should be read together with the transmittal letter, financial statements, and notes to the basic 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.

Financial Highlights for Fiscal Year 2013-14 (ending June 30)

- City assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$207.4 million, or a \$17.6 million increase compared to beginning net position.
- The City's Net Position increased 9.3% as compared to an increase of 7.4% in the prior year.
- With the establishment of an external, irrevocable trust, the City was able to begin prefunding its other post-employment benefits (OPEB) obligations. The liability for Net OPEB Obligation decreased from \$19.8 million to \$16.3 million as recorded on the Statement of Net Position. After an initial contribution to the fund of \$6.6 million, the City continued to pay the annual costs of retiree health insurance in cash throughout the fiscal year.
- General Fund revenues increased by \$4.3 million in fiscal year 2013-14, an increase of 8.5% of prior year performance of \$51.3 million. The increase in revenue was driven by higher current year collections (\$3.1 million) of transient occupancy (hotel) taxes.
- Amendments to various revenue sources in the General Fund budget in the amount of \$2.8 million were authorized by the City Council at mid-year, as these improved revenues became evident early in the fiscal year.
- The General Fund ending fund balance increased from \$19.9 million to \$22.9 million. Of this amount, \$9.4 million has been assigned – intended to be used for specific purposes.

Overview of the Financial Statements

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Government-Wide Statements

The government-wide financial statements include the **Statement of Net Position** 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 Position** presents complete information on the City's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources, with the difference reported as net position. Changes in net position 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 position changed during the most recent fiscal year. All changes in net position 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 general government administration, public safety (such as police, fire and 911-dispatch), public works, community development, parks, recreation and library, shuttle bus operations, and financing and other activities.

The self-supporting, business-type activities include water, sewer service, parking, waste management, landfill 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 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 are restricted versus funds that are available for spending.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 the Governmental Funds Balance Sheet and the Governmental Funds 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 fund types: 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 six enterprise funds: Water, Sewer, Parking, Waste Management, Landfill 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; general liability; workers' compensation; information technology; and administrative support. These funds are included in the governmental activities of the government-wide financial statements because their activities support governmental programs. 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 financial statements because the resources of these funds are not available to support the City's governmental activities.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Notes to the Basic Financial Statements

The notes to the basic 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 Supplementary 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 Position

The City had a total net position of \$207.4 million as of June 30, 2014. Net position increased by 9.3% from beginning total net position of \$189.9 million. Assets and deferred outflows of resources as of the end of June 30, 2014 were \$361.4 million, reflecting a 2.2% positive change from the prior year due to a \$7.1 million increase in current assets and deferred outflows of resources as well as a \$0.7 million growth in capital assets. Much of the increase (\$5.4 million) was experienced in the current assets of the City's business-type activities. Liabilities and deferred inflows of resources decreased by 5.96% (\$9.8 million), due largely to a decrease in long-term debt (\$7.5 million) and a decrease in the City's Net OPEB obligation (\$3.6 million).

The largest portion of the City's net position (57.5%) is its net investment 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, since the capital assets themselves cannot be used to liquidate these liabilities. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining \$88.1 million in net position are a combination of cash and investments, restricted and unrestricted. Of the restricted amounts, \$8.8 million reflects amounts held by the City's trustee, largely comprised of unexpended bond proceeds from the Lease Revenue Bonds, Series 2012 and the Storm Drainage Revenue Bonds, Series 2012. The remaining \$37.5 million is restricted for storm drain capital improvements, contributions for improvements to the Burlingame Avenue Special Assessment District, and street repair and maintenance. The City's unrestricted net position totaled \$41.8 million on June 30, 2014.

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

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

City of Burlingame's Comparative Statement of Net Position June 30, 2014 and 2013 (Amounts In Millions)						
	Governmental Activities		Business-Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
Assets:						
Current and other assets	\$ 114.82	\$ 116.63	\$ 31.42	\$ 36.80	\$ 146.24	\$ 153.43
Capital assets	106.27	106.82	100.34	100.46	206.61	207.28
Total assets:	221.09	223.45	131.76	137.26	352.85	360.71
Deferred outflows:	-	-	0.76	0.69	0.76	0.69
Liabilities:						
Current liabilities	12.27	13.35	5.91	4.83	18.18	18.18
Other liabilities	0.58	0.93	0.81	0.70	1.39	1.63
Long-term liabilities	82.98	75.62	61.19	58.54	144.17	134.16
Total liabilities:	95.83	89.90	67.91	64.07	163.74	153.97
Deferred inflows:	-	-	-	-	-	-
Net position:						
Net investment in capital assets	64.02	72.96	42.71	46.34	106.73	119.30
Restricted	33.53	45.86	5.05	0.45	38.58	46.31
Unrestricted	27.71	14.73	16.85	27.09	44.56	41.82
Subtotal	\$ 125.26	\$ 133.55	\$ 64.61	\$ 73.88	\$ 189.87	\$ 207.43
Total net position	\$ 125.26	\$ 133.55	\$ 64.61	\$ 73.88	\$ 189.87	\$ 207.43

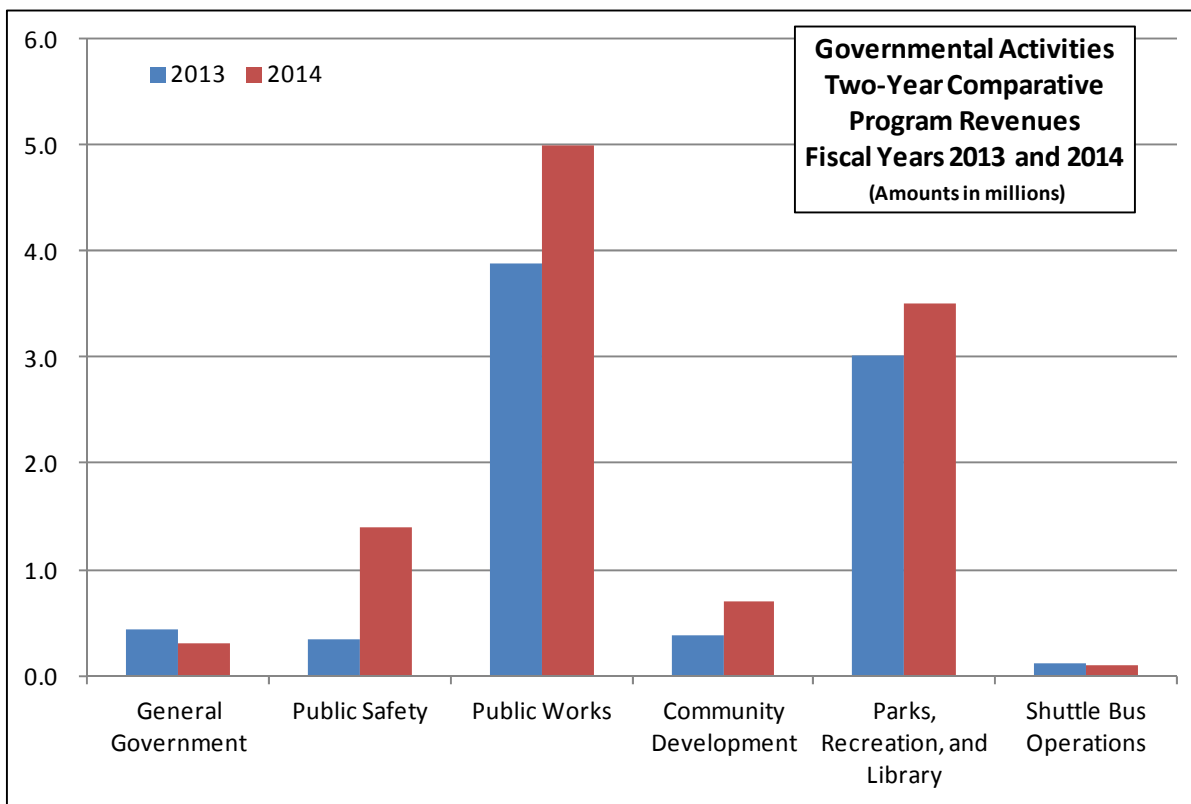
**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

City of Burlingame Statement of Activities For the Fiscal Years Ended June 30, 2014 and 2013 (Amounts in Millions)						
	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 7.75	\$ 9.13	\$ 36.36	\$ 39.53	\$ 44.11	\$ 48.66
Operating grants and contributions	0.99	0.74	-	-	0.99	0.74
Capital grants and contributions	0.36	1.25	-	-	0.36	1.25
General revenues:						
Property taxes	14.39	15.50	-	-	14.39	15.50
Sales taxes	9.20	10.20	-	-	9.20	10.20
Transient occupancy taxes	18.24	21.36	-	-	18.24	21.36
Franchise tax - unrestricted	-	-	0.31	-	0.31	-
Fines, forfeitures, and penalties	-	-	-	-	-	-
Business license tax	-	-	-	-	-	-
Other taxes	4.38	4.59	-	-	4.38	4.59
Other general revenue	-	0.34	-	-	-	0.34
Total revenues:	55.31	63.11	36.67	39.53	91.98	102.64
Expenses:						
Governmental activities						
General government	6.19	7.29	-	-	6.19	7.29
Public safety	21.16	19.14	-	-	21.16	19.14
Public works	9.27	12.97	-	-	9.27	12.97
Community development	0.94	1.01	-	-	0.94	1.01
Parks, recreation, and library	11.06	11.16	-	-	11.06	11.16
Shuttle bus operations	0.18	0.19	-	-	0.18	0.19
Financing and other activities	2.80	2.81	-	-	2.80	2.81
Business-type activities						
Water	-	-	12.13	10.75	12.13	10.75
Sewer service	-	-	9.55	9.33	9.55	9.33
Waste management	-	-	0.63	0.47	0.63	0.47
Landfill	-	-	-	0.18	-	0.18
Parking	-	-	1.35	1.18	1.35	1.18
Building inspection	-	-	1.32	1.25	1.32	1.25
Interest and bond issuance cost	-	-	2.40	-	2.40	-
Total expenses:	51.60	54.57	27.38	23.16	78.98	77.73
Increase/(decrease) in net position before transfers and special item	3.71	8.54	9.29	16.37	13.00	24.91
Investment income (expenses)	0.14	0.58	(0.04)	(1.33)	0.10	(0.75)
Special item:						
OPEB pre-funding	-	(6.60)	-	-	-	(6.60)
Transfers	3.92	5.77	(3.92)	(5.77)	-	-
Change in net position	7.77	8.29	5.33	9.27	13.10	17.56
Net position	117.49	125.26	59.28	64.61	176.77	189.87
Net position - ending	\$ 125.26	\$ 133.55	\$ 64.61	\$ 73.88	\$ 189.87	\$ 207.43

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

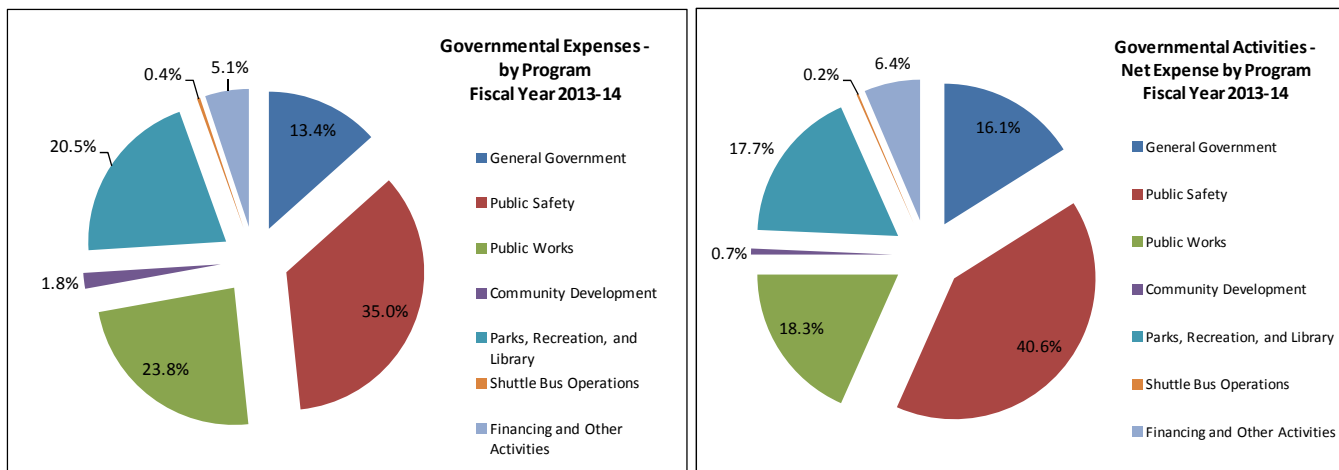
Governmental Activities

Governmental activities increased the City's net position by \$8.3 million, with a total net position of \$133.6 million at the end of the fiscal year. The increase was attributable to total governmental revenues that exceeded total expenses by \$8.5 million, prior to net transfers in of \$5.8 million, and OPEB prefunding of \$6.6 million. Program revenues increased approximately \$3.0 million (36.1%), with the major increase in charges for services (\$2.3 million). This increase largely reflected higher fees and volumes of activities in the Planning and Recreation departments. The Public Works Department took advantage of capital grant opportunities, reflected in the \$0.9 million increase in these revenues.



General revenues increased nearly \$6.0 million, led by an increase in transient occupancy tax revenues of over \$4.8 million. In addition, property and sales tax revenues were up a combined \$2.1 million over the prior year. The robust growth in these tax revenues was a result of a continued strengthening in tourist demand and improved consumer confidence when compared with the prior year. In total, revenues from governmental activities increased \$7.8 million, approximately 14.1%.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



Expenses from governmental activities increased by nearly \$3.0 million, for a total of \$54.6 million for the fiscal year. With an emphasis on capital improvements, Public Works expenses were up nearly over \$3.7 million from the prior year. Conversely, Public Safety expenses were \$2 million less in comparison to fiscal year 2012-13, reflective of a drop in overtime compensation and a general continuation of spending control strategies. In addition, Public Safety departments contributed more heavily to prior year OPEB costs in fiscal year 2012-13 than was required in the current fiscal year. The overall departmental spending increase across all departments was 6%; there was very little year over year change in financing activities, which represents debt service and amortization of premiums and discounts on previously issued debt.

The majority of these governmental activities are financed from City taxes. However, the \$1.4 million increase in charges for services (reported as program revenues) collected by the governmental activities served to offset the increase in departmental spending somewhat. Program revenues overall totaled over \$11.1 million, covering about 20.4% of governmental expenses.

The above charts of expenses and net cost of the City's various governmental activities have been derived from the Statement of Activities. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities (\$54.5 million in fiscal year 2013-14). This compares with the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$43.4 million in fiscal year 2013-14) must be funded out of the City's general revenues – primarily taxes and investment earnings. Areas with the highest program revenues (i.e. Public Works; Parks, Recreation and Library) are able to offset relatively more costs than activities that have fewer opportunities to derive program revenues (such as Public Safety).

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Business-Type Activities

The net position for business-type activities increased by \$9.3 million, or 14.4%, from a beginning net position of \$64.6 million. In fiscal year 2013-14, enterprise operations produced total operating revenue (consisting largely of revenues from charges for services) of over \$39.5 million, an increase of \$3.2 million or 8.7% growth from fiscal year 2012-13 operating revenues of \$36.4 million.

Business-type expenses totaled nearly \$24.5 million and included operating expenses of nearly \$23.2 million. Net non-operating expenses of \$1.3 million consists of interest on long-term debt and amortization of premiums and discounts, net of investment income and expenses. Operating expenses decreased by \$1.8 million or 7.3% from prior year expenses of \$25.0 million. This decrease was largely attributable to operating expenses of the Water Enterprise, which experienced lower (11.4%) costs of purchased water and other operating costs, as water consumption was decreased as a result of drought related conservation efforts. Expenses relating to all enterprise operations either remained flat or declined slightly when compared to the prior fiscal year.

Changes in net position, or the year-over-year difference between business-type revenues plus deferred outflows of resources, and expenses plus deferred inflows of resources, totaled \$9.3 million. Unlike the governmental activities, program revenues cover total expenses in the business-type activities, with no contribution from City taxes. The City is able to adjust water, sewer, solid waste, parking rates, and building permit fees to cover expenditures and future liabilities.

Financial Analysis of City Funds

Governmental Funds

The Governmental Funds financial statements provide information on the short-term inflows, outflows, and balances of resources that are available for spending over the 12-month fiscal 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 separately in the basic Financial Statements. A separate accounting of the City's ten non-major governmental funds can be found in the Combining Statements located in the Other Supplementary Information section of the CAFR.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Total Governmental Funds					
Fund Description	6/30/2014		7/1/2013		Yr-over-Yr Change - Net Position / Fund Balance
	Net Position / Fund Balance	6/30/2014 Nonspendable	Net Position / Fund Balance	7/1/2013 Nonspendable	
General Fund	\$ 22,885,423	\$ 221,217	\$ 19,947,103	\$ 217,470	\$ 2,938,320
Capital Projects Fund	31,862,600	-	19,411,842	-	12,450,758
Debt Service Fund	8,328,362	383,152	16,710,658	395,842	(8,382,296)
Nonmajor Funds	6,323,039	-	10,855,405	-	(4,532,366)
Total	\$ 69,399,424	\$ 604,369	\$ 66,925,008	\$ 613,312	\$ 2,474,416

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 \$55.6 million in fiscal year 2013-14, reflecting a \$4.3 million increase from prior year performance of \$51.3 million. Expenditures totaled \$40.1 million, which is \$2.5 million more than prior year. Revenues were sufficient to cover all operating expenditures. Revenues less operating expenditures before transfers were \$15.5 million. The General Fund transferred \$5.6 million out to the Debt Service Fund to pay for governmental debt, \$6.6 million to the OPEB Internal Service Fund to begin prefunding of the City's retiree medical obligations, and \$3.0 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 (Note 9 in the Notes to the Basic Financial Statements).

The General Fund balance as of June 30, 2014, was \$22.9 million, representing an increase of \$3.0 million from the prior year fund balance of \$19.9 million. Although \$0.2 million of the fund balance was categorized as "nonspendable", the City Council assigned \$9.0 million for specific purposes as described in Note 10 of the Notes to the Basic Financial Statements, and \$0.4 million represents contractual obligations which will carry forward to the next fiscal year (encumbrances). Assignments of the City's General Fund balance may be modified throughout the year based on recommendations by the Finance Director. The remaining \$13.3 million represents unassigned amounts.

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, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

City of Burlingame City Council Assigned General Fund Reserves					
	FY10	FY11	FY12	FY13	FY14
Economic Stability Reserve	\$ 1,650,834	\$ 5,000,000	\$ 6,000,000	\$ 5,000,000	\$ 6,000,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
OPEB Reserve	2,800,000	2,700,000	3,000,000	4,800,000	-
General Plan Reserve	-	-	-	-	500,000
Contingency Reserve	400,000	500,000	500,000	500,000	500,000
Total City Council assigned fund fund balance	6,850,834	10,200,000	11,500,000	12,300,000	9,000,000
Encumbrances	-	-	-	-	412,941
Total Assigned Fund Balance:	\$ 6,850,834	\$ 10,200,000	\$ 11,500,000	\$ 12,300,000	\$ 9,412,941

* In 2010, the target was \$7.2 million

As a measure of the General Fund liquidity, it is useful to compare its unrestricted fund balance (including commitments and assignments of fund balance) to annual operating expenditures. As of June 30, 2014, the unrestricted fund balance of \$22.7 million (\$22.9 million less non-spendable fund balance of \$0.2 million) represents 56.5% of General Fund operating expenditures of \$40.1 million.

City of Burlingame General Fund Balance As A Percentage of Operating Expenditures					
	FY10	FY11	FY12	FY13	FY14
Expenditures:	\$ 35,817,177	\$ 34,533,995	\$ 36,683,828	\$ 37,613,343	\$ 40,139,163
Fund Balance:	6,850,834	11,864,585	15,518,212	19,947,103	22,885,423
% of Expenses:	19.1%	34.4%	42.3%	53.0%	57.0%

Capital Projects Fund

The Capital Projects Fund accounts for the resources used to acquire, develop, and construct capital improvements or to purchase major capital equipment. The City capitalizes equipment 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 or Note I(i).

The Capital Projects Fund had revenues of nearly \$1.3 million, received in large part from state and local grants, such as the Livable Communities, One Bay Area Grants and the State-Local Partnership Program (SLPP). The grants funded streetlight upgrades for Burlingame Avenue as well as street resurfacing and repair. Other government entities, such as the Town of Hillsborough shared in the cost of certain infrastructure improvements, such as sewer main replacement. Projects were funded mainly by \$23.5 million in transfers from other funds to support ongoing construction costs and to set aside funds for previously appropriated projects. In fiscal year 2013-14, \$8.1 million of bond proceeds were transferred in to the Capital Projects Fund for storm drain, facilities, and street projects; the General Fund contributed \$3.0 million; the Measure A and Gas Tax special revenue funds provided a combined total of \$1.2 million; and the Water and Sewer Funds contributed a combined total of \$7.4 million for construction projects.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Capital Projects Fund (Continued)

Capital project expenditures totaled \$11.4 million, an increase of \$0.2 million from expenditures of \$11.2 million in fiscal year 2012-13. The Capital Projects fund balance at the end of the fiscal year was \$31.9 million, or an increase of \$12.4 million from the prior year ending balance. The entire fund balance is assigned for the construction of capital projects.

Neighborhood storm drainage improvements continued in fiscal year 2013-14. As in the prior year, the storm drain fee generated \$2.8 million in revenue. 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 funding source for these projects in the Capital Projects Fund.

During fiscal year 2013-14, major governmental capital project expenses, exceeding \$250,000 in a single project included:

- Burlingame Avenue Streetscape (Storm Drain and Streets Improvements) - \$6.8 million
- Residential Area Storm Drain Project - \$1.2 million
- 2013 Annual Street SLPP Resurfacing - \$0.9 million
- Computer Aided Dispatch (CAD) Records Management System - \$0.3 million

During fiscal year 2013-14, major business-type capital project expenditures, exceeding \$250,000 in a single project included:

- Burlingame Avenue Streetscape (Water Main and Infrastructure Improvements) - \$1.2 million
- 2013 Sanchez Area Sewer Rehabilitation Project, Phase 3 - \$1.5 million
- Burlingame Avenue Streetscape (Sewer Infrastructure Improvements) - \$0.8 million

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.

Principal payments on outstanding debt reduced general government debt by \$4.7 million for the year. The General Fund contributed nearly \$5.6 million to the Debt Service Fund for governmental debt service payments, and the Storm Drainage Fund contributed \$1.2 million required to meet obligations relating to the taxable and tax-exempt Storm Drain Revenue Bonds, 2010. A significant portion of the Storm Drain Bonds were taxable Build America Bonds; the Internal Revenue Service provided an interest subsidy of approximately \$153,000 for the 2010 issuance, which was a 7.7% decline in the subsidy due to the effects of federal gridlock and sequestration in the winter of 2013. Debt service expenditures represent principal payments, interest charges, and administrative costs of debt such as fiscal agent fees on existing governmental debt.

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 (Note 5).

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Non-Major Governmental Funds

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 purpose. The voters approved the new fee in May 2009, and revenues are collected through an assessment on property tax bills. The storm drain fee will sunset in 30 years. With a fund balance of nearly \$5.4 million, the Storm Drainage Fund is the largest of the non-major governmental funds. The fund balance decreased \$1.4 million, as combined capital appropriations and debt service expense exceeded revenue from the storm drain fee.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements. Proprietary funds consist of the City's six enterprise funds (Water, Sewer, Waste Management, Landfill, Parking, and the Building Enterprise funds) and six Internal Service Funds (General Liability, Workers' Compensation, Facilities Services, Equipment Services, OPEB and Information Technology Services funds). Operations of the City's Enterprise funds are accounted for as business activities.

Internal Service Funds

The Internal Revenue Funds are allocated among the City's various functions and are therefore considered to account for governmental activities for financial statement purposes. Note that during the year, the Waste Management Fund was separated into two distinct enterprises: Waste Management and Landfill Operations. The former Risk Management Internal Service Fund was similarly split to account separately for activities in the City's General Liability and Workers' Compensation programs. These distinctions were made in order to clearly identify the fiscal results of each program/operation.

The internal revenue funds experienced a decline in net position of 12.0%. This was due primarily to changes in actuarial estimates of current and expected claims for general liability and workers' compensation, based on an actuarial study completed in March 2014. In aggregate, these accruals increased the obligation by \$1.1 million.

Furthermore, the OPEB Fund, which was established during fiscal year 2013-14, made a \$6.6 million transfer to the CERBT, marking the City's first-time pre-funding of its actuarially accrued liability for retiree medical benefits. The \$6.6 million transfer, as authorized by Council in September 2014, was funded by the City's former OPEB Retiree Health Reserve (\$4.8 million), with an additional fiscal year 2013-14 contribution of \$1.8 million.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Proprietary Funds (Continued)

Total Enterprise Funds					
Fund Description	6/30/2014 Net Position	6/30/2014 Net Investment in Capital Assets	7/1/2013 Net Position	7/1/2013 Net Investment in Capital Assets	Yr-over-Yr Change - Net Position / Fund Balance
Water	\$ 19,940,248	\$ 8,347,895	\$ 17,165,481	\$ 7,171,837	\$ 2,774,767
Sewer	41,055,976	30,980,878	37,445,018	29,334,041	3,610,958
Waste Management	3,719,660	-	(718,377)	-	4,438,037
Landfill	(2,916,087)	-	-	-	(2,916,087)
Parking	9,262,361	7,012,596	8,491,195	6,963,097	771,166
Building	2,822,529	-	2,229,297	-	593,232
Total	\$ 73,884,687	\$ 46,341,369	\$ 64,612,614	\$ 43,468,975	\$ 9,272,073

Water Fund

City of Burlingame Historical Water Fund Net Position (excluding net investment in capital assets)					
	FY10	FY11	FY12	FY13	FY14
Net Position, excluding net investment in capital assets:	\$ 13,318,587	\$ 12,087,115	\$ 11,318,437	\$ 9,993,644	\$ 11,592,353
Dollar Change:	1,403,466	(1,231,472)	(768,678)	(1,324,793)	1,598,709
Percentage Change:	11.78%	-9.25%	-6.36%	-11.70%	16.00%

The Water Fund continues to maintain a stable financial position as in the prior year. The ending net position of the fund including capital assets increased nearly \$2.8 million (approximately 16.2%). Unrestricted net position (which excludes capital assets) totaled \$11.6 million, an increase of \$1.6 million from prior year.

City of Burlingame Historical Water Fund Revenues					
	FY10	FY11	FY12	FY13	FY14
Operating Revenue:	\$ 11,515,884	\$ 12,734,554	\$ 13,708,448	\$ 14,874,705	\$ 16,023,092
Nonoperating Revenue:	19,402	37,815	213,379	-	209,231
Total Revenue:	11,535,286	12,772,369	13,921,827	14,874,705	16,232,323
Dollar Change:	(609,322)	1,237,083	1,149,458	952,878	1,357,618
Percentage Change:	-5.02%	10.72%	9.00%	6.84%	9.13%

Water revenues increased in fiscal year 2013-14 by over \$1.4 million, a 9.1% increase, largely reflective of the 7.8% rate increase that went into effect on January 1, 2014, for all customer classes.

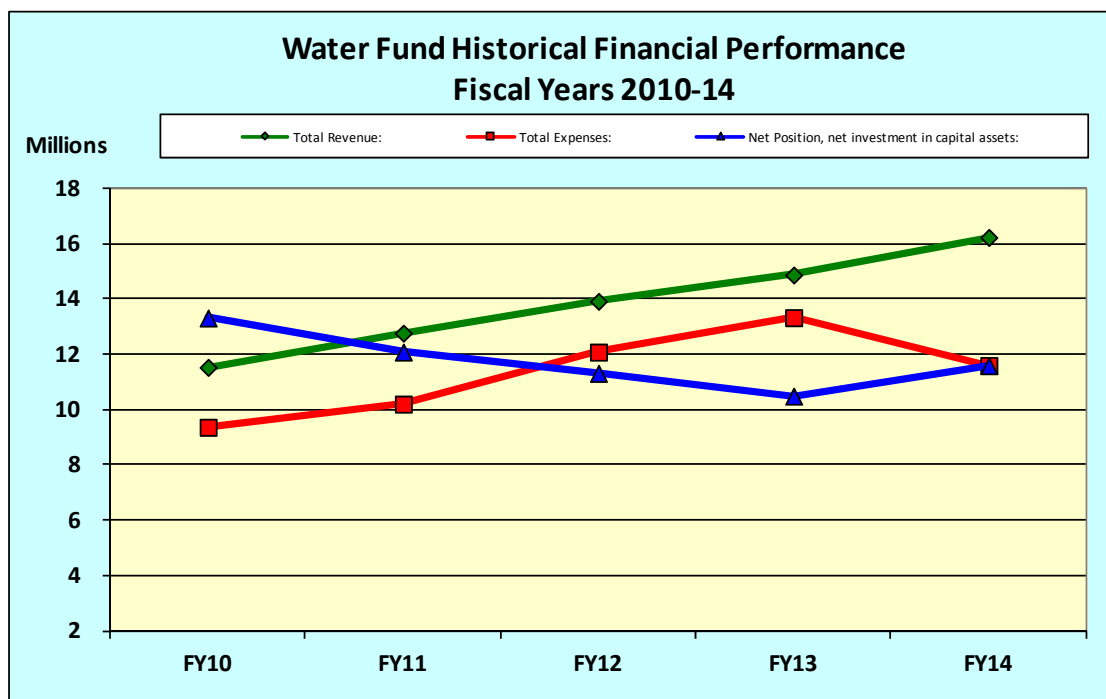
City of Burlingame Historical Water Fund Expenses					
	FY10	FY11	FY12	FY13	FY14
Operating Expenses:	\$ 8,498,014	\$ 9,569,097	\$ 11,082,981	\$ 12,127,012	\$ 10,844,723
Nonoperating Expenses:	872,041	637,197	1,003,988	1,204,976	759,558
Total Expenses:	9,370,055	10,206,294	12,086,969	13,331,988	11,604,281
Dollar Change:	54,925	836,239	1,880,675	1,245,019	(1,727,707)
Percentage Change:	0.59%	8.92%	18.43%	10.30%	-12.96%

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Water Fund (Continued)

Water expenses include both operating and interest expenses on debt. Total Water Fund expenses decreased by \$1.7 million from the prior year, with a \$1.3 million decrease in operating expenses and a \$0.4 million decrease in non-operating expenses. The significant decline in the cost of water purchases (\$743,000, or 12.1%) was largely anticipated.

Currently, the City plans to construct or set-aside approximately \$2.5 million for water-related capital improvements annually. As of the end of the fiscal year, the Water Fund had no unspent capital proceeds from debt. The Water Fund will finance future capital improvements with ongoing revenues of the fund.



Sewer Fund

The Sewer Fund continues to maintain a stable financial position compared to the prior year. The fund's overall net position (including capital assets) grew by 9.7% from \$37.4 million to \$41.1 million. Net investment in capital assets increased nearly \$1.6 million as associated debt payable decreased by \$1.5 million, and assets were placed in service as construction in progress (\$2.8 million). The largest portion of net position (\$31.0 million) relates to net investment in capital assets, representing 75.4% of total net position. An unrestricted net position of \$9.6 million reflects an increase of \$1.9 million from the prior year, a reflection of the positive results of operations for the year. Approximately 24% of net revenue is irrevocably pledged to the prompt payment of debt service relating to future payments of principal and interest on revenue bonds previously issued.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sewer Fund (Continued)

City of Burlingame Historical Sewer Fund Ending Net Position (excluding net investment in capital assets)					
	FY10	FY11	FY12	FY13	FY14
Net Position, excluding net investment in capital assets:	\$ 4,881,174	\$ 4,534,544	\$ 6,858,775	\$ 8,110,977	\$ 10,075,098
Dollar Change:	(570,937)	(346,630)	2,324,231	1,252,202	1,964,121
Percentage Change:	-10.47%	-6.36%	47.62%	18.26%	24.22%

Sewer service revenue increased by \$0.3 million or 1.8%. Unlike water utility service, there was no rate increase for sewer service imposed for calendar years 2013 and 2014.

City of Burlingame Historical Sewer Fund Revenues					
	FY10	FY11	FY12	FY13	FY14
Total Revenue:	\$ 12,538,507	\$ 14,566,587	\$ 16,157,287	\$ 16,791,449	\$ 17,088,958
Dollar Change:	71,572	2,028,080	1,590,700	634,162	297,509
Percentage Change:	0.57%	16.17%	10.92%	3.92%	1.77%

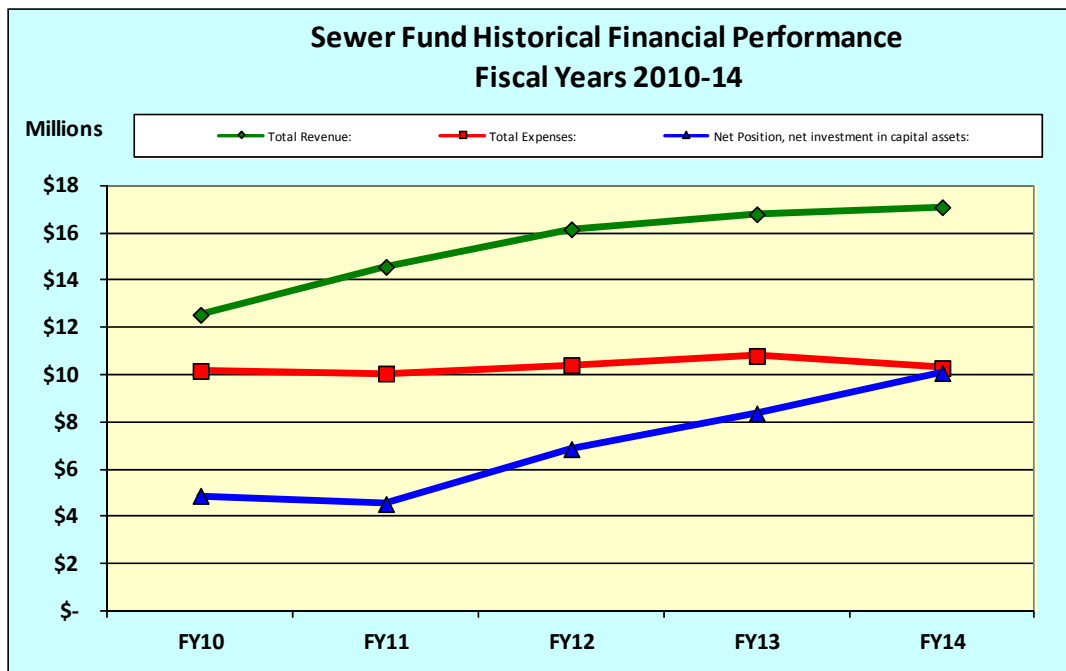
While operating expenses showed only a slight decrease from the prior fiscal year, the decrease in non-operating expenses (nearly \$0.3 million) was more significant. A lower interest expense resulted from the initial amortization of premiums associated with the issuance of the Water and Wastewater Revenue Bonds, Series 2013 in the prior year.

City of Burlingame Historical Sewer Fund Expenses					
	FY10	FY11	FY12	FY13	FY14
Operating Expenses:	\$ 9,151,230	\$ 9,508,659	\$ 9,685,877	\$ 9,553,446	\$ 9,332,235
Nonoperating Expenses:	1,015,206	545,437	724,754	1,242,816	951,292
Total Expenses:	10,166,436	10,054,096	10,410,631	10,796,262	10,283,527
Dollar Change:	(84,504)	(112,340)	356,535	385,631	(512,735)
Percentage Change:	-0.82%	-1.11%	3.55%	3.70%	-4.75%

As with the Water Fund, the Sewer Fund will also finance future capital improvements on a *pay-as-you-go* basis. The sewer rate structure includes an annual set-aside of \$4.9 million 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.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sewer Fund (Continued)



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.

City of Burlingame Historical Parking Fund Ending Net Position (excluding net investment in capital assets)					
	FY10	FY11	FY12	FY13	FY14
Net Position, excluding net investment in capital assets:	\$ 705,184	\$ 777,533	\$ 991,343	\$ 1,528,098	\$ 2,249,765
Dollar Change:	102,356	72,349	213,810	536,755	721,667
Percentage Change:	16.98%	10.26%	27.50%	54.14%	47.23%

The fund's overall ending net position, including capital assets, increased by 9.1% or \$0.8 million over the prior year ending net position of \$8.5 million. Because much of the fund is invested in capital assets, the increase is reported in unrestricted net position, and largely reflected in higher cash balances. This overall increase amounted to \$0.7 million or a year-over-year increase of 47.2%.

City of Burlingame Historical Parking Fund Revenues					
	FY10	FY11	FY12	FY13	FY14
Total Revenue:	\$ 1,645,227	\$ 1,801,535	\$ 1,950,260	\$ 2,427,521	\$ 2,511,056
Dollar Change:	5,360	156,308	148,725	477,261	83,535
Percentage Change:	0.33%	9.50%	8.26%	24.47%	3.44%

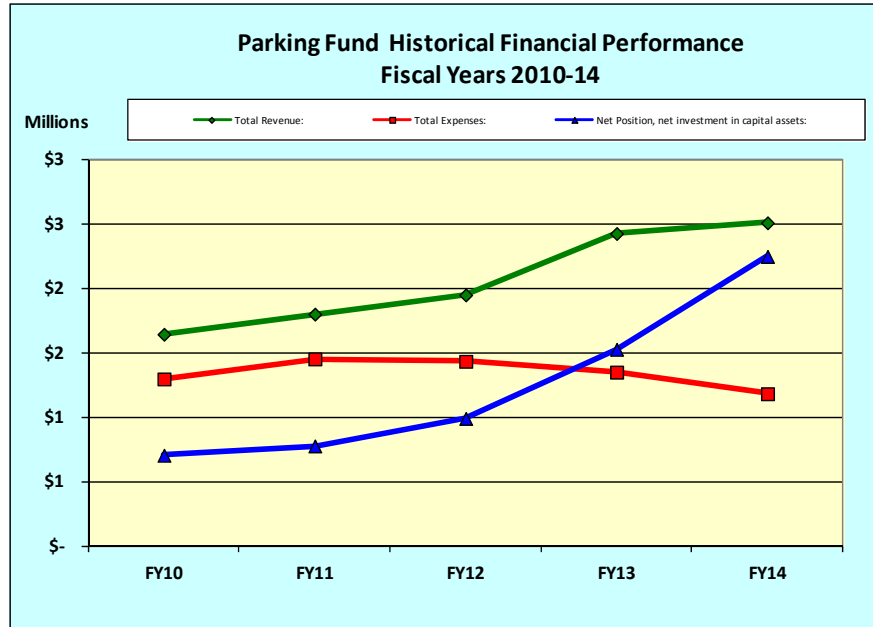
**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Parking Fund (Continued)

Revenue in the Parking Fund increased by 3.4%, due primarily to an increase in parking activity. Largely concentrated in the City's retail centers, the increase is reflective of continued economic growth. Parking rates were increased in fiscal year 2011-12 to partially finance the Burlingame Avenue Streetscape Improvement Project, which broke ground in Spring 2013 and was near completion in June 2014. Parking revenue also serves to finance ongoing capital needs of the related assets. Rates increased by \$0.25 - \$1.00 per hour for depending on the location of the metered space by action of the City Council.

City of Burlingame Historical Parking Fund Expenses					
	FY10	FY11	FY12	FY13	FY14
Total Expenses:	\$ 1,298,059	\$ 1,453,636	\$ 1,435,069	\$ 1,350,574	\$ 1,182,827
Dollar Change:	(54,951)	155,577	(18,567)	(84,495)	(167,747)
Percentage Change:	-4.06%	11.99%	-1.28%	-5.89%	-12.42%

Parking expenses declined by 12.4% due to a decline in the retiree health liability, and one-time capital outlays for metering equipment and pay by space machines in fiscal year 2012-13 which did not occur in fiscal year 2013-14.



**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Waste Management and Landfill Funds

The City is a member of the South Bayside Waste Management Authority (SBWMA), a joint powers authority that contracts with external vendors for solid waste collection and disposal as well as collection of inert recyclable materials, yard waste and other organic materials. The Waste Management Fund accounts for certain other services that are provided or paid for directly by the City. The costs of these services, which include the cleaning of sidewalks, parking lots and garbage cans/liners, door-to-door hazardous waste pickup and street sweeping, are built into garbage collection rates for both residential and commercial customers. Operating revenues of the fund totaled \$1.7 million in fiscal year 2013-14. The largest portion this revenue reflects a balance attributable to amounts collected in prior years that exceeded the cost of the program services. The amount (\$1.2 million) has been recognized as a receivable to the fund, and remains as a rate stabilization reserve to guard against volatility of collection and disposal rates in future years.

In addition, a surcharge on garbage collection rates fund the costs associated with the long-term monitoring requirements of the former city landfill. In fiscal year 2013-14, landfill operations were separated out from other waste management activities and are now accounted for in a separate fund. The Landfill Fund reports a deficit position (-\$2.9 million) due to the status of the City's 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 post-closure and corrective action as adjusted for inflation and current year expenditures pertaining to mediation. Despite the surcharge on garbage collection fees that are passed through to the City, the landfill closure and post closure liability increased very slightly (\$46 thousand) during the fiscal year. At year-end, the liability was approximately \$3.1 million.

General Fund Budgetary Highlights

Detailed information on variances can be found in the Budgetary Comparison Schedule – General Fund, Note 5 in the Required Supplementary Information section of this report.

The adopted fiscal year 2013-14 General Fund budget assumed fairly robust gains in operating revenue, based on economic recovery evidenced in the prior year. Revenue growth of 8.2% was forecast over the prior year budgeted revenue. Final collections totaled \$55.6 million, an increase of 8.5% over prior year actuals.

Several key revenue budgets were adjusted upward at mid-year to reflect improvements in General Fund receipts. Still, overall revenues exceeded the year's adjusted budget by over \$2.3 million (4.4%).

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

- Transient occupancy tax revenue performed nearly \$1.3 million better than budget, with a 17.1% growth over prior year results.
- On a cash basis (or modified accrual method of accounting for governmental funds), property tax receipts grew only modestly. However, adjusted for the 2012 repayment of Proposition 1A property tax shifted to the State in 2009, actual tax revenues for the year increased over \$1.2 million (8.8%), approximately 1.4% over the adjusted budget.
- Sales and use tax revenue performed \$0.6 million better than budget, with a 10.9% growth over prior year results.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

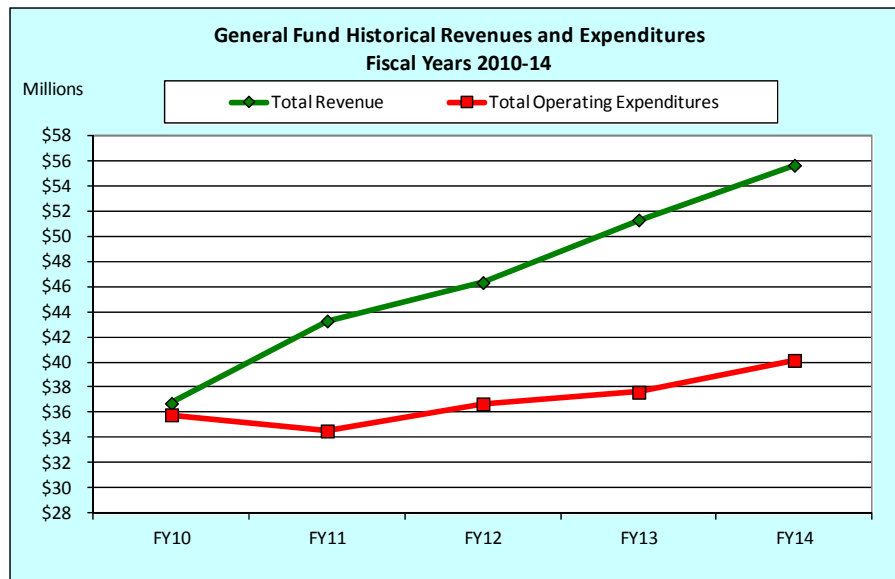
General Fund Budgetary Highlights (Continued)

City of Burlingame Historical General Fund Revenues					
	FY10	FY11	FY12	FY13	FY14
Total Revenue	\$ 36,725,735	\$ 43,266,203	\$ 46,313,538	\$ 51,287,003	\$ 55,627,628
Dollar Change	(3,464,628)	6,540,468	3,047,335	4,973,465	4,340,625
Percentage Change	-8.62%	17.81%	7.04%	10.74%	8.46%

General Fund revenues are expected to continue an upward trend over the next fiscal year as the economy continues to improve, especially through growth in the travel and tourism industry, and increased consumer confidence.

City of Burlingame Historical General Fund Expenditures					
	FY10	FY11	FY12	FY13	FY14
Total Operating Expenditures	\$ 35,817,177	\$ 34,533,995	\$ 36,683,828	\$ 37,613,343	\$ 40,139,163
Dollar Change	(2,229,102)	(1,283,182)	2,149,833	929,515	2,525,820
Percentage Change	-5.86%	-3.58%	6.23%	2.53%	6.72%

The fiscal year 2013-14 adopted General Fund budget assumed operating expenditures of \$41.9 million, a growth of 6.8% from the prior year budget. During the fiscal year, the City did not have any significant mid-year budget adjustments; budgets were closely monitored City wide, as reflected in positive budget variances in all departments. Total budgetary savings for the fund were approximately \$2 million (4.7%).



**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Capital Assets and Debt Administration

Capital Assets

Improvements that lengthen an asset's useful life are not capitalized unless the improvements increase its 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.

The City uses the modified approach for roads and parking lots as alternative to depreciation. 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 Position, capital assets for the governmental and business-type activities totaled \$207.3 million on June 30, 2014, net of depreciation. Capital assets increased by 0.3% 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, 2014 (Amounts In Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2013	2014	% Change	2013	2014	% Change	2013	2014	% Change
Land and other assets not being depreciated	\$ 40.77	\$ 40.82	0.1%	\$ 8.39	\$ 7.30	-13.0%	\$ 49.16	\$ 48.12	-2.1%
Facilities, infrastructure, and equipment	65.50	66.00	0.8%	91.94	93.16	1.3%	\$ 157.44	\$ 159.16	1.1%
Total:	\$ 106.27	\$ 106.82	0.5%	\$ 100.34	\$ 100.46	0.1%	\$ 206.60	\$ 207.28	0.3%

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 Basic Financial Statements under Note 4 – Capital Assets.

Long-Term Obligations

As of June 30, 2014, the City had total long-term debt obligations of \$114.6 million, a decrease of \$7.5 million from the prior year. Nearly 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, short of additional debt financings, these obligations will decrease over time as principal amounts are paid off.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Long-Term Obligations (Continued)

Outstanding Long-Term Obligations June 30, 2014 (Amounts in Millions)									
	Governmental Activities			Business-Type Activities			Total		
	2013	2014	% Change	2013	2014	% Change	2013	2014	% Change
Bonds Due in More than One Year	\$ 60.47	\$ 54.93	-9.2%	\$ 54.97	\$ 52.35	-4.8%	\$ 115.44	\$ 107.28	-7.1%
Bonds Due Within One Year	4.06	4.87	20.0%	2.66	2.46	-7.5%	6.72	7.33	9.1%
Claims and Litigation	6.77	7.90	16.7%	-	-	0.0%	6.77	7.90	16.7%
Landfill Closure	-	-	0.0%	3.09	3.13	1.3%	3.09	3.13	1.3%
OPEB Obligation	16.22	13.27	-18.2%	3.62	3.00	-17.1%	19.84	16.27	-18.0%
Compensated Absences	1.26	1.31	4.0%	0.31	0.29	-6.5%	1.57	1.60	1.7%
Total:	\$ 88.78	\$ 82.28	-7.3%	\$ 64.65	\$ 61.23	-5.8%	\$ 153.43	\$ 143.51	-6.5%

In addition, the City has several other long-term obligations. Landfill closure and post-closure liabilities are determined in order to capture the estimated cost of municipal solid waste landfill closure and post-closure care as required by federal and state regulations. Funds are then set aside to ensure adequate funding for the post-closure costs of the former Burlingame landfill, as the costs are incurred. Funding for this liability is currently provided through a portion of solid waste rates charged to City ratepayers.

This same funding also provides for the annual costs of monitoring and maintaining the former landfill. Although the liability for landfill post-closure care costs increased slightly due to change in anticipated future costs, revenues to the fund were sufficient to offset this increase and provide a positive (\$0.2 million) change of net position in fiscal year 2013-14.

Debt Administration

The City has an AA+ underlying general obligation credit rating, an AA+ rating for its water and wastewater debt, and an A+ rating for the storm drain debt as issued by Standard & Poor's Rating Service. The AA+ general obligation credit rating was re-affirmed in March 2014. In fiscal year 2013-14, the City had fourteen outstanding bonds or loans, including a taxable bond issue for pension obligations, two loans from the State of California Water Resources Control Board for improvements to the Burlingame Wastewater Treatment Plant, one capital lease, a loan from the California Energy Commission, and a storm drain revenue bond issued under the Internal Revenue Service's Build America Bond program. The City annually evaluates each outstanding debt obligation that is subject to arbitrage rebate requirements and determined that there was no arbitrage rebate liability as of June 30, 2014.

Burlingame Financing Authority Debt					
	FY10	FY11	FY12	FY13	FY14
Governmental Activities Debt:	\$ 36,977,024	\$ 49,690,340	\$ 46,982,203	\$ 64,529,755	\$ 59,799,589
Business-Type Activities Debt:	66,325,722	60,723,806	58,863,327	57,622,844	54,811,570
Total	\$ 103,302,746	\$ 110,414,146	\$ 105,845,530	\$ 122,152,599	\$ 114,611,159

The City has no general obligation debt. As of June 30, 2014, the City's general obligation debt limit was \$314.6 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.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Debt Administration (Continued)

Additional information pertaining to the City's outstanding long-term debt can be found under Long-Term Debt Note 5 – Long-Term Debt in the Notes to the Basic 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 2014-15 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 9.5% in total General Fund revenue before transfers compared to the prior year adopted budget, largely due to positive changes in the economy evident in the 2013-14 fiscal (prior) year to date.

Expenditures: General Fund operating expenditures are expected to grow approximately 12.6%. This significant increase in appropriations is largely due to the inclusion of the full cost of retiree medical benefits (OPEB) in the departmental budgets. This annual pre-funding of the newly-established trust fund for OPEB obligations will increase operating costs of all funds, but will prevent future growth in the liability associated with these benefits. In addition, the 2014-15 budget provides for increases in pension costs, health care premiums for active employees, and slight increases in the costs of the City's Workers Compensation program. The City Council also set aside \$0.5 million to support an update of the City's General Plan.

General Fund Capital Improvements: The City Council earmarked \$4.4 million for capital improvements in the Five Year CIP Plan.

Water and Sewer Rate Adjustments: Water and sewer adjustments will be implemented in January 2015. Water rates are expected to increase by a blended average of 7.8%, based on a progressive tiered rate structure for most single-family residential customers. The tiered structure allows for increased 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. Rates are adjusted each calendar year based on updated costs of solid waste collection and material processing service, including landfill post-closure costs, street sweeping, recycling and other diversion programs. No solid waste rate adjustment is expected for calendar year 2015.

**CITY OF BURLINGAME, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 67,461,180	\$ 30,138,950	\$ 97,600,130
Receivables (net of uncollectible amounts of \$0 for business-type activities):			
Due from consumers and customer accounts	486,292	4,454,303	4,940,595
Due from other governments	2,890,275	478,876	3,369,151
Other receivables	3,960,466	1,287,436	5,247,902
Inventory	61,393	-	61,393
Prepaid items and deposits	604,369	-	604,369
Cash and investments, restricted	15,897,247	451,212	16,348,459
Internal balance	13,226	(13,226)	-
Net pension asset	25,258,721	-	25,258,721
Capital assets:			
Land and other assets not being depreciated	40,822,556	7,304,778	48,127,334
Facilities, infrastructure, and equipment, net of depreciation	65,996,587	93,158,740	159,155,327
Total assets	223,452,312	137,261,069	360,713,381
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount of bond refunding	-	689,421	689,421
Total deferred outflows of resources	-	689,421	689,421
LIABILITIES			
Accounts payable	3,901,705	1,397,520	5,299,225
Retentions payable	593,970	-	593,970
Accrued payroll	1,594,709	-	1,594,709
Accrued interest	610,018	729,257	1,339,275
Deposits	751,925	669,109	1,421,034
Unearned revenue	175,351	34,454	209,805
Claims and Litigation			
Due in one year	1,626,144	-	1,626,144
Due in more than one year	6,268,856	-	6,268,856
Compensated absences:			
Due in one year	165,329	23,688	189,017
Due in more than one year	1,144,542	268,888	1,413,430
Landfill closure and post-closure costs:			
Due in one year	-	208,999	208,999
Due in more than one year	-	2,925,985	2,925,985
Net OPEB obligation			
Due in more than one year	13,268,692	2,996,333	16,265,025
Long-term debt:			
Due in one year	4,865,467	2,458,104	7,323,571
Due in more than one year	54,934,122	52,353,466	107,287,588
Total liabilities	89,900,830	64,065,803	153,966,633
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	72,955,975	46,341,368	119,297,343
Restricted for:			
Restricted cash held with trustee	8,328,362	451,212	8,779,574
Capital projects	34,144,615	-	34,144,615
Burlingame Avenue Special Assessment District	395,453	-	395,453
Public safety and traffic	49,735	-	49,735
Steet and sidewalk repair and maintenance	2,944,661	-	2,944,661
Total restricted net assets	45,862,826	451,212	46,314,038
Unrestricted	14,732,681	27,092,107	41,824,788
Total net position	\$ 133,551,482	\$ 73,884,687	\$ 207,436,169

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	7,294,847	\$ 301,624	\$ 5,288	\$ -	\$ 306,912
Public safety	19,141,354	1,097,024	341,017	-	1,438,041
Public works	12,960,619	4,075,034	130,718	793,222	4,998,974
Community development	1,007,351	738,265	-	-	738,265
Parks, recreation, and library	11,162,276	2,918,712	142,912	455,985	3,517,609
Shuttle operations	188,357	-	118,354	-	118,354
Financing and other activities	2,812,290	-	-	-	-
Total governmental activities	54,567,094	9,130,659	738,289	1,249,207	11,118,155
Business-type activities:					
Water	10,745,377	16,023,092	-	-	16,023,092
Sewer	9,332,235	16,931,432	-	-	16,931,432
Waste management	466,511	1,694,055	-	-	1,694,055
Landfill	177,439	350,006	-	-	350,006
Parking	1,182,827	2,476,891	-	-	2,476,891
Building	1,253,869	2,057,204	-	-	2,057,204
Total business-type activities	23,158,258	39,532,680	-	-	39,532,680
Total government-wide	\$ 77,725,352	\$48,663,339	\$ 738,289	\$ 1,249,207	\$ 50,650,835

General revenues

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Other taxes

Other general revenue

Total general revenues

Investment income (expense)

Special items:

OPEB pre-funding

Transfers

Total general revenues, special item and transfers

Change in net position

Net position beginning

Net position ending

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (6,987,935)	\$ -	\$ (6,987,935)
(17,703,313)	-	(17,703,313)
(7,961,645)	-	(7,961,645)
(269,086)	-	(269,086)
(7,644,667)	-	(7,644,667)
(70,003)	-	(70,003)
(2,812,290)	-	(2,812,290)
<u>(43,448,939)</u>	<u>-</u>	<u>(43,448,939)</u>
	5,277,715	5,277,715
	7,599,197	7,599,197
-	1,227,544	1,227,544
	172,567	172,567
-	1,294,064	1,294,064
-	803,335	803,335
<u>-</u>	<u>16,374,422</u>	<u>16,374,422</u>
<u>(43,448,939)</u>	<u>16,374,422</u>	<u>(27,074,517)</u>
15,496,548	-	15,496,548
10,196,123	-	10,196,123
21,357,066	-	21,357,066
4,595,201	-	4,595,201
344,610	-	344,610
51,989,548	-	51,989,548
576,090	(1,328,601)	(752,511)
(6,600,000)	-	(6,600,000)
5,773,748	(5,773,748)	-
<u>51,739,386</u>	<u>(7,102,349)</u>	<u>44,637,037</u>
8,290,447	9,272,073	17,562,520
125,261,035	64,612,614	189,873,649
<u>\$ 133,551,482</u>	<u>\$ 73,884,687</u>	<u>\$ 207,436,169</u>

See accompanying Notes to the Basic Financial Statements.

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

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

CITY OF BURLINGAME, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and investments	\$ 20,918,305	\$ 114,061	\$ 21,724,064	\$ 9,924,142	\$ 52,680,572
Receivables (net of allowance for collectibles of \$0)	5,275,243	-	1,221,958	783,852	7,281,053
Due from other fund	26,849	13,226	12,335,309	-	12,375,384
Prepaid expenditures	221,217	383,152	-	-	604,369
Cash and investments, restricted	-	15,897,247	-	-	15,897,247
Total assets	<u>26,441,614</u>	<u>16,407,686</u>	<u>35,281,331</u>	<u>10,707,994</u>	<u>88,838,625</u>
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	<u><u>\$ 26,441,614</u></u>	<u><u>\$ 16,407,686</u></u>	<u><u>\$ 35,281,331</u></u>	<u><u>\$ 10,707,994</u></u>	<u><u>\$ 88,838,625</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 732,718	\$ -	\$ 2,824,761	\$ 102,121	\$ 3,659,600
Due to other funds	-	8,079,324	-	4,282,834	12,362,158
Retentions payable	-	-	593,970	-	593,970
Accrued payroll	1,594,709	-	-	-	1,594,709
Deposits	751,925	-	-	-	751,925
Advanced from other funds	301,488	-	-	-	301,488
Unearned revenue	175,351	-	-	-	175,351
Total liabilities	<u>3,556,191</u>	<u>8,079,324</u>	<u>3,418,731</u>	<u>4,384,955</u>	<u>19,439,201</u>
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable	221,217	383,152	-	-	604,369
Restricted	-	7,945,210	-	5,671,864	13,617,074
Committed	-	-	31,862,600	-	31,862,600
Assigned	9,412,941	-	-	651,175	10,064,116
Unassigned	13,251,265	-	-	-	13,251,265
Total fund balances	<u>22,885,423</u>	<u>8,328,362</u>	<u>31,862,600</u>	<u>6,323,039</u>	<u>69,399,424</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 26,441,614</u></u>	<u><u>\$ 16,407,686</u></u>	<u><u>\$ 35,281,331</u></u>	<u><u>\$ 10,707,994</u></u>	<u><u>\$ 88,838,625</u></u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balance – total governmental funds	\$ 69,399,424
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Amounts reported for governmental activities in the statement of net position are different because:

CAPITAL ASSETS

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	104,993,295
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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	(1,241,899)
Long-term debt	(59,799,589)
Net other post-employment benefits obligation	(13,268,692)

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 position as a net pension asset.	25,258,721
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Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(610,018)
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ALLOCATION OF INTERNAL SERVICES FUND NET POSITION

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 position.

8,820,240

Net position of governmental activities	<u><u>\$ 133,551,482</u></u>
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CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 15,496,548	\$ -	\$ -	\$ -	\$ 15,496,548
Sales and use taxes	10,196,123	-	-	-	10,196,123
Transient occupancy taxes	21,357,066	-	-	-	21,357,066
Other taxes	2,970,165	-	-	-	2,970,165
Charges for services - fees	3,967,406	-	461,116	3,275,920	7,704,442
Charges for services - licenses and permits	111,712	-	-	-	111,712
Fines, forfeitures, and penalties	788,772	-	-	85,423	874,195
Investment income	225,080	15,294	-	150,777	391,151
Intergovernmental taxes	-	-	-	1,625,036	1,625,036
Grant revenue	170,146	-	802,660	1,014,690	1,987,496
Other revenue	344,610	-	-	-	344,610
Total revenues	55,627,628	15,294	1,263,776	6,151,846	63,058,544
EXPENDITURES:					
Current:					
General government	5,870,152	53,768	26,276	38,727	5,988,923
Public safety	19,775,505	-	4,763	302,088	20,082,356
Public works	3,339,585	-	7,933,777	6,660	11,280,022
Community development	1,041,240	-	-	-	1,041,240
Parks, recreation, and library	10,112,681	-	269,790	102,696	10,485,167
Shuttle bus operations	-	-	-	188,357	188,357
Capital outlay	-	-	3,205,888	-	3,205,888
Debt service:					
Principal	-	4,631,350	-	-	4,631,350
Interest	-	2,752,061	-	-	2,752,061
Total expenditures	40,139,163	7,437,179	11,440,494	638,528	59,655,364
REVENUES OVER (UNDER) EXPENDITURES	15,488,465	(7,421,885)	(10,176,718)	5,513,318	3,403,180
OTHER FINANCING SOURCES (USES):					
Transfers in	2,820,712	7,118,913	27,270,309	109,702	37,319,636
Transfer out	(15,370,857)	(8,079,324)	(4,642,833)	(10,155,386)	(38,248,400)
Total other financing sources (uses)	(12,550,145)	(960,411)	22,627,476	(10,045,684)	(928,764)
Net change in fund balances	2,938,320	(8,382,296)	12,450,758	(4,532,366)	2,474,416
FUND BALANCES:					
Beginning of year	19,947,103	16,710,658	19,411,842	10,855,405	66,925,008
End of year	<u>\$ 22,885,423</u>	<u>\$ 8,328,362</u>	<u>\$ 31,862,600</u>	<u>\$ 6,323,039</u>	<u>\$ 69,399,424</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, 2014**

Net change in fund balances – total governmental funds \$ 2,474,416

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. 3,205,888

Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance. (2,493,275)

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.

Accrued interest calculated on bonds payable (159,045)

Amortization of bond premium 98,814

Amortization of net pension asset (1,224,635)

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 position:

Principal payments 4,631,350

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. (49,060)

Net other post-employment benefits obligation expense 2,952,782

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 position - All Internal Service Funds (1,146,788)

Change in net position of governmental activities \$ 8,290,447

See accompanying Notes to the Basic Financial Statements.

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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 this fund, 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 this fund, 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 ***Landfill Fund*** is used to account for the landfill closure costs and post-closure monitoring services.

The ***Parking Fund*** is used to account for the activities of the City's 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 POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and investments	\$ 11,893,878	\$ 8,613,389	\$ 2,631,253
Receivables (net of uncollectible amounts of \$0):			
Due from consumers	2,137,325	2,316,978	-
Due from other governments	-	470,881	7,995
Other receivables	45,944	18,172	1,178,706
Advances to other funds	-	-	-
Inventory	-	-	-
Total current assets	<u>14,077,147</u>	<u>11,419,420</u>	<u>3,817,954</u>
Noncurrent assets:			
Cash and investments, restricted	3,228	447,984	-
Capital assets:			
Land and other assets not being depreciated	277,677	1,275,253	-
Facilities, infrastructure, and equipment, net of depreciation	<u>32,163,819</u>	<u>59,734,173</u>	<u>-</u>
Total noncurrent assets	<u>32,444,724</u>	<u>61,457,410</u>	<u>-</u>
Total assets	<u>46,521,871</u>	<u>72,876,830</u>	<u>3,817,954</u>
Deferred outflows of resources:			
Deferred amount on bond refunding	<u>457,162</u>	<u>232,259</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 46,979,033</u>	<u>\$ 73,109,089</u>	<u>\$ 3,817,954</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 1,056,615	\$ 250,501	\$ 68
Due to other funds	6,613	6,613	-
Accrued interest	238,338	490,919	-
Deposits	12,175	-	-
Unearned revenue	34,454	-	-
Claims and litigation due in one year	-	-	-
Bonds and loans payable due in one year	1,011,694	1,446,410	-
Compensated absences due in one year	7,151	8,988	-
Landfill closure and post closure liability	-	-	-
Total current liabilities	<u>\$2,367,040</u>	<u>\$2,203,431</u>	<u>\$68</u>
Noncurrent liabilities:			
Bonds payable	23,539,069	28,814,397	-
Landfill closure and post-closure liability	-	-	-
Other post-employment benefits obligation payable	1,020,941	964,394	92,107
Claims and litigation	-	-	-
Compensated absences	<u>111,735</u>	<u>70,891</u>	<u>6,119</u>
Total noncurrent liabilities	<u>24,671,745</u>	<u>29,849,682</u>	<u>98,226</u>
Total liabilities	<u>27,038,785</u>	<u>32,053,113</u>	<u>98,294</u>
Deferred inflows of resources	-	-	-
Total liabilities and deferred inflows of resources	<u>27,038,785</u>	<u>32,053,113</u>	<u>98,294</u>
NET POSITION			
Net investment in capital assets	8,347,895	30,980,878	-
Restricted amounts held with trustee	3,228	447,984	-
Unrestricted	<u>11,589,125</u>	<u>9,627,114</u>	<u>3,719,660</u>
Total net position	<u>\$ 19,940,248</u>	<u>\$ 41,055,976</u>	<u>\$ 3,719,660</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
JUNE 30, 2014

Enterprise Funds				Governmental Activities - Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total	
\$ 191,504	\$ 2,804,319	\$ 4,004,607	\$ 30,138,950	\$14,780,608
-	-	-	4,454,303	10,337
-	-	-	478,876	28,762
36,431	3,457	4,726	1,287,436	16,881
-	-	-	-	301,488
-	-	-	-	61,393
<u>227,935</u>	<u>2,807,776</u>	<u>4,009,333</u>	<u>36,359,565</u>	<u>\$15,199,469</u>
-	-	-	451,212	-
-	5,751,848	-	7,304,778	-
-	1,260,748	-	93,158,740	1,825,848
	<u>7,012,596</u>	<u>-</u>	<u>100,914,730</u>	<u>1,825,848</u>
<u>227,935</u>	<u>9,820,372</u>	<u>4,009,333</u>	<u>137,274,295</u>	<u>17,025,317</u>
-	-	-	689,421	-
<u>\$ 227,935</u>	<u>\$ 9,820,372</u>	<u>\$ 4,009,333</u>	<u>\$ 137,963,716</u>	<u>\$ 17,025,317</u>
\$ 9,038	\$ 12,082	\$ 69,216	\$ 1,397,520	\$ 242,105
-	-	-	13,226	-
-	-	-	729,257	-
-	-	656,934	669,109	-
-	-	-	34,454	-
-	-	-	-	1,626,144
-	-	-	2,458,104	-
-	7,549	-	23,688	1,516
208,999	-	-	208,999	-
<u>\$218,037</u>	<u>\$19,631</u>	<u>\$726,150</u>	<u>\$5,534,357</u>	<u>\$1,869,765</u>
-	-	-	52,353,466	-
2,925,985	-	-	2,925,985	-
-	503,806	415,085	2,996,333	-
-	-	-	-	6,268,856
-	34,574	45,569	268,888	66,456
<u>2,925,985</u>	<u>538,380</u>	<u>460,654</u>	<u>58,544,672</u>	<u>6,335,312</u>
<u>3,144,022</u>	<u>558,011</u>	<u>1,186,804</u>	<u>64,079,029</u>	<u>8,205,077</u>
-	-	-	-	-
<u>3,144,022</u>	<u>558,011</u>	<u>1,186,804</u>	<u>64,079,029</u>	<u>8,205,077</u>
-	7,012,596	-	46,341,369	1,825,848
-	-	-	451,212	-
(2,916,087)	2,249,765	2,822,529	27,092,106	6,994,392
<u>\$ (2,916,087)</u>	<u>\$ 9,262,361</u>	<u>\$ 2,822,529</u>	<u>\$ 73,884,687</u>	<u>\$ 8,820,240</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
OPERATING REVENUES:			
Water sales	\$ 15,773,597	\$ -	\$ -
Sewer service charges:			
Burlingame users	-	15,436,993	-
Other agencies	-	1,494,439	-
Special surcharges	-	-	532,390
Parking fee	-	-	-
Charges for services	215,910	-	-
Other revenue	33,585	-	1,161,665
Total operating revenues	16,023,092	16,931,432	1,694,055
OPERATING EXPENSES:			
Salaries and benefits	2,061,596	1,730,803	287,951
Supplies and services	1,358,828	4,525,528	176,966
Water purchase	5,413,602	-	-
Bad debt expense	62,476	134,910	-
Depreciation	1,889,286	2,934,132	-
Insurance claims and expenses	58,935	57,426	1,594
Total operating expenses	10,844,723	9,382,799	466,511
Operating income (loss)	5,178,369	7,548,633	1,227,544
NONOPERATING REVENUES (EXPENSES):			
Investment income (expenses)	209,231	157,526	31,948
Interest expense	(759,558)	(900,728)	-
Net nonoperating revenues (expenses)	(550,327)	(743,202)	31,948
Income (loss) before transfers	4,628,042	6,805,431	1,259,492
Transfers in	1,748,263	2,764,149	136,927
Transfers out	(3,601,538)	(5,958,622)	(47,036)
Net change in net position before Special item	2,774,767	3,610,958	1,349,383
Special item			
OPEB pre-funding	-	-	-
Net change in net position	2,774,767	3,610,958	1,349,383
NET POSITION:			
Net position - beginning (deficit)	17,165,481	37,445,018	2,370,277
End of year (deficit)	<u>\$ 19,940,248</u>	<u>\$ 41,055,976</u>	<u>\$ 3,719,660</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Enterprise Funds				Governmental Activities - Internal Service Funds
Landfill Fund	Parking Fund	Building Fund	Total	
\$ -	\$ -	\$ -	\$ 15,773,597	\$ -
-	-	-	15,436,993	-
-	-	-	1,494,439	-
350,006	-	-	882,396	-
-	2,475,761	-	2,475,761	-
-	-	1,783,351	1,999,261	5,762,540
-	1,130	273,853	1,470,233	56,365
350,006	2,476,891	2,057,204	39,532,680	5,818,905
34,032	817,952	775,403	5,707,737	1,059,404
97,077	280,975	475,426	6,914,800	2,589,207
-	-	-	5,413,602	-
-	-	-	197,386	-
-	80,922	-	4,904,340	582,173
46,330	2,978	3,040	170,303	3,022,360
177,439	1,182,827	1,253,869	23,308,168	7,253,144
172,567	1,294,064	803,335	16,224,512	(1,434,239)
-	34,165	48,725	481,595	184,939
-	-	-	(1,660,286)	-
-	34,165	48,725	(1,178,691)	184,939
172,567	1,328,229	852,060	15,045,821	(1,249,300)
-	130,421	-	4,779,760	6,702,512
-	(687,484)	(258,828)	(10,553,508)	-
172,567	771,166	593,232	9,272,073	5,453,212
-	-	-	-	(6,600,000)
172,567	771,166	593,232	9,272,073	(1,146,788)
(3,088,654)	8,491,195	2,229,297	64,612,614	9,967,028
\$ (2,916,087)	\$ 9,262,361	\$ 2,822,529	\$ 73,884,687	\$ 8,820,240

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, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from consumers	\$ 16,145,133	\$ 17,202,807	\$ 555,172
Payment to suppliers	(7,221,815)	(4,564,991)	(189,681)
Payment to employees for services	(2,286,677)	(1,931,344)	(322,924)
Net cash provided by (used in) operating activities	6,636,641	10,706,472	42,567
CASH FLOWS TO/FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	(8,586)	(8,586)	-
Transfers to/from other funds	(1,853,275)	(3,194,473)	89,891
Net cash provided by (used in) noncapital financing activities	(1,861,861)	(3,203,059)	89,891
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Expense	(743,092)	(908,714)	31,948
Principal paid on long-term debt	(1,268,302)	(1,542,972)	-
Proceeds from new debt	-	-	-
Capital expenditures	(1,843,094)	(3,058,161)	-
Net cash used in capital and related financing activities	(3,854,488)	(5,509,847)	31,948
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment and rental income received	209,231	157,526	-
Net cash used in investing activities	209,231	157,526	-
Net increase (decrease) in cash and cash equivalents	1,129,523	2,151,092	164,406
CASH AND CASH EQUIVALENTS:			
Beginning of year	10,767,583	6,910,281	2,466,847
End of year	<u>\$ 11,897,106</u>	<u>\$ 9,061,373</u>	<u>\$ 2,631,253</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 5,178,369	\$ 7,548,633	\$ 1,227,544
Adjustments to Reconcile Net Operating Income			
Depreciation and amortization	1,889,286	2,934,132	-
Changes in assets and liabilities			
(Increase) Decrease in receivables	125,695	271,375	(1,138,883)
(Increase) Decrease in inventory	-	-	-
(Increase) Decrease in landfill liability	-	-	-
(Increase) Decrease in claims and litigation	-	-	-
(Increase) Decrease in OPEB	(225,251)	(177,580)	(35,885)
(Increase) Decrease in accounts payable	(327,974)	152,873	(11,121)
(Increase) Decrease in deposits	(3,550)	-	-
(Increase) Decrease in compensated absences	170	(22,961)	912
(Increase) Decrease in unearned revenue	(104)	-	-
Total adjustments	1,458,272	3,157,839	(1,184,977)
Net cash provided by operating activities	\$ 6,636,641	\$ 10,706,472	\$ 42,567
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:			
Cash and investments – current	\$ 11,893,878	\$ 8,613,389	\$ 2,631,253
Cash and investments, restricted	3,228	447,984	-
Cash and cash equivalents on the statement of cash flows	\$ 11,897,106	\$ 9,061,373	\$ 2,631,253
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Contributions of capital assets from capital project funds	\$ 1,748,263	\$ 2,764,149	\$ -

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, 2014

Enterprise Funds				Governmental Activities - Internal Services
Landfill Fund	Parking Fund	Building Fund	Total	
\$ 313,575 (34,032) (88,039)	\$ 2,478,232 (285,622) (907,648)	\$ 1,964,928 (561,374) (875,467)	\$ 38,659,847 (12,857,515) (6,412,099)	\$ 6,088,533 (5,650,120) 58,727
<u>191,504</u>	<u>1,284,962</u>	<u>528,087</u>	<u>19,390,233</u>	<u>497,140</u>
-	-	-	(17,172)	-
-	(557,063)	(258,828)	(5,773,748)	201,024
-	(557,063)	(258,828)	(5,790,920)	201,024
-	-	-	(1,619,858)	-
-	-	-	(2,811,274)	-
-	-	-	-	-
-	(130,421)	-	(5,031,676)	(413,835)
-	(130,421)	-	(9,462,808)	(413,835)
-	34,165	48,725	449,647	184,939
-	34,165	48,725	449,647	184,939
191,504	631,643	317,984	4,586,152	469,268
-	2,172,676	3,686,623	26,004,010	14,311,340
<u>\$ 191,504</u>	<u>\$ 2,804,319</u>	<u>\$ 4,004,607</u>	<u>\$ 30,590,162</u>	<u>\$ 14,780,608</u>
\$ 172,567	\$ 1,294,064	\$ 803,335	\$ 16,224,512	\$ (1,434,239)
-	80,922	-	4,904,340	582,173
(36,431)	1,343	1,731	(775,170)	269,628
-	-	-	-	(13,911)
46,330	-	-	46,330	-
-	(92,524)	(95,133)	(626,373)	1,121,000
9,038	(1,671)	(82,908)	(261,763)	-
-	-	(94,007)	(97,557)	(24,642)
-	2,828	(4,931)	(23,982)	-
-	-	-	(104)	(2,869)
-	-	-	-	-
<u>18,937</u>	<u>(9,102)</u>	<u>(275,248)</u>	<u>3,165,721</u>	<u>1,931,379</u>
<u>\$ 191,504</u>	<u>\$ 1,284,962</u>	<u>\$ 528,087</u>	<u>\$ 19,390,233</u>	<u>\$ 497,140</u>
\$ 191,504	\$ 2,804,319	\$ 4,004,607	\$ 30,138,950	\$14,780,608
-	-	-	451,212	-
<u>\$ 191,504</u>	<u>\$ 2,804,319</u>	<u>\$ 4,004,607</u>	<u>\$ 30,590,162</u>	<u>\$ 14,780,608</u>
<u>\$ -</u>	<u>\$ 130,421</u>	<u>\$ -</u>	<u>\$ 4,642,833</u>	<u>\$ -</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF BURLINGAME, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Agency Funds
	<hr/>
ASSETS	
Cash and investments	\$ 247,019
Accounts receivable	<hr/> 867,063
Total assets	<hr/> \$ 1,114,082 <hr/>
LIABILITIES	
Accounts payable	\$ 210,990
Due to other governments	900,675
Deposit	<hr/> 2,417
Total liabilities	<hr/> \$ 1,114,082 <hr/>

See accompanying Notes to the Basic Financial Statements.

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CITY OF BURLINGAME, CALIFORNIA
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JUNE 30, 2014

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CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 one-year rotating chair of the 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 unit is a legally separate component unit 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 or a pledge of revenue. Facilities may be leased by the Authority to the City pursuant to a lease agreement.

The Authority is comprised of members of the City Council. 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 Debt Service Fund as part of the governmental fund statements. The books and records of the Authority are maintained by the City. Additional financial data for the Authority may be obtained from the Finance Department, 501 Primrose Road, Burlingame, CA 94010.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Definition of the Reporting Entity (Continued)

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.

Agency Funds

The fiduciary fund consists of various agency funds, which account for various programs, activities, or funds held by the City in a custodial capacity or as an agent for individuals, private organizations, and other government units. The City's basic financial statements, except for certain cash held by the City as a fiscal agent, do not reflect, for example, the operations of the Burlingame School District, the Burlingame Library Trustees, nor the Hotel and Broadway Business Improvement Districts. A complete listing of agency funds can be found in the Fiduciary Fund Financial Statements.

Central County Fire Department

Effective July 1, 2010, City fire employees became employees of Central County Fire Department (CCFD).

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 Position. CCFD is a stand-alone employer recognized by California Public Employees' Retirement System (CalPERS).

B. Basis of Accounting, Measurement Focus, and Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

GASB requires that the accounts of the City be organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial reporting standards established by GASB require that the financial statements described below be presented.

Government-Wide Financial Statements

The Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities, and represent a consolidation of all financial activities for the entire City. 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, as are the proprietary funds. 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 Position as of June 30. The Statement of Activities presents changes in net position since July 1, 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. For example, 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 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 Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements

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 position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the qualifications for major fund reporting.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds. The identification and separate reporting of major funds serves to highlight financial activities which may be particularly important to financial statement users. Nonmajor funds are reported in aggregate in a separate column in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City reports the following major governmental funds:

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

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

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

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements (Continued)

The primary revenue sources, which have been treated as susceptible to accrual by the City, are taxpayer-assessed tax revenues (such as property taxes, sales taxes, transient occupancy taxes, and franchise taxes), certain grant revenues, and earnings on investments.

Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, entitlements, and donations. On an accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Other revenues which may be accrued include other taxes, intergovernmental revenues, interest, and charges for services.

Again, grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. It is the City's policy to first apply restricted resources to such programs, followed by unrestricted resources if necessary.

Proprietary Fund Financial Statements

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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund Financial Statements (Continued)

The Waste Management Fund is used to account for the activities of the City's franchised garbage collections and recycling program.

The Landfill Fund is used to account for the landfill closure costs and post-closure monitoring services. The Landfill Fund was created in 2014 by splitting the Waste Management Fund. \$3,088,654 of the Waste Management Fund beginning fund balance was moved to the Landfill Fund.

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

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

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 Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. 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. 62, *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, garbage and recycling collection surcharges, 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 Internal Service Funds are used to account for the servicing of 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Financial Statements

The Fiduciary 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 Districts (BIDs) fees, building standards administration, the elementary and high school districts, and unclaimed property from the police department. Fiduciary Fund Financial Statements include a Statement of Net Position and represent the related activity for the City's Agency Funds.

C. Basis of Budgeting

A formal budget is employed as a management control device during the year for the City, and is adopted annually for all City funds, except for the fiduciary funds and certain special revenue funds where appropriate. 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, accounted for as capital assets, or abandoned at the discretion of the City and/or City Council.

Budget amendments that increase a fund's appropriations require majority approval by the City Council. Certain budgetary re-allocations within departments require approval by the Finance Director and department heads. Budget amendments between departments are approved by the Finance Director and City Manager. A mid-year budget status report and long-term financial forecast for the next five years is presented to the City Council as part of an ongoing assessment and evaluation of budgetary performance, with special attention to the General Fund and certain other major funds.

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Budgeting (Continued)

Budget Development and Adoption

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds three public meetings to provide guidance on the budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to City staff.

Under these policy directives and guidance, departments prepare their budget requests in support of their programs in January for submission in early April. Expenditure assumptions are based on known factors such as collective bargaining agreements, current pay and benefit policies, consumer price indices, and other information available from expert third-parties or governing authorities.

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 before the final budget is formally adopted in June at a public hearing, which gives residents an additional opportunity to comment on the spending plan.

Expenditures exceeded budgetary appropriations for the year ended June 30, 2014, as follows:

Nonmajor Governmental Funds		
Local Grants Fund	\$	109,507 (1)

- (1) The City does not include an estimated revenue assumption in the budget for local donations because the City treats donations as one-time revenue. As such, the related expenses are treated as one-time in nature and, therefore, no annual appropriation is assumed.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$50,000,000 in 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 County 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 fair value.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Valuation (Continued)

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for deposits and investment risks such as interest rate risk and custodial credit risk.

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

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

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

Please refer to Note 2 for additional information about the City's cash and investments.

E. Accounts Receivable

The City accrues revenue at fiscal year-end, and receivables are shown net of an allowance for uncollectible accounts. The City periodically evaluates outstanding receivables to identify those that are more likely than not to be uncollected.

The water and sewer utilities are billed bi-monthly. Revenue is recorded as billed to customers on a cyclical basis. The City accrues for earned but unbilled water and sewer services at June 30. The policy of the City is not to recognize an allowance for uncollectible accounts for the Water and Sewer Funds due to historically high collectability rates and the ability for the City to seek collection of delinquent service charges as a special assessment lien.

Please refer to Note 3 for additional information about the City's accounts receivable.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the City that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period. The Statement of Net Position includes an itemized listing of deferred inflows and outflows of resources the City has recognized.

Please refer to Note 10 for additional information about the City's deferred outflows and inflows of resources.

G. Interfund Transfers

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

Charges for services 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.

Reimbursements for costs of services performed are recorded as a reduction of expenditure in the performing fund, and an expenditure of the requesting fund.

Please refer to Note 9 for additional information about interfund transfers.

H. Interfund Receivables and Payables (Due to and Due from Other Funds)

During the course of operations, transactions may occur between funds to account for goods received or services rendered. Transactions between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds, which represents the noncurrent portion of any interfund loans. All other outstanding balances between funds are reported as due to/from other funds. Any other residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Please refer to Note 9c for additional information about interfund receivables and payables.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 activities columns in the government-wide financial statements. The City capitalizes equipment and improvements having an estimated useful life in excess of one year and acquisition cost of at least \$5,000.

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. Furthermore, the book value of grant-funded assets is shown net of any grant reimbursement revenue. 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 Position 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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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. Additional information regarding the condition of paved roads can found in the required supplementary information.

Please refer to Note 4 for additional information about capital assets.

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 inconsistencies, enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The statement also provides authoritative guidance that specifically addresses the nature of the intangible assets that are internally created by the governmental entity. Examples of intangible assets include easements, land use rights, and computer software. The City capitalizes intangible assets with an acquisition cost of at least \$5,000 and an estimated useful life in excess of one year.

Artwork and historical artifacts of the City held for public exhibition or promotion of education and public service rather than financial gain are not capitalized and are expensed when incurred. As of June 30, 2014, the City does not have intangible assets.

J. Compensated Employee Absences

The City permits its employees to accumulate vacation hours up to a maximum of two years of entitlement. Sick leave may be accumulated up to 1,440, 1,560, 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 vacation is 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 are recognized as expenditures of the governmental funds in the year of payment.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Employee Absences (Continued)

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.

Please refer to Note 6 which includes information about the City's liability for compensated absences for governmental and business-type activities.

K. Inventories and Prepaid Items

Inventories are reported at a cost basis. The cost is recorded, using a weighted average, as an expenditure at the time an individual item is consumed rather than when purchased. Inventories are reflected as nonspendable in the General Fund balance and are, therefore, unavailable for appropriation. The City's inventory consists of small tools, supplies, and fuel.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, are reported as part of nonspendable fund balance.

L. 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.

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes (Continued)

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.

In 2009, the State of California shifted 8% of local property tax revenue as part of a long-term borrowing tactic to balance the State budget, under Proposition 14. In 2013, the State of California reimbursed the City in the amount of \$1.1 million for this borrowing of property tax revenue, plus interest.

M. Long-Term Debt

Government-Wide Financial Statements

In the government-wide financial statements, long-term debt and other financial obligations are reported as liabilities in the appropriate activities or proprietary funds. Bond premiums, discounts, and deferred gains and losses at refunding are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are expensed in the year incurred.

Bonds payable are reported net of the applicable premium or discount.

Fund Financial Statements

The governmental fund financial statements do not present long-term debt, which is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

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.

Please refer to Note 5 for additional information about the City's long-term debt.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 party 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 Landfill Fund as a noncurrent liability in its Statement of Net Position. Corrective action costs for minor pollution remediation at the landfill are treated as a short-term obligation and post-closure remediation costs are treated as a long-term obligation.

O. Fund Balance – Governmental Fund Statements

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 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).

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance – Governmental Fund Statements (Continued)

- Unrestricted fund balance consists of 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. This is because 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. 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 \$13,251,265 as of June 30, 2014.

Committed and Assigned Fund Balance

The designation of General Fund balance as of June 30, 2014, by the City Council constitutes an “assignment of intention” to use certain amounts for specific purposes. Therefore, the City’s current 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance – Governmental Fund Statements (Continued)

Committed and Assigned Fund Balance (Continued)

The aggregate balance of the General Fund's assigned fund balance was \$9,412,941 as of June 30, 2014. The breakdown is shown below:

- 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 balance at June 30, 2014, was \$6,000,000.
- 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 balance at June 30, 2014, was \$2,000,000.
- The Other Post-Employment Benefits (OPEB) Retiree Health Reserve was created 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, 2014, was \$0 and was subsequently retired following the creation of the OPEB Internal Services Fund by the City Council on March 5, 2014, as the balance was depleted to annually prefund the City's outstanding retiree medical obligation.
- The 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, 2014, was \$500,000.
- The General Plan Reserve was designated by the City Council on March 5, 2014, for the purpose of setting aside funds to update the City's General Plan. The balance at June 30, 2014, was \$500,000.
- Encumbrances represent amounts set aside for purchase requisitions and related vendors. The balance at June 30, 2014, was \$412,941.

P. Net Position – Government-Wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

- Net Investment in Capital Assets – 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 – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Net Position – Government-Wide Financial Statements (Continued)

- Unrestricted – This amount consists of all net position that does not meet the definition of net investment in capital assets or restricted. This represents the remaining net position of the City which is 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 Position as restricted, and may include principal and interest amounts set aside to pay for debt service, unspent bond proceeds, and amounts that have been restricted for future capital projects.

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

The City treats net position 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 position created by revenues received from federal and state grants and subventions are treated as restricted by the outside agency.

Q. Self-Insurance for Risk Management and Workers' Compensation

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

R. Use of Estimates and Reclassifications

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.

Furthermore, certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Future GASB Pronouncements

The following GASB Statements will be implemented in future financial statements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (effective for fiscal years beginning after June 15, 2014). This statement's objective is to improve accounting and financial reporting by state and local governments for pensions. The City has elected not to early implement Statement No. 68 and has not determined its effects on the City's financial statements.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City has elected not to early implement Statement No. 69 and has not determined its effects on the City's financial statements.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, was issued in November 2013. This statement addresses an issue related to the application of the transition provision of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement are required to be implemented simultaneously with the provisions of GASB Statement No. 68.

T. New GASB Pronouncements Implemented in the Financial Statements

The following GASB Statements have been implemented in the current financial statements:

GASB Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 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 American Institute of Certified Public Accountants (AICPA) Pronouncements*. GASB Statement No. 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provisions that limits fund-based reporting of the City's risk financing activities to the general fund and the internal service fund type. GASB Statement No. 66 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

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. New GASB Pronouncements Implemented in the Financial Statements (Continued)

GASB Statement No. 66, Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62 (Continued)

clarify how to apply GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rate 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*. The implementation of this statement did not change the accounting or affect the City's financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*

GASB Statement No. 67's objective is to improve financial reporting by state and local governmental pension plans. The implementation of this statement did not change the accounting or affect the City's financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

GASB Statement No. 70 is effective for fiscal years beginning after June 15, 2013. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The implementation of this statement did not change the accounting or affect the City's financial statements.

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 Position			Fund Financial Statements	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	
Cash and investments held with Treasury	\$ 67,461,180	\$ 30,138,950	\$ 97,600,130	\$ 247,019	\$ 97,847,149
Restricted cash held with Treasury	\$ -	\$ 447,984	\$ 447,984	\$ -	\$ 447,984
Restricted cash held by fiscal agent	\$ 15,897,247	\$ 3,228	\$ 15,900,475	\$ -	\$ 15,900,475
Total cash and investments	\$ 83,358,427	\$ 30,590,162	\$ 113,948,589	\$ 247,019	\$ 114,195,608

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

	<u>Fair Value</u>
City Treasury:	
<i>Deposits:</i>	
Deposits - unrestricted	\$ 5,724,907
Deposits - restricted	<u>447,984</u>
Total deposits	<u>6,172,891</u>
<i>Investments:</i>	
U.S. Government Securities	34,793,554
Certificates of Deposit	3,536,333
South Bayside Waste Management Authority	4,203,331
San Mateo County Investment Pool	5,151,265
Local Agency Investment Fund	<u>44,437,759</u>
Total investments	<u>92,122,242</u>
Total City Treasury	<u>98,295,133</u>
Restricted Cash and Investments:	
Cash held by fiscal agent (Bank of New York)	15,251,062
Cash held by fiscal agent (Deutsche Bank)	218,345
Cash held by fiscal agent (Bank of Sacramento)	<u>431,068</u>
Total restricted cash and investments	<u>15,900,475</u>
Total cash and investments (including fiduciary funds)	<u><u>\$ 114,195,608</u></u>

A. Deposits

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that the City will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party if a depository institution fails. California Government Code and the City's investment policy do not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits or investments, other than the following provision applicable to deposits:

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Deposits (Continued)

Custodial Credit Risk (Continued)

The fair 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 carrying amounts of the City's cash deposits were \$6,153,556 at June 30. Bank balances before reconciling items were \$6,942,797 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 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments

Interest Rate Risk

To minimize exposure to fair value losses caused by rising interest rates and to meet the liquidity needs of the City, the City's investment policy limits its investment portfolio to a maturity of less than 5 years.

	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	\$ 11,291,913	\$ -	\$ -	\$ 1,309,733	\$ 6,982,160	\$ 3,000,020
Federal Home Loan Mortgage Corp	8,523,738	-	-	-	6,522,138	2,001,600
Federal National Mortgage Association (Fannie Mae)	8,995,333	-	-	3,037,543	5,957,790	-
Federal Farm Credit Bank	5,982,570	-	1,000,650	3,988,000	993,920	-
Certificates of Deposit						
Ally Bank Ut	250,526	250,526	-	-	-	-
American Express Centurion	254,714	-	-	-	-	254,714
BMW Bank of North America	252,637	-	-	252,637	-	-
Citi Bank	252,208	-	-	-	252,208	-
Compass Bank	253,695	-	-	-	-	253,695
Discover Bank	255,874	-	-	255,874	-	-
First Bank of Puerto Rico	251,330	-	-	251,330	-	-
First National Bank	249,841	-	249,841	-	-	-
GE Capital Financial	253,749	-	253,749	-	-	-
GE Capital Retail Bank	255,885	-	-	255,885	-	-
Goldman Sachs Bank	255,874	-	-	255,874	-	-
JP Morgan Chase	250,000	-	-	-	-	250,000
Merrick Bank	250,000	250,000	-	-	-	-
Safra National Bank	250,000	-	250,000	-	-	-
Corporate Notes						
JP Morgan Securities	999,616	999,616	-	-	-	-
JP Morgan Securities	1,182,320	-	-	1,182,320	-	-
Toyota Mtr Cr Corp	995,770	-	-	995,770	-	-
Wells Fargo Co	1,025,625	-	-	1,025,625	-	-
External Pool						
State of California - Local Agency Investment Fund	44,437,759	44,437,759	-	-	-	-
San Mateo County Investment Pool	5,151,265	5,151,265	-	-	-	-
Total	<u>\$ 92,122,242</u>	<u>\$ 51,089,166</u>	<u>\$ 1,754,240</u>	<u>\$ 12,810,591</u>	<u>\$ 20,708,216</u>	<u>\$ 5,760,029</u>

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 is 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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 value adjustment for the City's investments as of June 30, 2014, was a decrease of \$67,379.

Credit Risk

State law limits investments in commercial paper and corporate bonds to be rated in a category "A" or its equivalent or better 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk (Continued)

The City's investments are rated by Moody's as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Federal Home Loan Bank	\$ 11,291,913	Aaa
Federal Home Loan Mortgage Corp	8,523,738	Aaa
Federal National Mortgage Association (Fannie Mae)	8,995,333	Aaa
Federal Farm Credit Bank	5,982,570	Aaa
Certificates of Deposit	3,286,333	FDIC Insured
Certificates of Deposit - Safra National Bank	250,000	Not Rated
Corporate Notes - JP Morgan Securities	999,616	Not Rated
Corporate Notes - JP Morgan Securities	1,182,320	A3
Corporate Notes - Toyota Mtr Cr Corp	995,770	Aa3
Corporate Notes - Wells Fargo Co	1,025,625	A2
State of California - Local Agency Investment Fund	44,437,759	Not Rated
San Mateo County Investment Pool	5,151,265	Aaa
Total	<u>\$ 92,122,242</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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Investments in Local Agency Investment Fund (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 Collateralized Mortgage Obligations (CMO)) or credit card receivables.

As of June 30, the City had \$44,437,759 invested in LAIF. The LAIF fair value factor of 1.00029875 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. The financial statements for LAIF are available in the State Treasurer's Office website at www.treasurer.ca.gov.

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 \$5,151,265 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 0.99995. The financial statements for the San Mateo County are available in the San Mateo County website at www.co.sanmateo.ca.us.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 3 – RECEIVABLES

Government-Wide

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

	Governmental			Business-Type							Totals
	General Fund	Capital Projects Fund	Nonmajor Funds	Water Fund	Sewer Fund	Building Fund	Parking Fund	Landfill Fund	Waste Management Fund	Internal Service Funds	
Receivables:											
Customer accounts	\$ 475,955	\$ -	\$ -	\$ 2,137,325	\$ 2,316,978	\$ -	\$ -	\$ -	\$ -	\$ 10,337	\$ 4,940,595
Transient occupancy tax	2,096,153	-	-	-	-	-	-	-	-	-	2,096,153
Sales tax	1,194,000	-	-	-	-	-	-	-	-	-	1,194,000
Real property transfer tax	31,931	-	-	-	-	-	-	-	-	-	31,931
Public safety sales tax	11,001	-	-	-	-	-	-	-	-	-	11,001
Interest	34,743	-	15,499	19,479	16,588	4,726	3,457	-	3,050	16,881	114,423
Intergovernmental	1,359,460	1,221,958	280,095	-	470,881	-	-	-	7,995	28,762	3,369,151
Other receivables	72,000	-	488,258	26,465	1,584	-	-	36,431	1,175,656	-	1,800,394
Gross receivables	5,275,243	1,221,958	783,852	2,183,269	2,806,031	4,726	3,457	36,431	1,186,701	55,980	13,557,648
Less: allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-
Net total receivables	<u>\$ 5,275,243</u>	<u>\$ 1,221,958</u>	<u>\$ 783,852</u>	<u>\$ 2,183,269</u>	<u>\$ 2,806,031</u>	<u>\$ 4,726</u>	<u>\$ 3,457</u>	<u>\$ 36,431</u>	<u>\$ 1,186,701</u>	<u>\$ 55,980</u>	<u>\$ 13,557,648</u>

Waste Management Fund – Rate Year Surplus and Shortfalls

The City is a member of the South Bayside Waste Management Authority, a joint powers authority having oversight over a service agreement with Recology for garbage and recycling collections. The City will have a receivable due from Recology if there is an excess of revenues collected over expenses (a rate year surplus) or a liability if expenses exceed revenues collected (a rate year shortfall). As of June 30, 2014, the City had a receivable as follows, as reported by Recology:

<u>Rate Year</u>	<u>Surplus (Shortfall)</u>
2012	\$ 1,042,174
2013	41,259
2014	27,238
Total	<u>\$ 1,110,671</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 – CAPITAL ASSETS

A. Capital Asset Activity from Governmental Activities

Capital asset activity for the year ended June 30, 2014, relating to governmental activities was as follows:

	Governmental Activities			
	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
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	1,416,967	3,148,840	-	1,467,371
Total capital assets, not being depreciated	40,772,152	3,148,840	-	40,822,556
Capital assets, being depreciated:				
Buildings and structures	39,069,291	10,200	-	39,101,311
Improvements other than buildings	31,376,883	-	-	31,659,409
Machinery and equipment	16,455,535	460,682	(456,808)	16,980,791
Infrastructure	48,250,148	-	-	50,522,856
Total capital assets, being depreciated	135,151,857	470,882	(456,808)	138,264,367
Less accumulated depreciation for:				
Buildings and structures	14,181,546	780,374	-	14,961,920
Improvements other than buildings	26,534,679	509,232	-	27,043,911
Machinery and equipment	13,018,261	963,519	(456,808)	13,524,972
Infrastructure	15,914,654	822,323	-	16,736,977
Total accumulated depreciation	69,649,140	3,075,448	(456,808)	72,267,780
Total capital assets, being depreciated, net	65,502,717	(2,604,566)	-	65,996,587
Governmental activities capital assets, net	\$ 106,274,869	\$ 544,274	\$ -	\$ 106,819,143

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 – CAPITAL ASSETS (Continued)

B. Capital Asset Activity from Business-Type Activities

Capital asset activity for the year ended June 30, 2014, relating to business-type activities was as follows below. Contributions of capital assets from the Capital Projects Fund to the Water and Sewer Funds were \$1,748,263 and \$2,764,149, respectively.

	Business-Type Activities				Balance June 30, 2014
	Balance July 1, 2013	Increases	Decreases	Transfer In/Out	
Capital assets not being depreciated:					
Land	\$ 6,357,188	\$ -	\$ -	\$ -	\$ 6,357,188
Construction in progress	2,034,076	4,757,429	-	(5,843,915)	947,590
Total capital assets, not being depreciated	8,391,264	4,757,429	-	(5,843,915)	7,304,778
Capital assets, being depreciated:					
Buildings and structures	2,949,994	-	-	-	2,949,994
Improvements other than buildings	143,952,696	220,216	-	5,431,469	149,604,381
Machinery and equipment	5,004,138	54,031	(15,429)	412,446	5,455,186
Total capital assets, being depreciated	151,906,828	274,247	-	5,843,915	158,009,561
Less accumulated depreciation for:					
Buildings and structures	1,157,421	61,046	-	-	1,218,467
Improvements other than buildings	54,827,839	4,580,462	-	-	59,408,301
Machinery and equipment	3,976,650	262,832	(15,429)	-	4,224,053
Total accumulated depreciation	59,961,910	4,904,340	-	-	64,850,821
Total capital assets, being depreciated, net	91,944,918	(4,630,093)	-	5,843,915	93,158,740
Business-type activities capital assets, net	\$ 100,336,182	\$ 127,336	\$ -	\$ -	\$ 100,463,518

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 4 – CAPITAL ASSETS (Continued)

C. Depreciation 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 Current Year</u>
Governmental activities:	
General government	\$ 110,640
Public safety	438,003
Public works	1,543,434
Parks, recreation, and library	<u>983,371</u>
Total depreciation expense – governmental activities	<u><u>\$ 3,075,448</u></u>
Business-type activities:	
Water	\$ 1,889,286
Sewer	2,934,132
Parking	<u>80,922</u>
Total depreciation expense – business-type activities	<u><u>\$ 4,904,340</u></u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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, 2014:

Description	Beginning Balance June 30, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Lease Revenue Refunding Bonds, Series 2004	\$ 2,090,000	\$ -	\$ (665,000)	\$ 1,425,000	\$ 695,000
- Unamortized Premium	37,373	-	(17,939)	19,434	(17,939)
Pension Obligation Bonds, Series 2006	22,275,000	-	(2,180,000)	20,095,000	2,400,000
Storm Drainage Revenue Bonds, Series 2010	9,155,000	-	(215,000)	8,940,000	-
- Unamortized Premium	188,610	-	(7,790)	180,820	(7,790)
Storm Drainage Revenue Bonds, Series 2012	10,475,000	-	(260,000)	10,215,000	-
- Unamortized Premium	271,761	-	(10,657)	261,104	(10,657)
Lease Revenue Refunding Bonds, Series 2010	8,005,000	-	(865,000)	7,140,000	915,000
- Unamortized Premium	434,919	-	(54,365)	380,554	(54,365)
Lease Revenue Bonds, Series 2012	9,890,000	-	(195,000)	9,695,000	200,000
- Unamortized Premium	237,936	-	(8,065)	229,871	(8,066)
Master Equipment Lease Purchase Agreement, 2011	1,104,952	-	(207,355)	897,597	213,959
California Energy Commission, 2012	364,204	-	(43,995)	320,209	45,325
Total Governmental Activities	\$ 64,529,755	\$ -	\$ (4,730,166)	\$ 59,799,589	\$ 4,370,467
Business-Type Activities:					
State Water Resource Loan - 2003	\$ 8,348,198	\$ -	\$ (505,372)	\$ 7,842,826	\$ 518,005
State Water Resource Loan - 2010	5,456,943	-	(214,778)	5,242,165	221,007
Water and Wastewater Revenue Bonds, Series 2007	22,145,000	-	(830,000)	21,315,000	870,000
- Unamortized Premium	22,395	-	(1,194)	21,201	(1,194)
- Unamortized Discount	(4,192)	224	-	(3,968)	224
Water and Wastewater Revenue Bonds, Series 2011	5,340,000	-	(270,000)	5,070,000	280,000
- Unamortized Premium	520,824	-	(34,722)	486,102	(34,722)
Water and Wastewater Revenue Refunding Bonds, Series 2013	14,260,000	-	(775,000)	13,485,000	695,000
- Unamortized Premium	1,533,676	-	(180,432)	1,353,244	(90,216)
Total Business-Type Activities	\$ 57,622,844	\$ 224	\$ (2,811,498)	\$ 54,811,570	\$ 2,458,104

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities

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

On August 4, 2004, the Burlingame Financing Authority (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. 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. During fiscal year 2013-14, principal and interest payments totaled \$665,000 and \$83,220, respectively. The bonds mature on December 1, 2015, and the underlying serial and term bonds carry an interest rate that varies from 2.5% to 5.0%.

Year Ending June 30	Governmental		Total
	Principal	Interest	
2015	\$ 695,000	\$ 53,875	\$ 748,875
2016	730,000	18,250	748,250
	1,425,000	72,125	1,497,125
Plus unamortized premium	19,434	-	19,434
	<u>\$ 1,444,434</u>	<u>\$ 72,125</u>	<u>\$ 1,516,559</u>

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

In September 2006, the City issued \$32,975,000 in taxable pension obligation bonds. The City is obligated to make payments to the California Public Employees' Retirement System (CalPERS) as a result of retirement benefits accruing to members of CalPERS. The City's statutory obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability (UAAL) and to make contributions with respect to such retirement benefits. The proceeds of the 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. Principal on the bonds is payable annually on June 1. Interest on the bonds is payable semi-annually June 1 and December 1. During fiscal year 2013-14, the City made principal and interest payments totaling \$2,180,000 and \$1,218,127, respectively. The bonds mature on June 1, 2036, and the underlying serial and term bonds carry an interest rate that varies from 5.2% to 5.6%.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Pension Obligation Bonds, 2006 Series A Bonds – Original Issue \$32,975,000 (Continued)

Year Ending June 30	Governmental		Total
	Principal	Interest	
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	3,175,000	670,225	3,845,225
2019	460,000	496,648	956,648
2020-2024	3,050,000	2,052,236	5,102,236
2025-2029	2,090,000	1,237,040	3,327,040
2030-2034	2,230,000	704,977	2,934,977
2035-2036	1,140,000	96,031	1,236,031
	<u>\$ 20,095,000</u>	<u>\$ 8,159,601</u>	<u>\$ 28,254,601</u>

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, 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. The transaction resulted in an economic gain of \$1,150,926 and a reduction of \$2,575,952 in future debt service payments. Principal is due annually on June 1, commencing on June 1, 2007. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2010. During fiscal year 2013-14, the City made principal and interest payments totaling \$865,000 and \$283,375, respectively. The bonds mature on June 1, 2021, and the underlying serial and term bonds carry an interest rate that varies from 2.5% to 4.0%.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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 (Continued)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,020,000	144,875	1,164,875
2019	1,050,000	114,275	1,164,275
2020-2021	<u>2,210,000</u>	<u>122,150</u>	<u>2,332,150</u>
	7,140,000	1,016,225	8,156,225
Plus unamortized premium	<u>380,554</u>	-	<u>380,554</u>
	<u><u>\$ 7,520,554</u></u>	<u><u>\$ 1,016,225</u></u>	<u><u>\$ 8,536,779</u></u>

Storm Drainage Revenue Bonds, Series 2010 – Original Issue \$9,805,000
Series 2010A-1 Tax-Exempt \$2,635,000
Series 2010A-2 Taxable – Build America Bonds
\$7,170,000

The 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. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. The system revenues consist primarily of Storm Drainage Fees approved by a majority of the parcel owners in the City voting at a special election May 5, 2009. The bonds include \$2,635,000 in tax-exempt bonds and \$7,170,000 in taxable Build America Bonds under the American Recovery and Reinvestment Act of 2009 (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. The tax-exempt series was issued at a premium of \$210,326, which will be amortized over the life of the bonds. Principal is due annually on July 1, commencing July 1, 2011. Interest on the bonds is payable semiannually on January 1 and July 1, commencing on January 1, 2011. During fiscal year 2013-14, the City made principal and interest payments on the tax-exempt series totaling \$215,000 and \$83,175, respectively. Principal and interest payments on the taxable series totaled \$0 and \$475,245, respectively, net of the Build America Bonds interest subsidy. The bonds mature on July 1, 2038, and the underlying serial and term bonds carry interest rates which vary from 3.0% to 6.8%.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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 -1- Tax Exempt			
Year Ending June 30	Governmental		
	Principal	Interest	Total
2015	\$ -	\$ 74,575	\$ 74,575
2016	225,000	67,825	292,825
2017	230,000	56,325	286,325
2018	240,000	46,725	286,725
2019	250,000	34,225	284,225
2020-2022	825,000	30,950	855,950
	1,770,000	310,625	2,080,625
Plus unamortized premium	180,820	-	180,820
	<u>\$ 1,950,820</u>	<u>\$ 310,625</u>	<u>\$ 2,261,445</u>

Storm Drainage - Series 2010B Taxable - Build America Bonds				
Year Ending June 30	Governmental			Total
	Principal	Interest	Subsidy	
2015	\$ -	\$ 475,245	\$ (166,336)	\$ 308,909
2016	-	475,245	(166,336)	308,909
2017	-	475,245	(166,336)	308,909
2018	-	475,245	(166,336)	308,909
2019	-	475,245	(166,336)	308,909
2020-2024	605,000	2,321,712	(812,599)	2,114,113
2025-2029	1,740,000	1,872,990	(655,547)	2,957,443
2030-2034	2,155,000	1,212,828	(424,490)	2,943,338
2035-2038	2,670,000	378,309	(132,408)	2,915,901
	7,170,000	8,162,064	(2,856,724)	12,475,340
Plus unamortized premium	-	-	-	-
	<u>\$ 7,170,000</u>	<u>\$ 8,162,064</u>	<u>\$ (2,856,724)</u>	<u>\$ 12,475,340</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

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

In February 2011, the City (Lessee) entered into a lease purchase agreement with Holman Capital 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 3.2%. Principal and interest payments are payable on September 1 and March 1. During fiscal year 2013-14, the City made principal and interest payments totaling \$207,355 and \$33,291, respectively.

<u>Year Ending June 30</u>	<u>Governmental</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 213,959	\$ 26,687	\$ 240,646
2016	220,773	19,873	240,646
2017	227,805	12,841	240,646
2018	235,060	5,585	240,645
	<u>\$ 897,597</u>	<u>\$ 64,986</u>	<u>\$ 962,583</u>

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%, which was below-market at the time of the loan. This interest rate was made possible through stimulus funds made available to the California Energy Commission via the Recovery Act. Principal and interest is payable in semi-annual installments in December and June, commencing December 2012 and ending in December 2020. During fiscal year 2013-14, the City made principal and interest payments totaling \$43,995 and \$10,600, respectively.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

California Energy Commission, LED Streetlight Turnkey, 2012 – Principal \$405,300 (Continued)

Year Ending June 30	Governmental		Total
	Principal	Interest	
2015	\$ 45,325	\$ 9,267	\$ 54,592
2016	46,674	7,921	54,595
2017	48,105	6,489	54,594
2018	49,559	5,035	54,594
2019	51,057	3,537	54,594
2020-2021	79,489	2,403	81,892
	<u>\$ 320,209</u>	<u>\$ 34,652</u>	<u>\$ 354,861</u>

Lease Revenue Bonds, Series 2012 – Original Issue \$10,030,000

In December 2012, the Authority issued the Lease Revenue Bonds, Series 2012 to finance certain improvements to Downtown Burlingame Avenue in accordance with the City's Downtown Burlingame Avenue Streetscape Project 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, pursuant to a facilities sublease dated October 2, 2012. The bonds were issued at a premium of \$237,936, which will be amortized over the life of the bonds. Principal and interest is due annually on June 1, commencing on June 1, 2013. During fiscal year 2013-14, the City made principal and interest payments totaling \$195,000 and \$355,738, respectively. The bonds mature on June 1, 2042, and the underlying serial and term bonds carry an interest rate that varies from 2.0% to 5.0%.

Year Ending June 30	Governmental		Total
	Principal	Interest	
2015	\$ 200,000	\$ 349,888	\$ 549,888
2016	210,000	341,888	551,888
2017	215,000	333,488	548,488
2018	225,000	324,888	549,888
2019	235,000	315,888	550,888
2020-2024	1,320,000	1,428,288	2,748,288
2025-2029	1,620,000	1,123,719	2,743,719
2030-2034	1,895,000	855,188	2,750,188
2035-2039	2,235,000	509,950	2,744,950
2040-2042	1,540,000	109,025	1,649,025
	9,695,000	5,692,210	15,387,208
Plus: Unamortized premium	229,871	-	229,871
	<u>\$ 9,924,871</u>	<u>\$ 5,692,210</u>	<u>\$ 15,617,079</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

A. Long-Term Debt from Governmental Activities (Continued)

Storm Drainage Revenue Bonds, Series 2012 – Original Issue \$10,615,000

In December 2012, the Authority issued Storm Drainage Revenue Bonds, Series 2012 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 2012 Installment Sale Agreement and are separately secured by a pledge of the system revenues of the Storm Drainage System. System revenues are required to be at least equal to 110% of the maximum annual debt service for all outstanding installment payments and all outstanding parity obligations during each fiscal year. 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. Principal is due annually on July 1, commencing July 1, 2013. Interest on bonds is payable semiannually on January 1 and July 1, commencing on July 1, 2013. During fiscal year 2013-14, the City made principal and interest payments totaling \$260,000 and \$376,826, respectively, which represent prepaid amounts due on July 1, 2014. The bonds mature on July 1, 2038, and the underlying serial and term bonds carry interest rates which vary from 2.0% to 5.0%.

Year Ending June 30	Governmental		Total
	Principal	Interest	
2015	\$ -	\$ 177,222	\$ 177,222
2016	270,000	350,394	620,394
2017	280,000	340,744	620,744
2018	290,000	329,344	619,344
2019	300,000	317,544	617,544
2020-2024	1,705,000	1,377,669	3,082,669
2025-2029	2,105,000	986,034	3,091,034
2030-2034	2,430,000	653,081	3,083,081
2035-2039	2,835,000	236,356	3,071,356
	10,215,000	4,768,388	14,983,388
Plus: Unamortized premium	261,104	-	261,104
	<u>\$ 10,476,104</u>	<u>\$ 4,768,388</u>	<u>\$ 15,244,492</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities

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 1.5%. 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. During fiscal year 2013-14, the City made principal and interest payments of \$505,372 and \$208,705, respectively.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2015	\$ 518,005	\$ 196,071	\$ 714,076
2016	530,955	183,121	714,076
2017	544,229	169,847	714,076
2018	557,835	156,241	714,076
2019	571,781	142,295	714,076
2020-2024	3,080,604	489,775	3,570,379
2025-2027	2,039,417	102,810	2,142,227
	<u>\$ 7,842,826</u>	<u>\$ 1,440,160</u>	<u>\$ 9,282,986</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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. Principal is payable annually on April 1, commencing April 1, 2008. Interest on the bonds is payable semiannually on April 1 and October 1, commencing October 1, 2007. The bonds mature on April 1, 2031, with serial and term bonds carrying an interest rate that varies from 4.0% to 5.0%. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2007 were \$830,000 and \$974,383, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$435,000 and \$508,900. Principal and interest payments made by the Sewer Enterprise Fund were \$395,000 and \$465,483.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
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	1,000,000	812,208	1,812,208
2019	1,050,000	762,208	1,812,208
2020-2024	5,895,000	3,122,113	9,017,113
2025-2029	7,255,000	1,760,995	9,015,995
2030-2031	3,375,000	232,050	3,607,050
	21,315,000	9,364,423	30,679,423
Plus unamortized premium	21,201	-	21,201
Less unamortized discount	(3,968)	-	(3,968)
	<u>\$ 21,332,233</u>	<u>\$ 9,364,423</u>	<u>\$ 30,696,656</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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 City's 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 commenced July 2012 and shall be fully amortized in July 2031. The City is required to maintain compliance with all provisions of the loan. During fiscal year 2013-14, the City made principal and interest payments of \$214,778 and \$158,251, respectively.

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2015	\$ 221,007	\$ 152,023	\$ 373,030
2016	227,416	145,614	373,030
2017	234,011	139,019	373,030
2018	240,797	132,232	373,029
2019	247,780	125,249	373,029
2020-2024	1,350,945	514,201	1,865,146
2025-2029	1,558,528	306,619	1,865,147
2030-2032	1,161,681	71,258	1,232,939
	<u>\$ 5,242,165</u>	<u>\$ 1,586,215</u>	<u>\$ 6,828,380</u>

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

In 2011, the 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 net system 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. Principal is payable annually on April 1, commencing April 1, 2012. Interest on the bonds is payable semiannually on April 1 and October 1, commencing April 1, 2012. The bonds mature on April 1, 2028, with an interest rate that varies from 4.00 to 4.75%. A premium of \$575,800 was paid and will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$450,734 and a reduction of \$1,429,732 in future debt service payments. For the current year, principal and interest paid on the Water and Wastewater Bonds, Series 2011 were \$270,000 and \$230,550, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$175,000 and \$146,963. Principal and interest payments made by the Sewer Enterprise Fund were \$95,000 and \$83,588.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities (Continued)

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

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2015	\$ 280,000	\$ 219,750	\$ 499,750
2016	290,000	214,150	504,150
2017	290,000	208,350	498,350
2018	300,000	196,750	496,750
2019	310,000	187,750	497,750
2020-2024	1,815,000	688,500	2,503,500
2025-2028	1,785,000	209,950	1,994,950
	5,070,000	1,925,200	6,995,200
Plus: Unamortized Premium	486,102	-	486,102
	<u>\$ 5,556,102</u>	<u>\$ 1,925,200</u>	<u>\$ 7,481,302</u>

Water and Wastewater Revenue Refunding Bonds, Series 2013 – Original Issue \$14,260,000

In 2013, the Authority issued \$14,260,000 of Water and Wastewater Revenue Refunding Bonds, Series 2013 to advance refund the Authority's outstanding Water and Wastewater Revenue Bonds, Series 2004, 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 deposit 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 net system 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. During fiscal year 2013-14, the City made principal and interest payments of \$775,000 and \$432,014, respectively. Of this amount, principal and interest payments made by the Water Enterprise Fund were \$515,000 and \$287,103. Principal and interest payments made by the Sewer Enterprise Fund were \$260,000 and \$144,911. The bonds mature on April 1, 2029, with underlying serial and term bonds carrying an interest rate that varies from 2.00% to 5.00%. The bond was issued a premium of \$1,533,676 which will be amortized over the life of the bond. The refunding transaction resulted in an economic gain of \$584,903 (\$389,501 for the Water Enterprise Fund and \$195,402 for the Sewer Enterprise Fund).

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

B. Long-Term Debt from Business-Type Activities (Continued)

Water and Wastewater Refunding Revenue Bonds, Series 2013 – Original Issue \$14,260,000
(Continued)

Year Ending June 30	Business-Type		Total
	Principal	Interest	
2015	\$ 695,000	\$ 507,150	\$ 1,202,150
2016	710,000	493,250	1,203,250
2017	735,000	471,950	1,206,950
2018	755,000	449,900	1,204,900
2019	785,000	419,700	1,204,700
2020-2024	4,395,000	1,619,600	6,014,600
2025-2029	5,410,000	611,075	6,021,075
	13,485,000	4,572,625	18,057,625
Plus unamortized premium	1,353,244	-	1,353,244
	<u>\$ 14,838,244</u>	<u>\$ 4,572,625</u>	<u>\$ 19,410,869</u>

C. Future Debt Requirements

The future outstanding debt of the City, net of amortized costs as of June 30, 2014, for governmental activities is as follows:

Year Ending June 30	Governmental Activities			
	Principal	Interest	Subsidies	Total
2015	\$ 4,469,284	\$ 2,516,879	\$ (166,336)	\$ 6,819,827
2016	5,302,447	2,465,628	(166,336)	7,601,739
2017	4,895,910	2,228,149	(166,336)	6,957,723
2018	5,234,619	2,001,922	(166,336)	7,070,205
2019	2,346,057	1,757,362	(166,336)	3,937,083
2020-2024	9,794,489	7,335,408	(812,599)	16,317,298
2025-2029	7,555,000	5,219,783	(655,547)	12,119,236
2030-2034	8,710,000	3,426,074	(424,490)	11,711,584
2035-2039	8,880,000	1,220,646	(132,408)	9,968,238
2040-2042	1,540,000	109,025	-	1,649,025
Less: premiums/discounts	1,071,783	-	-	1,071,783
	<u>\$ 59,799,589</u>	<u>\$ 28,280,876</u>	<u>\$ (2,856,724)</u>	<u>\$ 85,223,741</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

C. Future Debt Requirements (Continued)

The future outstanding debt of the City, net of amortized costs as of June 30, 2014, for business-type activities is as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2015	\$ 2,584,012	\$ 2,007,877	\$ 4,591,889
2016	2,678,371	1,925,518	4,603,889
2017	2,753,240	1,841,749	4,594,989
2018	2,853,632	1,747,331	4,600,963
2019	2,964,561	1,637,202	4,601,763
2020-2024	16,536,549	6,434,189	22,970,738
2025-2029	18,047,945	2,991,449	21,039,394
2030-2032	4,536,681	303,308	4,839,989
	52,954,991	18,888,623	71,843,614
Less: premiums/discounts, net	1,856,579	-	1,856,579
	<u>\$ 54,811,570</u>	<u>\$ 18,888,623</u>	<u>\$ 73,700,193</u>

D. Legal Debt Limit and Debt Margin

As of June 30, the City's debt limit was \$314,635,078. California Government Code, Section 43605 sets the debt limit at 15% of assessed value. 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, or outstanding general obligation debt, was \$0. The resulting legal debt margin was \$314,635,078.

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, 2014.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

F. Credit Rating

As of June 30, 2014, the City carried underlying ratings of AA+ for the Water and Sewer Funds, A+ for the Storm Drain Fund, and AA+ as the City's institutional credit rating for general obligation debt. These ratings were affirmed by Standard & Poor's.

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 2007; (2) Water and Wastewater Refunding Revenue Bonds, Series 2011; (3) Water and Wastewater Refunding Revenue Bonds, Series 2013.

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, 2014, 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	\$ 32,473,285	\$ 39,370,329
Principal and interest paid during the year	2,067,966	2,531,086
Net revenue, excluding depreciation and amortization	7,067,655	10,482,765
Percentage of revenue pledged	29.26%	24.15%
Term of commitment	2031	2031

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, 2014, the Water and Sewer Funds had sufficient net revenues to satisfy the requirements of the Indenture.

Under the terms of the City's Indenture, the Storm Drain Fund is required to collect sufficient net revenues each fiscal year, which may include any other unappropriated funds available for expenditure on debt service. The Indenture requires that net revenues are, at minimum, equal to 1.10 times annual debt service for the applicable fiscal year. For the year ended June 30, 2014, the Storm Drain Fund 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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, 2014:

Water Fund	
	2014
Gross operating revenue	\$ 16,023,092
Less: Operating expenses, except depreciation and amortization	(8,955,437)
Net revenue	7,067,655
Debt Service	
Water Revenue Bond, Series 2007	943,900
Water Refunding Bonds, Series 2011	321,962
Water Refunding Bonds, Series 2013	802,104
Parity Debt Service	2,067,966
Lease Revenue Bonds, Series 2010	378,964
Pension Obligation Bonds, 2006	424,766
Total Debt Service	\$ 2,871,696
Parity Debt Service Coverage	3.42
Total Debt Service Coverage	2.46

The following table summarizes debt service coverage levels for the Sewer Fund for the fiscal year ending June 30, 2014:

Sewer Fund	
	2014
Gross operating revenue	\$ 16,931,432
Less: Operating expenses, except depreciation and amortization	(6,448,667)
Net revenue	10,482,765
Debt Service	
State Water Resource Board Loan, 2003	714,076
Wastewater Revenue Bond, Series 2007	860,482
State Water Resource Board Loan, 2010	373,029
Wastewater Refunding Bonds, Series 2011	178,588
Wastewater Refunding Bonds, Series 2013	404,911
Parity Debt Service	2,531,086
Lease Revenue Bonds, Series 2010	378,964
Pension Obligation Bonds, Series 2006	424,766
Total Debt Service	\$ 3,334,816
Parity Debt Service Coverage	4.14
Total Debt Service Coverage	3.14

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 5 – LONG-TERM DEBT (Continued)

H. Debt Service Coverage (Continued)

The following table summarizes debt service coverage levels for the Storm Drain Fund for the fiscal year ending June 30, 2014:

Storm Drain Fund		2014
Net Revenue, Excluding Depreciation and Amortization	\$	2,760,794
Debt Service		
Storm Drain Revenue Bond, Series 2010		777,520
Storm Drain Revenue Bond, Series 2012		636,826
Parity Debt Service	\$	1,414,346
Parity Debt Service Coverage		1.95

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, 2014:

Description	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Self-Insurance and Contingent Liabilities	\$ 6,774,000	\$ 1,121,000	\$ -	\$ 7,895,000	\$ 1,626,144
Net OPEB Obligation	16,221,473	-	(2,952,781)	13,268,692	-
Compensated Absences	1,263,680	46,191	-	1,309,871	165,329
Total Governmental Activities	<u>\$ 24,259,153</u>	<u>\$ 1,167,191</u>	<u>\$ (2,952,781)</u>	<u>\$ 22,473,563</u>	<u>\$ 1,791,473</u>
Business-Type Activities:					
Compensated Absences	\$ 316,558	\$ -	\$ (23,982)	\$ 292,576	\$ 23,688
Net OPEB Obligation	3,622,706	-	(626,373)	2,996,333	-
Landfill Post-Closure Care Costs	3,088,654	46,330	-	3,134,984	208,999
Total Business-Type Activities	<u>\$ 7,027,918</u>	<u>\$ 46,330</u>	<u>\$ (650,355)</u>	<u>\$ 6,423,893</u>	<u>\$ 232,687</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. The City 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 6 – OTHER LONG-TERM LIABILITIES (Continued)

A. Self-Insurance and Contingent Liabilities (Continued)

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

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

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

	Outstanding Liabilities			
	Balance July 1	Current Year Claims and Changes in Estimates	Payments for Current and Prior Fiscal Years	Balance June 30
2008-09	\$ 6,250,000	\$ 2,748,027	\$ (2,654,027)	\$ 6,344,000
2009-10	6,344,000	2,716,739	(2,420,739)	6,640,000
2010-11	6,640,000	2,524,265	(2,524,265)	6,640,000
2011-12	6,640,000	1,516,000	(1,085,000)	7,071,000
2012-13	7,071,000	1,595,000	(1,892,000)	6,774,000
2013-14	6,774,000	2,813,959	(1,692,959)	7,895,000

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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 6 – OTHER LONG-TERM LIABILITIES (Continued)

A. Self-Insurance and Contingent Liabilities (Continued)

In March 2014, 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 as determine the various funding confidence levels to cover that liability. The study estimated the expected liability for outstanding claims to be \$1,607,000 as of June 30, 2014. 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, 2014, the City has funded the general liability program at the 70% confidence level noted in the actuarial report or \$1,607,000.

In March 2014, 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 as determine the various funding confidence levels to cover that liability as of June 30, 2014. The study estimated that the outstanding claims at June 30, 2014, were \$6,288,000. The study also recommends that an amount be set aside as a margin for contingencies. As of June 30, 2014, the City has funded the workers' compensation program at the 70% confidence level noted in the actuarial report or \$6,288,000.

B. Compensated Absences

The City's compensated absences consist of accumulated vacation, compensatory time, and administrative leave for management employees. The estimated unpaid compensated absences at June 30 are recorded in the government-wide and proprietary fund financial statements. Additional information about significant accounting policies over compensated absences can be found in Note 1(J).

C. Pollution Remediation Obligation

Landfill Closure and Post-Closure Costs

The City closed the Burlingame Landfill located on Airport Boulevard in accordance with the California Code of Regulations under the jurisdiction of the California Integrated Waste Management Board in 1987. The landfill had been filled to capacity and has been reconstructed as a multi-use recreational facility.

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill site. These same regulations require the City to make annual contributions and/or provide an alternative funding mechanism to finance closure and post-closure costs. The City has collected a surcharge on solid waste collection fees in order to cover these costs. Effective February 2014, the surcharge was 5.0%. The City was also required by the Bay Area Air Quality Management Board to install a gas collection system.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 6 – OTHER LONG-TERM LIABILITIES (Continued)

C. Pollution Remediation Obligation (Continued)

Landfill Closure and Post-Closure Costs (Continued)

In 1997, the City developed a post-closure plan that met all regulatory requirements. The post-closure estimate was \$3,660,000. In 2008, the City recognized an additional liability, as required by the State of California, for corrective action. The corrective action cost estimate was \$733,100. Consequently, the City recorded 100% of its closure and post-closure costs based upon these estimates. At June 30, 2014, the City's outstanding future post-closure and corrective action costs were estimated at \$3,134,984. This estimate is based upon the original estimates for post-closure and corrective action costs as reported to the California Department of Resources Recycling and Recovery (CalRecycle) as adjusted, based on changes in the implicit price deflator for the gross national product in accordance with Title 27 of the California Code of Regulations, reduced by any permitted 15 year amortization of post-closure costs, and adjusted for incurred costs and expected costs of remediation.

The City will fund ongoing post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined, these costs may need to be covered by additional garbage surcharges or from future tax revenue.

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, 2014, 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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 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.

In September 2012, the Governor signed a comprehensive pension reform package affecting state and local government employees, the Public Employees' Pension Reform Act of 2013 (PEPRA). The legislation implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Key changes to retirement plans affecting the City include:

- New defined-benefit formulas that increase retirement ages for new public employees hired on or after January 1, 2013.
- For new employees, a cap on pensionable income of \$110,100, or \$132,120 (for employees not in Social Security). Annual increases on the cap would be limited to the Consumer Price Index for All Urban Customers.
- A standard that employees pay at least 50% of normal costs.
- Establishing increases for current City civil service and related excluded employees who are not contributing at least half of normal costs.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting the purchase of non-qualified service credit.

In the long-term, additional employee contributions, limits on pensionable compensation, and higher retirement ages will reduce the City's unfunded accrued actuarial liability (UAAL) and potentially, the City's contribution levels in future years.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)

A. Plan Description and Funding Policy (Continued)

Funding contributions for all five 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, 2014, are summarized as follows:

	Police Safety	Fire Safety	Miscellaneous	PEPRA Police Safety	PEPRA Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	55	55	57	62
Monthly benefits, as a % of annual salary	3.00%	3.00%	2.50%	2.70%	2.00%
Required employee contribution rates	9.00%	9.00%	8.00%	12.25%	6.75%

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

Miscellaneous employees are covered under the "2.5% at 55" formula. Effective January 1, 2013, new Miscellaneous employees under PEPRA are covered under the "2.0% at 62" 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.

Police Safety employees are covered under the "3.0% at 50" formula. Effective January 1, 2013, new Police Safety employees under PEPRA are covered under the "2.7% at 57" formula. For example, under the "3.0% at 50" 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.

In June 2010, Fire Safety employees transitioned to the CCFD, which has a separate account established with CalPERS. The City makes pension contributions for any active fire safety personnel employed with the City as of the date of transition through an annual billing from the CCFD. Therefore, the Fire Safety Pension information is now part of CCFD's Comprehensive Annual Financial Report.

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 a 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 year is called the normal cost.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)

A. Plan Description and Funding Policy (Continued)

CalPERS uses the market-related value method of valuing the plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by age, service and type of employment, with overall payroll growth assumed at 3.00%.

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 as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period, with direct rate smoothing with a 5-year ramp up or ramp down. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over the 30-year amortization period.

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

B. Annual Pension Cost

In September 2007, the City issued Pension Obligation Bonds to provide funds to refund its current UAAL creating a net pension asset. The net pension asset as of June 30, 2014, was \$25,258,721.

Total current payroll for all employees for the fiscal year ended June 30, 2014, was \$17,189,763. The payroll subject to retirement amounted to \$4,740,638 for Police Safety, and \$12,449,125 for the Miscellaneous group. For the year ended June 30, 2014, the City's Miscellaneous Plan annual pension cost of \$2,507,932 for CalPERS was equal to the City's required and actual contributions adjusted by the changes in net pension asset. The Safety Plan annual pension cost of \$2,129,965 was also equal to the City's required and actual contributions adjusted by the changes in the net pension asset.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)

B. Annual Pension Cost (Continued)

The required contribution was determined as part of the June 30, 2013, actuarial valuation as follows:

<u>Fiscal Year</u>	<u>Miscellaneous Classic</u>	<u>Miscellaneous PEPRA</u>	<u>Police Safety Classic</u>	<u>Police Safety PEPRA</u>
2013	16.570%	0.000%	26.416%	0.000%
2014	17.226%	0.000%	27.877%	0.000%
2015	19.908%	0.000%	29.556%	0.000%

CalPERS has reported that the value of the net position in the Miscellaneous Plan held for pension benefits changes as follows during the year ended June 30, 2014, which as of date of report issuance, is the most recent available information. Beginning with the June 30, 2013 valuation, the actuarial value of assets equals the market value of assets per CalPERS direct rate smoothing policy.

	<u>Miscellaneous</u>
Market value of assets as of June 30, 2013	\$ 79,657,391
Contributions received	3,745,206
Benefit and refunds paid	(5,998,814)
Transfers and miscellaneous adjustments	-
Expected investment earnings credited at 7.50%	10,094,285
Receivables as of June 30, 2013	<u>409,634</u>
Actuarial value of assets as of June 30, 2014	<u><u>\$ 87,907,702</u></u>

The Safety Plan is part of a risk pool, which was implemented as of June 30, 2003, for employers with less than 100 active plan members. The City's share of the pool's unfunded accrued liability is as follows, based on the June 30, 2013 valuation, which as of date of report issuance, is the most recent available information:

	<u>Safety</u>
Safety Plan Accrued Liability	\$ 75,589,196
Pool's Accrued Liability	12,307,135,447
Sum of Pool's Individual Plan Side Funds	461,094,417
Increase in Pool's Accrued Liability for Amendments in 2013	817,039
Pre-2013 Pool's Unfunded Accrued Liability	1,391,710,886
Share of Pre-2013 Pool Unfunded Accrued Liability	<u>8,881,074</u>
Safety Plan's Accrued Liability	75,589,196
Safety Plan's Unfunded Accrued Liability	<u>16,989,639</u>
Plan's Share of Pool's Market Value of Assets	<u><u>\$ 58,599,557</u></u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2012	\$ 2,087,590	100%	\$ (9,213,801)
6/30/2013	2,364,681	100%	(8,953,886)
6/30/2014	2,507,932	100%	(8,642,172)

Safety Employees			
6/30/2012	\$ 1,696,256	100%	\$ (18,310,374)
6/30/2013	1,992,856	100%	(17,529,470)
6/30/2014	2,129,965	100%	(16,616,549)

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:

	Miscellaneous	Safety	Total
Annual required contribution (ARC)	\$ 2,144,486	\$ 1,321,548	\$ 3,466,034
Interest on net pension assets	(693,926)	(1,358,535)	(2,052,461)
Adjustment to annual required contribution	1,057,372	2,166,952	3,224,324
Annual pension cost	2,507,932	2,129,965	4,637,897
Contribution made	(2,196,218)	(1,217,044)	(3,413,262)
Change in net pension assets	(311,714)	(912,921)	(1,224,635)
Net pension assets - beginning of year	8,953,886	17,529,470	26,483,356
Net pension assets - end of year	<u>\$ 8,642,172</u>	<u>\$ 16,616,549</u>	<u>\$ 25,258,721</u>

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 7 – EMPLOYEE RETIREMENT PLAN (Continued)

D. Funded Status

A schedule of funding progress as of the most recent actuarial date is presented below (in thousands). Beginning with the June 30, 2013 valuation, the actuarial value of assets equals the market value of assets per CalPERS direct rate smoothing policy.

Miscellaneous Plan

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/2011	\$ 105,996	\$ 93,810	\$ 12,186	88.5%	\$ 12,034	101.3%
06/30/2012	110,834	95,836	14,998	86.5%	11,802	127.1%
06/30/2013	115,874	87,908	27,966	75.9%	12,697	220.3%

Safety Plan

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/2011	\$ 67,655	\$ 53,392	\$ 14,263	78.9%	\$ 3,799	375.4%
06/30/2012	72,137	53,196	18,941	73.7%	4,214	449.5%
06/30/2013	75,590	58,600	16,990	77.5%	4,138	410.6%

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 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.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 8 – POST-EMPLOYMENT HEALTHCARE PLAN (Continued)

A. Plan Description (Continued)

The City provides certain retirees that are eligible 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. The plan is closed to new employees.

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 2.0% 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 in the past chosen to pay plan benefits on a *pay-as-you-go* basis. The Plan does not require employee contributions. For fiscal year 2014, the City paid \$2,369,857 in Retiree Healthcare Plan benefits for current retirees.

In September 2013, the City established an irrevocable trust to prefund its unfunded actuarially accrued liability for retiree health care benefits. The California Benefit Trust Fund (CERBT), a multi-employer trust, is administered by CalPERS which also invests trust fund deposits made by the City on behalf of retirees. During fiscal year 2013-14, the City made a \$6,600,000 deposit to the trust. As of June 30, 2014, the cash balance was \$7,334,774.

In the future, the City will pre-fund the Plan by contributing the City's Annual Required Contribution (ARC) every year to the CERBT.

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

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC is equal to the normal cost, or projected cost to cover the related obligation during the year, plus a 24-year amortization of the unfunded actuarial liability at June 30, 2014.

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement No. 45. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information in aggregate with all CERBT participants. That report may be obtained by contacting CalPERS.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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 2014 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>
6/30/2012	\$ 6,526,233	35%	\$ 15,565,446
6/30/2013	6,730,531	36%	19,844,179
6/30/2014	5,390,703	166%	16,265,025

The following table, based on the City's actuarial valuation as of January 1, 2013, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation, shown below at a 7.25% discount rate:

	<u>2014</u>
Annual required contribution	\$ 5,353,000
Interest on net OPEB obligation	1,438,703
Adjustment to annual required contribution	<u>(1,401,000)</u>
Annual OPEB cost (expense)	5,390,703
Trust pre-funding	(6,600,000)
Contributions made	<u>(2,369,857)</u>
Increase in net OPEB obligation	(3,579,154)
Net OPEB obligation - beginning of year	<u>19,844,179</u>
Net OPEB obligation - end of year	<u><u>\$ 16,265,025</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>
1/1/2009	\$ 67,518	\$ -	\$ 67,518	0%	\$ 22,394	301.5%
1/1/2011	76,402	-	76,402	0%	16,961	450.5%
1/1/2013	53,049	(7,335)	45,714	14%	15,269	299.4%

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

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 basic 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, 2013, based on the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$ 53,049,000
Actuarial value of plan assets	<u>(7,334,775)</u>
Unfunded actuarial accrued liability (UAAL)	\$ 45,714,225
Funded ratio (actuarial value of plan assets/AAL)	14%
Covered payroll (active plan members)	\$ 15,269,000

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, 2013, the funded status of retiree healthcare benefits was 14%, resulting in an UAAL of \$45.7 million. For the year ended June 30, 2014, the estimated covered payroll (annual payroll of active employees covered by the Plan) was \$15,269,000 and the ratio of the UAAL to the covered payroll was 299.4%.

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, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return, pre-funding through the CERBT, as well as annual required contributions (ARC). An annual pre-Medicare and Medicare medical cost trend of 8.0% is assumed for HMOs and PPOs applied to actual 2014 premiums, with annual cost escalations ranging from 5.0% to 8.0% thereafter. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis, starting June 30, 2012.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 9 – INTERFUND TRANSFERS AND TRANSACTIONS

A. Transfers

Transfers and advances between funds for the year ending June 30, 2014, are as follows:

	Transfers In									Total Out
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Services Funds	Parking Fund	Sewer Fund	Waste Management Fund	Water Fund	
General Fund	\$ -	\$ 5,598,643	\$ 2,960,000	\$ 109,702	\$ 6,702,512	\$ -	\$ -	\$ -	\$ -	\$ 15,370,857
Debt Service Fund	-	-	8,079,324	-	-	-	-	-	-	8,079,324
Capital Projects Fund	-	-	-	-	-	130,421	2,764,149	-	1,748,263	4,642,833
Nonmajor	81,000	1,243,401	8,830,985	-	-	-	-	-	-	10,155,386
Water Fund	1,101,538	-	2,500,000	-	-	-	-	-	-	3,601,538
Sewer Fund	1,058,622	-	4,900,000	-	-	-	-	-	-	5,958,622
Waste Management Fund	47,036	-	-	-	-	-	-	-	-	47,036
Parking Fund	410,615	276,869	-	-	-	-	-	-	-	687,484
Building Fund	121,901	-	-	-	-	-	-	136,927	-	258,828
Total in	\$ 2,820,712	\$ 7,118,913	\$ 27,270,309	\$ 109,702	\$ 6,702,512	\$ 130,421	\$ 2,764,149	\$ 136,927	\$ 1,748,263	\$ 48,801,908

The \$15.4 million General Fund transfer out includes \$5.6 million for the payment of debt service, and \$3.0 million in contributions to fund capital improvement projects. A total of \$109 thousand was transferred out to the Train Shuttle Fund in support of local transportation programming. Also included is a transfer out to internal services funds of \$6.7 million was largely due to a \$6.6 million deposit to the OPEB Fund for the initial prefunding of the CERBT, an irrevocable trust established to prefund the City's retiree medical obligation, as well as a \$103 thousand reimbursement for an advance from the Equipment Services Fund, authorized by the City Council in December 2012, to fund upgrades to the City's 911 emergency dispatch system.

The \$8.1 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 facilities, storm drain, and streets capital project programs. Significant withdrawals include \$5.9 million from the Lease Revenue Bond, Series 2012 to fund the Burlingame Avenue Streetscape Project and \$2.1 million from previously issued taxable and tax-exempt storm drain bonds.

The \$4.6 million transfer out of the Capital Projects Fund relates to major repairs, replacements, and/or construction projects under the City's capital improvement program. Due to the nature of these efforts, accounting rules require that these amounts be capitalized as either capital assets or construction in progress (CIP) in the applicable fund. Approximately \$2.8 million and \$1.8 million relate to capital contributions from the Capital Project Fund to the Sewer and Water operating funds, respectively, for current construction in progress placed in service as capital assets during the fiscal year. The Parking Fund had \$130 thousand in parking meter infrastructure placed in service. Information regarding significant CIP expenditures during fiscal year 2013-14 can be found in the Management's Discussion and Analysis.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 9 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

A. Transfers (Continued)

The nonmajor funds had \$10.2 million in total transfers out. Total transfers out to the Capital Projects Fund totaled \$8.8 million, consisting of \$8.0 million from the Storm Drain Fund to support ongoing storm drain capital improvement projects, with the remainder from the Measure A and Gas Tax Funds to support ongoing streets and traffic capital improvement projects. Furthermore, transfers to the Debt Service Fund totaled \$1.2 million and relate to debt service payments due on the previously issued Storm Drain Revenue Bond, Series 2010 (tax-exempt and taxable Build America Bonds), Storm Drain Revenue Bond, Series 2012 and the Lease Revenue Bond, Series 2012. These debt service payments were made by the Storm Drain Fund and Burlingame Avenue Special Assessment Fund. Transfers to the General Fund totaled \$81 thousand and relate to reimbursements for services from the Storm Drain Fund, Gas Tax Fund, and Traffic Safety Fund.

The Water Fund had \$3.6 million in transfers out, consisting of \$1.1 million to the General Fund and \$2.5 million to the Capital Projects Fund. The Sewer Fund also had transfers out of \$6.0 million, consisting of \$1.1 million to the General Fund and \$4.9 million to the Capital Projects Fund. Transfers to the General Fund from each of the Water and Sewer operating funds relate to reimbursements for each fund's proportionate share of debt service due on the previously issued Pension Obligation Bonds, Series 2006 and the Lease Revenue Refunding Bonds, Series 2010 which was issued to construct the Public Works Corporation Yard. Included in these transfers out are General Fund reimbursements for respective shares of the City's previously accumulated OPEB Reserve of \$4.8 million, which was used to pre-fund the City's retiree medical obligations. The OPEB reimbursement from the Water Fund was \$292 thousand and the reimbursement from the Sewer Fund was \$250 thousand.

Similarly to the Water and Sewer Funds, the Waste Management Fund, the Solid Waste Fund, the Parking Fund, and the Building Fund had transfers out to the General Fund. A portion of these amounts, (as shown in the table above) pertain to each fund's respective share of the City's previously accumulated OPEB Reserve which was deposited into the CERBT. In addition to these transfers, the Parking Fund also made a final \$290 thousand reimbursement to the General Fund for previous improvements to City-owned parking lots.

The Parking Fund had a transfer out of \$277 thousand to the Debt Service Fund, comprising 50% of the debt service payments due on the Lease Revenue Bond, Series 2012 which was used to fund the Burlingame Avenue Streetscape Project. The Burlingame Special Assessment Fund, a non-major fund, funded the remaining 50% share to the Debt Service Fund as previously mentioned above.

The Building Fund had a transfer out to the Waste Management Fund in the amount of \$137 thousand, which was the Waste Management Fund's share of revenues related to construction and demolition permitting activity.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 9 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

B. Advances Between Funds

Advances between funds for the year ending June 30, 2014, are as follows:

	Advances From	
	Equipment Services Fund	Total Advances To
Advances To		
General Fund	\$ 301,488	\$ 301,488

On December 3, 2012, the City Council authorized an appropriation of \$400,000 to implement a computer aided dispatch and records management system. Funding for this project was provided by an advance from the Equipment Services Fund to the General Fund. A four year promissory note between funds was executed, which requires annual payments of principal and interest at an interest rate of 1.00%, which is based upon historical investment yields typically earned by the LAIF. During fiscal year 2013-14, the General Fund made a payment to the Equipment Services Fund in the amount of \$98,512, resulting in an outstanding balance of \$301,488.

C. Interfund Receivables and Payables (Due To and Due From Other Funds)

	Due From				
	Debt Service Fund	Nonmajor Funds	Water Fund	Sewer Fund	Total Due From
Due To					
Capital Projects Fund	\$ 8,079,324	\$ 4,255,985	\$ -	\$ -	\$ 12,335,309
Debt Service Fund	-	-	6,613	6,613	13,226
General Fund	-	26,849	-	-	26,849
Total Advances From	\$ 8,079,324	\$ 4,282,834	\$ 6,613	\$ 6,613	\$ 12,375,384

At June 30, 2014, the Capital Projects Fund had interfund receivables outstanding from the Debt Service Fund (\$8.1 million) and the non-major funds of \$4.3 million which includes \$0.5 million from the Local Grants Fund and \$3.8 million from the Storm Drain Fund. The receivable from the Debt Service Fund relates to pending reimbursements for CIP costs from capital improvement project proceeds from previously issued debt which are held by the City's trustee, including the tax-exempt and taxable storm drain bonds, Master Equipment Lease as well as the Lease Revenue Bond, Series 2012. The receivable from the Local Grants Fund relates to cash donations on hand which were actually collected as of June 30, 2014, by the Burlingame Library Foundation on behalf of the City's Millennium project, which is a major upgrade of the Main Library. The receivable does not include pledged donations as of June 30, 2014, because the donor is not legally bound to fulfill the commitment to the Burlingame Library Foundation and as such, actual cash receipt has not yet occurred. The \$3.8 million receivable from the Storm Drain Fund relates to reimbursements for CIP costs and/or appropriations for scheduled projects as approved by City Council.

CITY OF BURLINGAME, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
JUNE 30, 2014

NOTE 9 – INTERFUND TRANSFERS AND TRANSACTIONS (Continued)

C. Interfund Receivables and Payables (Due To and Due From Other Funds) (Continued)

The Debt Service Fund had a total of \$13 thousand in interfund receivables from the Water and Sewer Funds, which relate to accrued interest on the Lease Revenue Refunding Bonds, Series 2010.

The General Fund had a total of \$27 thousand in interfund receivables from the State/Federal Grants Fund representing amounts that were advanced to fulfill obligations to vendors, pending public safety grant reimbursements from the State of California.

NOTE 10 – DEFERRED INFLOWS (OUTFLOWS) OF RESOURCES

Deferred outflows of resources consisted of the following at June 30, 2014:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Business-Type</u>
Deferred amount on refunding - Water and Wastewater Revenue Bonds, Series 2011	\$ (104,176)	\$ (55,176)	\$ (159,352)
Deferred amount on refunding - Water and Wastewater Revenue Bonds, Series 2013	<u>(352,986)</u>	<u>(177,083)</u>	<u>(530,069)</u>
	<u>\$ (457,162)</u>	<u>\$ (232,259)</u>	<u>\$ (689,421)</u>

NOTE 11 – LANDFILL FUND DEFICIT BALANCE

As of June 30, 2014, the Landfill Fund, an Enterprise Fund, had a deficit of \$2,916,087. The Landfill Fund deficit relates to the landfill closure and post-closure liability relating to the City landfill located on Airport Boulevard. The City expects to finance these costs with fees derived from surcharges on the City's franchise solid waste collection activities.

For additional information regarding the City's landfill closure and post-closure liability, please refer to Note 6C.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 22, 2014, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



Comprehensive Annual Financial Report

June 30, 2014

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

The City contributes to CalPERS, an agent multiple-employer public pension plan. The amounts reflected below represent the City’s portion, as reported by CalPERS based upon the most recent actuarial valuation dated June 30, 2013, of the Plan.

For additional information regarding the City’s employee retirement plan, please refer to Note 7 in the Notes to the Basic Financial Statements.

Miscellaneous Plan

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

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
6/30/11	\$ 105,996	\$ 93,810	\$ 12,186	88.5%	\$ 12,034	101.3%
6/30/12	110,834	95,836	14,998	86.5%	11,802	127.1%
6/30/13	115,874	87,908	27,966	75.9%	12,697	220.3%

Safety Plan

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

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
06/30/2011	\$ 67,655	\$ 53,392	\$ 14,263	78.9%	\$ 3,799	375.4%
06/30/2012	72,137	53,196	18,941	73.7%	4,214	449.5%
06/30/2013	75,590	58,600	16,990	77.5%	4,138	410.6%

CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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 City does not issue a separate financial report on the Plan, but additional information can be found Note 8 in the Notes to the Basic Financial Statements.

The City provides eligible 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. The Plan is closed to new employees.

In September 2013, the City established an irrevocable trust to prefund its unfunded actuarially accrued liability for retiree health care benefits. The California Benefit Trust Fund (CERBT), a multi-employer trust, is administered by CalPERS which also invests trust fund deposits made by the City on behalf of retirees. The CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in Governmental Accounting Standards Board (GASB) Statement No. 45. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information in aggregate with all CERBT participants. That report may be obtained by contacting CalPERS. During fiscal year 2013-14, the City made a \$6,600,000 deposit to the trust. As of June 30, 2014, the cash balance was \$7,334,774.

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

Schedule of Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
1/1/2009	\$ 67,518	\$ -	\$ 67,518	0%	\$ 22,394	301.5%
1/1/2011	76,402	-	76,402	0%	16,961	450.5%
1/1/2013	53,049	(7,335)	45,714	14%	15,269	299.4%

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 2.0% 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.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 – BUDGET AND BUDGETARY ACCOUNTING

A formal budget is employed as a management control device during the year for the City, and is adopted annually for all City funds, except for the fiduciary funds and certain special revenue funds where appropriate. 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.

Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP).

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, accounted for as capital assets, or abandoned at the discretion of the City and/or City Council.

Budget amendments that increase a fund's appropriations require majority approval by the City Council. Certain budgetary re-allocations within departments require approval by the Finance Director and department heads. Budget amendments between departments are approved by the Finance Director and City Manager. A mid-year budget status report and long-term financial forecast for the next five years is presented to the City Council as part of an ongoing assessment and evaluation of budgetary performance, with special attention to the General Fund and certain other major funds.

The City Council encourages all Burlingame residents and business community members to participate in the development of the City budget. The Council holds three public meetings to provide guidance on the budget: a goal-setting session in January, and budget study sessions in March and May. The City Council solicits input at each of the meetings. Community members may also submit their ideas directly to City staff.

Under these policy directives and guidance, departments prepare their budget requests in support of their programs in January for submission in early April. Expenditure assumptions are based on known factors such as collective bargaining agreements, current pay and benefit policies, consumer price indices, and other information available from expert third-parties or governing authorities.

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 before the final budget is formally adopted in June at a public hearing, which gives residents an additional opportunity to comment on the spending plan.

A separate publication presenting this information is available from the City of Burlingame, Finance Department, 501 Primrose Road, Burlingame, CA 94010. A General Fund Budgetary Comparison Schedule is also included in the Required Supplementary Information, which has information regarding budget to actual performance for the General Fund.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

In December 2013, the City’s consultant completed a study to update the physical condition assessment of the streets. The prior assessment study was completed in May 2011. 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, (3) residential, and (4) other (such as alleys and parking lots).

This condition assessment will be performed every three years. For this inspection update, all the paved streets in the City’s system were re-inspected. A visual survey of approximately 83.87 centerline miles was evaluated in accordance with Metropolitan Transportation Commission (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, 2014**

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, 2014, the City’s street system was rated at a PCI index of 76 on a 100-point scale. The overall condition of the street pavement is in the lower range of MTC’s designation ‘Very Good’.

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>Lane Miles</u>	<u># of Sections</u>	<u>% of Network</u>	<u>Average PCI</u>
Arterial	25.06	53.84	94	29.9%	79
Residential	33.71	60.32	209	40.2%	78
Collector	20.48	39.95	120	24.4%	75
Other	4.62	8.10	69	5.5%	66
Totals	83.87	162.21	492	-	76

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, 2014**

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

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

<u>Condition Class</u>	<u>PCI Range</u>	<u>Arterial</u>	<u>Collector</u>	<u>Residential</u>	<u>Total</u>
Excellent/Very Good (I)	70-100	26.00%	20.30%	27.30%	76.90%
Good/Fair (II/III)	50-69	4.10%	4.40%	8.40%	17.70%
Poor (IV)	25-49	0.50%	1.80%	2.30%	5.10%
Very Poor (V)	0-24	0.00%	0.30%	-	0.30%
Totals	-	30.60%	26.80%	38.00%	100.00%

The City’s street network replacement value is estimated at \$155 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 ‘excellent/very 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 ‘excellent/very 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 ‘excellent/very good’ category, it costs very little to apply preventative maintenance treatments. More than half (76.9%) of the City’s street network would benefit from these lower cost preventative maintenance treatments.

Approximately 17.7% of the City’s street network is considered in ‘good’ 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%.

The remaining 5.4% 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 2011-12 through fiscal year 2015-16 is \$1,200,000 per year or \$6.0 million. This investment maintains the current PCI of 76. Furthermore, under this investment level, the projected deferred maintenance backlog decreased from \$2.9 million in 2014 to \$680,000 in 2018.

**CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
Budget	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$6,000,000
Rehabilitation	-	487,414	1,367,876	2,259,922	3,326,858	7,442,070
Preventative						
Maintenance	-	526,182	105,883	9,186	585	641,836
Deferred						
Maintenance	2,876,007	2,658,243	2,053,360	2,207,335	681,351	10,476,296
PCI	76	76	76	76	76	

The study determined that there is approximately a \$2.9 million deferred maintenance backlog in 2014. To maintain an appropriate overall PCI level and address critical areas of deferred maintenance, 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. For fiscal year 2011-12 only, the maintenance estimate is based upon the May 2011 assessment. Data for all other fiscal years is based on the December 2013 assessment.

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Rating
2011-2012	\$1,100,000	\$1,435,138	74
2012-2013	\$1,200,000	611,559	76
2013-2014	\$1,200,000	844,365	76

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. For example, a major street re-surfacing project was completed in fiscal year 2013-14 which resulted in over 360,000 square feet of street repair.

CITY OF BURLINGAME, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 – BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues				
Property taxes	\$ 14,441,000	\$ 15,275,203	\$ 15,496,548	\$ 221,345
Sales and use taxes	9,445,000	9,630,000	10,196,123	566,123
Transient occupancy taxes	18,570,000	20,100,000	21,357,066	1,257,066
Other taxes	2,881,000	2,977,000	2,970,165	(6,835)
Licenses and permits	110,000	110,000	111,712	1,712
Fines, forfeitures, and penalties	815,000	692,000	788,772	96,772
Charges for services	3,638,600	3,991,911	3,967,406	(24,505)
Other revenue	264,500	229,500	344,610	115,110
Grant revenue	132,000	89,012	170,146	81,134
Investment income	200,000	200,000	225,080	25,080
Total revenues	50,497,100	53,294,626	55,627,628	2,333,002
Expenditures				
Current:				
General government:				
City attorney	403,519	453,519	409,653	43,866
City clerk	306,602	306,602	250,548	56,054
City council	260,525	260,525	244,070	16,455
City manager	444,872	444,872	428,506	16,366
Elections	50,000	40,000	31,182	8,818
Human resources	636,824	636,824	606,838	29,986
Finance	914,065	919,065	886,265	32,800
Other employee benefits	2,954,142	2,954,142	2,530,017	424,125
Nondepartmental	522,665	522,665	483,073	39,592
Total general government	6,493,214	6,538,214	5,870,152	668,062
Public safety:				
Fire	9,476,125	9,476,125	9,432,643	43,482
Fire - Disaster Preparedness	137,525	137,525	121,269	16,256
Police Communications Dispatch	1,152,228	1,152,228	967,569	184,659
Police	9,394,216	9,406,216	9,254,024	152,192
Total public safety	20,160,094	20,172,094	19,775,505	396,589
Public works	3,999,636	3,923,636	3,339,585	584,051
Community development	1,023,164	1,148,164	1,041,240	106,924
Parks, recreation, and library:				
Library	3,902,900	3,965,900	3,920,511	45,389
Parks	2,803,887	2,833,887	2,738,041	95,846
Recreation	3,548,043	3,557,543	3,454,129	103,414
Total parks, recreation, and library	10,254,830	10,357,330	10,112,681	244,649
Capital outlay	-	-	-	-
Total expenditures	41,930,938	42,139,438	40,139,163	2,000,275
Excess of revenues over expenditures	8,566,162	11,155,188	15,488,465	4,333,277
Other financing sources (uses)				
Transfers in	1,963,962	2,810,712	2,820,712	10,000
Transfers out	(9,352,970)	(15,371,265)	(15,370,857)	408
Total other financing sources (uses)	(7,389,008)	(12,560,553)	(12,550,145)	10,408
Net change in fund balance	\$ 1,177,154	\$ (1,405,365)	2,938,320	\$ 4,343,685
FUND BALANCE				
Beginning of year			19,947,103	
End of year			<u>\$ 22,885,423</u>	

**COMBINING FINANCIAL STATEMENTS AND
OTHER SUPPLEMENTARY INFORMATION**

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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 Fund – 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.

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, as well as Bayfront facilities impact fees and parking in lieu fees.

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, 2014**

	Special Revenue Funds				
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Special Assessment District Fund	Traffic Safety Fund
ASSETS					
Cash and investments	\$ 1,549,473	\$ 1,272,943	\$ 5,297,330	\$ 396,154	\$ 38,381
Receivables (net of uncollectible amount of \$0):					
Accounts receivable	2,161	1,631	74,530	568	8,366
Due from other governments	118,453	-	-	-	-
Total assets	<u>\$ 1,670,087</u>	<u>\$ 1,274,574</u>	<u>\$ 5,371,860</u>	<u>\$ 396,722</u>	<u>\$ 46,747</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,269	\$ -
Due to other funds	-	-	3,800,000	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,800,000</u>	<u>1,269</u>	<u>-</u>
Fund balances:					
Restricted	1,670,087	1,274,574	1,571,860	395,453	46,747
Assigned	-	-	-	-	-
Total fund balances	<u>1,670,087</u>	<u>1,274,574</u>	<u>1,571,860</u>	<u>395,453</u>	<u>46,747</u>
Total liabilities and fund balances	<u>\$ 1,670,087</u>	<u>\$ 1,274,574</u>	<u>\$ 5,371,860</u>	<u>\$ 396,722</u>	<u>\$ 46,747</u>

CITY OF BURLINGAME, CALIFORNIA
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

Special Revenue Funds					Total Nonmajor Governmental Funds
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	
\$ 83,779	\$ -	\$ 461,712	\$ 709,404	\$ 114,966	\$ 9,924,142
14,146	79,458	456,281	751	27,507	665,399
-	-	-	-	-	118,453
<u>\$ 97,925</u>	<u>\$ 79,458</u>	<u>\$ 917,993</u>	<u>\$ 710,155</u>	<u>\$ 142,473</u>	<u>\$10,707,994</u>
\$ 31,822	\$ 49,621	\$ 9,115	\$ -	\$ 10,294	\$ 102,121
-	26,849	455,985	-	-	4,282,834
<u>31,822</u>	<u>76,470</u>	<u>465,100</u>	<u>-</u>	<u>10,294</u>	<u>4,384,955</u>
-	2,988	-	710,155	-	5,671,864
66,103	-	452,893	-	132,179	651,175
<u>66,103</u>	<u>2,988</u>	<u>452,893</u>	<u>710,155</u>	<u>132,179</u>	<u>6,323,039</u>
<u>\$ 97,925</u>	<u>\$ 79,458</u>	<u>\$ 917,993</u>	<u>\$ 710,155</u>	<u>\$ 142,473</u>	<u>\$10,707,994</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, 2014**

	Special Revenue Funds				
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Special Assessment District Fund	Traffic Safety Fund
REVENUES:					
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ 85,423
Investment income	23,667	17,772	91,493	6,056	-
Intergovernmental	717,714	907,322	-	-	-
Charges for services	-	-	2,669,302	310,097	-
Grant revenue	-	-	-	-	-
Total revenues	<u>741,381</u>	<u>925,094</u>	<u>2,760,795</u>	<u>316,153</u>	<u>85,423</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	6,660	-
Parks, recreation, and library	-	-	-	-	-
Shuttle bus operations	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,660</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>741,381</u>	<u>925,094</u>	<u>2,760,795</u>	<u>309,493</u>	<u>85,423</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfer out	(725,000)	(506,000)	(7,981,532)	(276,869)	(60,000)
Total other financing sources (uses)	<u>(725,000)</u>	<u>(506,000)</u>	<u>(7,981,532)</u>	<u>(276,869)</u>	<u>(60,000)</u>
Net change in fund balances	<u>16,381</u>	<u>419,094</u>	<u>(5,220,737)</u>	<u>32,624</u>	<u>25,423</u>
FUND BALANCES:					
Beginning of year	<u>1,653,706</u>	<u>855,480</u>	<u>6,792,597</u>	<u>362,829</u>	<u>21,324</u>
End of year	<u>\$ 1,670,087</u>	<u>\$ 1,274,574</u>	<u>\$ 1,571,860</u>	<u>\$ 395,453</u>	<u>\$ 46,747</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, 2014**

Special Revenue Funds					Total
Train Shuttle Fund	State/Federal Grants Funds	Local Grants Fund	Development Fees Fund	Public TV Access Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,423
-	-	1,180	8,016	2,593	150,777
-	-	-	-	-	1,625,036
-	-	-	191,288	105,233	3,275,920
<u>118,354</u>	<u>295,277</u>	<u>601,059</u>	<u>-</u>	<u>-</u>	<u>1,014,690</u>
<u>118,354</u>	<u>295,277</u>	<u>602,239</u>	<u>199,304</u>	<u>107,826</u>	<u>6,151,846</u>
-	-	-	-	38,727	38,727
-	295,277	6,811	-	-	302,088
-	-	-	-	-	6,660
-	-	102,696	-	-	102,696
<u>188,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,357</u>
<u>188,357</u>	<u>295,277</u>	<u>109,507</u>	<u>-</u>	<u>38,727</u>	<u>638,528</u>
<u>(70,003)</u>	<u>-</u>	<u>492,732</u>	<u>199,304</u>	<u>69,099</u>	<u>5,513,318</u>
109,702	-	-	-	-	109,702
<u>-</u>	<u>-</u>	<u>(455,985)</u>	<u>-</u>	<u>(150,000)</u>	<u>(10,155,386)</u>
<u>109,702</u>	<u>-</u>	<u>(455,985)</u>	<u>-</u>	<u>(150,000)</u>	<u>(10,045,684)</u>
<u>39,699</u>	<u>-</u>	<u>36,747</u>	<u>199,304</u>	<u>(80,901)</u>	<u>(4,532,366)</u>
<u>26,404</u>	<u>2,988</u>	<u>416,146</u>	<u>510,851</u>	<u>213,080</u>	<u>10,855,405</u>
<u>\$ 66,103</u>	<u>\$ 2,988</u>	<u>\$ 452,893</u>	<u>\$ 710,155</u>	<u>\$ 132,179</u>	<u>\$ 6,323,039</u>

**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, 2014**

	Special Revenue Funds					
	Measure A Fund			Gas Tax Fund		
	Budget ¹	Actual	Variance Final Budget	Budget ¹	Actual	Variance Final Budget
REVENUES:						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Investment income	12,000	23,667	11,667	12,000	17,772	5,772
Intergovernmental	680,000	717,714	37,714	858,126	907,322	49,196
Grants and subventions	-	-	-	-	-	-
Total revenues	<u>692,000</u>	<u>741,381</u>	<u>49,381</u>	<u>870,126</u>	<u>925,094</u>	<u>54,968</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-	-
Shuttle bus operations	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>692,000</u>	<u>741,381</u>	<u>49,381</u>	<u>870,126</u>	<u>925,094</u>	<u>54,968</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	(725,000)	(725,000)	-	(506,000)	(506,000)	-
Total other financing sources (uses)	<u>(725,000)</u>	<u>(725,000)</u>	<u>-</u>	<u>(506,000)</u>	<u>(506,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (33,000)</u>	<u>16,381</u>	<u>\$ 49,381</u>	<u>\$ 364,126</u>	<u>419,094</u>	<u>\$ 54,968</u>
FUND BALANCES:						
Beginning of year		<u>1,653,706</u>			<u>855,480</u>	
End of year		<u>\$ 1,670,087</u>			<u>\$ 1,274,574</u>	

¹ This reflects the original budget as modified by the City's mid-year amendment on March 5, 2014.

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, 2014

Special Revenue Funds								
Storm Drainage Fund			Special Assessment District Fund			Traffic Safety Fund		
Budget ¹	Actual	Variance Final Budget	Budget ¹	Actual	Variance Final Budget	Budget ¹	Actual	Variance Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 85,423	\$ 25,423
2,608,520	2,669,302	60,782	310,157	310,097	(60)	-	-	-
34,000	91,493	57,493	4,000	6,056	2,056	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,642,520</u>	<u>2,760,795</u>	<u>118,275</u>	<u>314,157</u>	<u>316,153</u>	<u>1,996</u>	<u>60,000</u>	<u>85,423</u>	<u>25,423</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	20,000	6,660	13,340	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	20,000	6,660	13,340	-	-	-
<u>2,642,520</u>	<u>2,760,795</u>	<u>118,275</u>	<u>294,157</u>	<u>309,493</u>	<u>15,336</u>	<u>60,000</u>	<u>85,423</u>	<u>25,423</u>
-	-	-	-	-	-	-	-	-
<u>(4,181,568)</u>	<u>7,981,532</u>	<u>12,163,100</u>	<u>(276,869)</u>	<u>(276,869)</u>	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
<u>(4,181,568)</u>	<u>7,981,532</u>	<u>12,163,100</u>	<u>(276,869)</u>	<u>(276,869)</u>	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
<u>\$ (1,539,048)</u>	<u>(5,220,737)</u>	<u>\$ 12,281,375</u>	<u>\$ 17,288</u>	<u>32,624</u>	<u>\$ 15,336</u>	<u>\$ -</u>	<u>25,423</u>	<u>\$ 25,423</u>
	<u>6,792,597</u>			<u>362,829</u>			<u>21,324</u>	
	<u>\$ 1,571,860</u>			<u>\$ 395,453</u>			<u>\$ 46,747</u>	

¹ This reflects the original budget as modified by the City's mid-year amendment on March 5, 2014.

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, 2014

	Special Revenue Funds					
	Train Shuttle Fund			State/Federal Grants Funds		
	Budget ¹	Actual	Variance Final Budget	Budget ¹	Actual	Variance Final Budget
REVENUES:						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Grants and subventions	114,354	118,354	4,000	429,000	295,277	(133,723)
Total revenues	<u>114,354</u>	<u>118,354</u>	<u>4,000</u>	<u>429,000</u>	<u>295,277</u>	<u>(133,723)</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	429,000	295,277	133,723
Public works	-	-	-	-	-	-
Parks, recreation, and library	-	-	-	-	-	-
Shuttle bus operations	226,632	188,357	38,275	-	-	-
Total expenditures	<u>226,632</u>	<u>188,357</u>	<u>38,275</u>	<u>429,000</u>	<u>295,277</u>	<u>133,723</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(112,278)</u>	<u>(70,003)</u>	<u>42,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	109,702	109,702	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>109,702</u>	<u>109,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,576)</u>	<u>39,699</u>	<u>\$ 42,275</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES:						
Beginning of year		<u>26,404</u>			<u>2,988</u>	
End of year		<u>\$ 66,103</u>			<u>\$ 2,988</u>	

¹ This reflects the original budget as modified by the City's mid-year amendment on March 5, 2014.

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, 2014**

Local Grants Fund			Special Revenue Funds			Public TV Access Fund		
			Development Fees Fund					
Budget ²	Actual	Variance Final Budget	Budget ²	Actual	Variance Final Budget	Budget ¹	Actual	Variance Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	191,288	191,288	110,000	105,233	(4,767)
-	1,180	1,180	5,000	8,016	3,016	-	2,593	2,593
-	-	-	-	-	-	-	-	-
-	601,059	601,059	-	-	-	-	-	-
-	602,239	602,239	5,000	199,304	194,304	110,000	107,826	(2,174)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	80,000	38,727	41,273
-	6,811	(6,811)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	102,696	(102,696)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	109,507	(109,507)	-	-	-	80,000	38,727	41,273
-	-	-	-	-	-	-	-	-
-	492,732	(492,732)	5,000	199,304	194,304	30,000	69,099	(43,447)
-	-	-	-	-	-	-	-	-
(1,000,000)	(455,985)	544,015	-	-	-	(120,000)	(150,000)	(30,000)
(1,000,000)	(455,985)	544,015	-	-	-	(120,000)	(150,000)	(30,000)
<u>\$ (1,000,000)</u>	<u>36,747</u>	<u>\$ 51,283</u>	<u>\$ 5,000</u>	<u>199,304</u>	<u>\$ 194,304</u>	<u>\$ (90,000)</u>	<u>(80,901)</u>	<u>\$ (73,447)</u>
	<u>416,146</u>			<u>510,851</u>			<u>213,080</u>	
	<u>\$ 452,893</u>			<u>\$ 710,155</u>			<u>\$ 132,179</u>	

¹ This reflects the original budget as modified by the City's mid-year amendment on March 5, 2014.

² The City does not budget for this fund.

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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, 2014

	Totals		
	Budget ¹	Actual	Variance Final Budget
REVENUES:			
Fines, forfeitures, and penalties	\$ 60,000	\$ 85,423	\$ 25,423
Charges for Services	3,028,677	3,275,920	247,243
Investment income	67,000	150,777	83,777
Intergovernmental	1,538,126	1,625,036	86,910
Grant revenue	543,354	1,014,690	471,336
Total revenues	<u>5,237,157</u>	<u>6,151,846</u>	<u>914,689</u>
EXPENDITURES:			
Current:			
General government	80,000	38,727	41,273
Public safety	429,000	302,088	126,912
Public works	20,000	6,660	13,340
Parks, recreation, and library	-	102,696	(102,696)
Shuttle bus operations	226,632	188,357	38,275
Total expenditures	<u>755,632</u>	<u>638,528</u>	<u>117,104</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,481,525</u>	<u>5,513,318</u>	<u>1,031,793</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	109,702	109,702	-
Transfers out	(6,869,437)	(10,155,386)	(3,285,949)
Total other financing sources (uses)	<u>(6,759,735)</u>	<u>(10,045,684)</u>	<u>(3,285,949)</u>
Net change in fund balances	<u>\$ (2,278,210)</u>	<u>(4,532,366)</u>	<u>\$ (2,254,156)</u>
FUND BALANCES:			
Beginning of year		<u>10,855,405</u>	
End of year		<u>\$ 6,323,039</u>	

¹ This reflects the original budget as modified by the City's mid-year amendment on March 5, 2014.

² The City does not budget for this fund.

INTERNAL SERVICE FUNDS

Risk Management Fund (Workers' Compensation and General Liability) – 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 and 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 and maintenance, and an amount necessary to provide for replacement of computers.

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	General Liability Fund	Worker's Comp. Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
ASSETS							
Current assets:							
Cash and investments, available for operations	\$ 1,844,634	\$ 6,392,815	\$ -	\$ 338,497	\$ 5,543,169	\$ 661,493	\$ 14,780,608
Receivables (net of uncollectible amounts of \$0):							
Due from consumers	10,075	-	-	-	-	262	10,337
Due from other governments	300	100	-	-	7,169	21,193	28,762
Other receivables	570	9,005	-	405	6,195	706	16,881
Advances to other funds	-	-	-	-	301,488	-	301,488
Inventory	-	-	-	-	61,393	-	61,393
Total current assets	<u>1,855,579</u>	<u>6,401,920</u>	<u>-</u>	<u>338,902</u>	<u>5,919,414</u>	<u>683,654</u>	<u>15,199,469</u>
Noncurrent assets:							
Capital assets:							
Facilities, infrastructure, and equipment, net of depreciation	-	-	-	104,089	1,675,527	46,232	1,825,848
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,089</u>	<u>1,675,527</u>	<u>46,232</u>	<u>1,825,848</u>
Total assets	<u>1,855,579</u>	<u>6,401,920</u>	<u>-</u>	<u>442,991</u>	<u>7,594,941</u>	<u>729,886</u>	<u>17,025,317</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total deferred outflows of resources	-	-	-	-	-	-	-
LIABILITIES							
Current liabilities:							
Accounts payable	21,967	-	-	48,842	67,663	103,633	242,105
Compensated absences due in one year	-	-	-	-	1,516	-	1,516
Claims and litigation due in one year	445,536	1,180,608	-	-	-	-	1,626,144
Total current liabilities	<u>467,503</u>	<u>1,180,608</u>	<u>-</u>	<u>48,842</u>	<u>69,179</u>	<u>103,633</u>	<u>1,869,765</u>
Noncurrent liabilities:							
Compensated absences	-	-	-	38,381	28,075	-	66,456
Claims and litigation	1,161,464	5,107,392	-	-	-	-	6,268,856
Total noncurrent liabilities	<u>1,161,464</u>	<u>5,107,392</u>	<u>-</u>	<u>38,381</u>	<u>28,075</u>	<u>-</u>	<u>6,335,312</u>
Total liabilities	<u>1,628,967</u>	<u>6,288,000</u>	<u>-</u>	<u>87,223</u>	<u>97,254</u>	<u>103,633</u>	<u>8,205,077</u>
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources	-	-	-	-	-	-	-
NET POSITION							
Net investment in capital assets	-	-	-	104,089	1,675,527	46,232	1,825,848
Unrestricted (deficit)	226,612	113,920	-	251,679	5,822,160	580,021	6,994,392
Total net position	<u>\$ 226,612</u>	<u>\$ 113,920</u>	<u>\$ -</u>	<u>\$ 355,768</u>	<u>\$ 7,497,687</u>	<u>\$ 626,253</u>	<u>\$ 8,820,240</u>

**CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Liability Fund	Worker's Comp. Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
OPERATING REVENUES:							
Charges for services	\$ 1,682,710	\$ 751,962	\$ -	\$ 1,163,449	\$ 1,076,267	\$ 1,088,152	\$ 5,762,540
Other revenue	1,190	130	-	430	54,615	-	56,365
Total operating revenues	<u>1,683,900</u>	<u>752,092</u>	<u>-</u>	<u>1,163,879</u>	<u>1,130,882</u>	<u>1,088,152</u>	<u>5,818,905</u>
OPERATING EXPENSES:							
Salaries and benefits	-	-	-	640,891	353,425	65,088	1,059,404
Materials and services	-	832,239	-	550,027	294,506	912,435	2,589,207
Depreciation and amortization	-	-	-	17,349	540,953	23,871	582,173
Insurance claims and expenses	1,468,341	1,549,308	-	2,128	2,433	150	3,022,360
Total operating expenses	<u>1,468,341</u>	<u>2,381,547</u>	<u>-</u>	<u>1,210,395</u>	<u>1,191,317</u>	<u>1,001,544</u>	<u>7,253,144</u>
Operating income (loss)	<u>215,559</u>	<u>(1,629,455)</u>	<u>-</u>	<u>(46,516)</u>	<u>(60,435)</u>	<u>86,608</u>	<u>(1,434,239)</u>
NONOPERATING REVENUES (EXPENSES):							
Investment income (expense)	11,053	93,171	-	4,230	69,076	7,409	184,939
Net nonoperating revenues	11,053	93,171	-	4,230	69,076	7,409	184,939
Income (loss) before transfers	226,612	(1,536,284)	-	(42,286)	8,641	94,017	(1,249,300)
Transfers in	<u>-</u>	<u>-</u>	<u>6,600,000</u>	<u>-</u>	<u>102,512</u>	<u>-</u>	<u>6,702,512</u>
Net change in net position before Special item	226,612	(1,536,284)	6,600,000	(42,286)	111,153	94,017	5,453,212
Special item							
OPEB pre-funding	-	-	(6,600,000)	-	-	-	(6,600,000)
Net change in net position	<u>226,612</u>	<u>(1,536,284)</u>	<u>-</u>	<u>(42,286)</u>	<u>111,153</u>	<u>94,017</u>	<u>(1,146,788)</u>
NET POSITION:							
Total net position, beginning	-	1,650,204	-	398,054	7,386,534	532,236	9,967,028
Total net position, ending	<u>\$ 226,612</u>	<u>\$ 113,920</u>	<u>\$ -</u>	<u>\$ 355,768</u>	<u>\$ 7,497,687</u>	<u>\$ 626,253</u>	<u>\$ 8,820,240</u>

**CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Liability Fund	Worker's Compensation Fund	OPEB Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from consumers	\$ 1,672,955	\$ 1,009,694	\$ -	\$ 1,190,525	\$ 1,133,134	\$ 1,082,225	\$ 6,088,533
Payments to suppliers	(1,446,374)	(2,390,697)	-	(536,924)	(415,540)	(860,585)	(5,650,120)
Payments to employees for services	1,607,000	(486,000)	-	(634,993)	(362,192)	(65,088)	58,727
Net cash provided by (used in) operating activities	1,833,581	(1,867,003)	-	18,608	355,402	156,552	497,140
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers to other funds	-	-	-	-	201,024	-	201,024
Net Cash Provided by Noncapital Financing Activities	-	-	-	-	201,024	-	201,024
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Capital expenditures	-	-	-	(10,200)	(393,557)	(10,078)	(413,835)
Net increase (decrease) in cash and cash equivalents	-	-	-	(10,200)	(393,557)	(10,078)	(413,835)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Investment and rental income received	11,053	93,171	-	4,230	69,076	7,409	184,939
Net cash used in investing activities	11,053	93,171	-	4,230	69,076	7,409	184,939
Net increase (decrease) in cash and cash equivalents	1,844,634	(1,773,832)	-	12,638	231,945	153,883	469,268
CASH AND CASH EQUIVALENTS:							
Beginning of year	-	8,166,647	-	325,859	5,311,224	507,610	14,311,340
End of year	<u>\$ 1,844,634</u>	<u>\$ 6,392,815</u>	<u>\$ -</u>	<u>\$ 338,497</u>	<u>\$ 5,543,169</u>	<u>\$ 661,493</u>	<u>\$ 14,780,608</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss)	\$ 215,559	\$ (1,629,455)		\$ (46,516)	\$ (60,435)	\$ 86,608	\$ (1,434,239)
Adjustments to Reconcile Net Operating Income							
Depreciation and Amortization	-	-	-	17,349	540,953	23,871	582,173
Changes in Assets and Liabilities							
(Increase) Decrease in Receivables	(10,945)	257,602	-	26,646	2,252	(5,927)	269,628
(Increase) Decrease in Inventory	-	-	-	-	(13,911)	-	(13,911)
(Increase) Decrease in Claims in Litigation	1,607,000	(486,000)	-	-	-	-	1,121,000
(Increase) Decrease in Accounts Payable	21,967	(9,150)	-	15,231	(104,690)	52,000	(24,642)
(Increase) Decrease in Compensated Absences	-	-	-	5,898	(8,767)	-	(2,869)
Net cash provided by (used in) operating activities	\$ 1,833,581	\$ (1,867,003)	\$ -	\$ 18,608	\$ 355,402	\$ 156,552	\$ 497,140

FIDUCIARY FUNDS

Agency Funds

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

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 (PD) – This fund accounts for unclaimed property received by the Burlingame Police Department.

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

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

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

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.

Unclaimed – General Accounts – This fund accounts for unclaimed property and collections received by the City.

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
JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Library Trustee Account Fund				
Assets:				
Cash and investments	\$ (178)	\$ 178	\$ -	\$ -
Total assets	<u>\$ (178)</u>	<u>\$ 178</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Due to other governmental units	\$ (178)	\$ 178	\$ -	\$ -
Total liabilities	<u>\$ (178)</u>	<u>\$ 178</u>	<u>\$ -</u>	<u>\$ -</u>
Seismic Education Fees				
Assets:				
Cash and investments	\$ 31,503	\$ 2,104	\$ -	\$ 33,607
Total assets	<u>\$ 31,503</u>	<u>\$ 2,104</u>	<u>\$ -</u>	<u>\$ 33,607</u>
Liabilities:				
Accounts payable	\$ 1,267	\$ 2,104	\$ -	\$ 3,371
Due to other governmental units	30,236	-	-	30,236
Total liabilities	<u>\$ 31,503</u>	<u>\$ 2,104</u>	<u>\$ -</u>	<u>\$ 33,607</u>
Hotel BID Fees				
Assets:				
Cash and investments	\$ 122,871	\$ -	\$ -	\$ 122,871
Accounts receivable	927,657	-	72,144	855,513
Total assets	<u>\$ 1,050,528</u>	<u>\$ -</u>	<u>\$ 72,144</u>	<u>\$ 978,384</u>
Liabilities:				
Accounts payable	\$ 122,871	\$ 9,916	\$ -	\$ 132,787
Due to other governmental units	927,657	-	82,060	845,597
Total liabilities	<u>\$ 1,050,528</u>	<u>\$ 9,916</u>	<u>\$ 82,060</u>	<u>\$ 978,384</u>
Elementary School Development Fees				
Assets:				
Cash and investments	\$ 32,223	\$ 2,617	\$ -	\$ 34,840
Total assets	<u>\$ 32,223</u>	<u>\$ 2,617</u>	<u>\$ -</u>	<u>\$ 34,840</u>
Liabilities:				
Accounts payable	\$ 32,223	\$ 2,617	\$ -	\$ 34,840
Total liabilities	<u>\$ 32,223</u>	<u>\$ 2,617</u>	<u>\$ -</u>	<u>\$ 34,840</u>

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
ALL AGENCY FUNDS
JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
High School Development Fees				
Assets:				
Cash and investments	\$ 22,661	\$ 2,867	\$ -	\$ 25,528
Total assets	<u>\$ 22,661</u>	<u>\$ 2,867</u>	<u>\$ -</u>	<u>\$ 25,528</u>
Liabilities:				
Accounts payable	\$ 22,661	\$ 2,867	\$ -	\$ 25,528
Total liabilities	<u>\$ 22,661</u>	<u>\$ 2,867</u>	<u>\$ -</u>	<u>\$ 25,528</u>
Unclaimed Property - PD				
Assets:				
Cash and investments	\$ 1,973	\$ 10,918	\$ -	\$ 12,891
Total assets	<u>\$ 1,973</u>	<u>\$ 10,918</u>	<u>\$ -</u>	<u>\$ 12,891</u>
Liabilities:				
Due to other governmental units	\$ 1,973	\$ 10,918	\$ -	\$ 12,891
Total liabilities	<u>\$ 1,973</u>	<u>\$ 10,918</u>	<u>\$ -</u>	<u>\$ 12,891</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:				
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	\$ 4,600	\$ 4,259	\$ -	\$ 8,859
Total assets	<u>\$ 4,600</u>	<u>\$ 4,259</u>	<u>\$ -</u>	<u>\$ 8,859</u>
Liabilities:				
Accounts payable	\$ 4,600	\$ 4,259	\$ -	\$ 8,859
Total liabilities	<u>\$ 4,600</u>	<u>\$ 4,259</u>	<u>\$ -</u>	<u>\$ 8,859</u>
Library Foundation Account Fund				
Assets:				
Cash and investments	\$ 737	\$ 1,097	\$ -	\$ 1,834
Total assets	<u>\$ 737</u>	<u>\$ 1,097</u>	<u>\$ -</u>	<u>\$ 1,834</u>
Liabilities:				
Accounts payable	\$ 424	\$ 673		\$ 1,097
Due to other governmental units	313	424	-	737
Total liabilities	<u>\$ 737</u>	<u>\$ 1,097</u>	<u>\$ -</u>	<u>\$ 1,834</u>

CITY OF BURLINGAME, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
ALL AGENCY FUNDS
JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Building Standards Administration				
Assets:				
Cash and investments	\$ 3,401	\$ 908	\$ -	\$ 4,309
Total assets	<u>\$ 3,401</u>	<u>\$ 908</u>	<u>\$ -</u>	<u>\$ 4,309</u>
Liabilities:				
Accounts payable	\$ 571	\$ 337	\$ -	\$ 908
Due to other governmental units	2,830	571	-	3,401
Total liabilities	<u>\$ 3,401</u>	<u>\$ 908</u>	<u>\$ -</u>	<u>\$ 4,309</u>
QWL Committee				
Assets:				
Cash and investments	\$ 652	\$ -	\$ 817	\$ (165)
Total assets	<u>\$ 652</u>	<u>\$ -</u>	<u>\$ 817</u>	<u>\$ (165)</u>
Liabilities:				
Due to other governmental units	\$ 652	\$ -	\$ 817	\$ (165)
Total liabilities	<u>\$ 652</u>	<u>\$ -</u>	<u>\$ 817</u>	<u>\$ (165)</u>
Unclaimed - General Accounts				
Assets:				
Cash and investments	\$ (1,126)	\$ 3,543	\$ -	\$ 2,417
Total assets	<u>\$ (1,126)</u>	<u>\$ 3,543</u>	<u>\$ -</u>	<u>\$ 2,417</u>
Liabilities:				
Due to other governmental units	\$ (1,126)	\$ 1,126	\$ -	\$ -
Deposit	-	2,417	-	2,417
Total liabilities	<u>\$ (1,126)</u>	<u>\$ 3,543</u>	<u>\$ -</u>	<u>\$ 2,417</u>
Downtown Business Improvement District				
Assets:				
Cash and investments	\$ 901	\$ 2,998	\$ -	\$ 3,899
Accounts receivable	11,848	-	298	11,550
Total assets	<u>\$ 12,749</u>	<u>\$ 2,998</u>	<u>\$ 298</u>	<u>\$ 15,449</u>
Liabilities:				
Accounts payable	\$ 900	\$ 2,700	\$ -	\$ 3,600
Due to other governmental units	11,849	-	-	11,849
Total liabilities	<u>\$ 12,749</u>	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ 15,449</u>
TOTALS				
Assets:				
Cash and investments	\$ 216,347	\$ 31,489	\$ 817	\$ 247,019
Accounts receivable	939,505	-	72,442	867,063
Total assets	<u>\$ 1,155,852</u>	<u>\$ 31,489</u>	<u>\$ 73,259</u>	<u>\$ 1,114,082</u>
Liabilities:				
Accounts payable	\$ 185,517	\$ 25,473	\$ -	\$ 210,990
Deposit	-	2,417	-	2,417
Due to other governmental units	970,335	13,217	82,877	900,675
Total liabilities	<u>\$ 1,155,852</u>	<u>\$ 41,107</u>	<u>\$ 82,877</u>	<u>\$ 1,114,082</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

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These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	158-165
<u><i>Debt Capacity</i></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.	166-170
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CITY OF BURLINGAME, CALIFORNIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	\$ 97,102	\$ 95,584	\$ 93,700	\$ 92,795
Restricted	1,892	1,655	1,800	3,299
Unrestricted	<u>11,811</u>	<u>12,206</u>	<u>12,709</u>	<u>16,265</u>
Total governmental activities net position	<u><u>\$ 110,805</u></u>	<u><u>\$ 109,445</u></u>	<u><u>\$ 108,209</u></u>	<u><u>\$ 112,359</u></u>
Business-type activities:				
Net investment in capital assets	\$ 27,990	\$ 27,651	\$ 27,631	\$ 30,824
Restricted	-	-	-	-
Unrestricted	<u>6,323</u>	<u>8,610</u>	<u>13,540</u>	<u>14,385</u>
Total business-type activities net position	<u><u>\$ 34,313</u></u>	<u><u>\$ 36,261</u></u>	<u><u>\$ 41,171</u></u>	<u><u>\$ 45,209</u></u>
Primary government:				
Net investment in capital assets	\$ 125,092	\$ 123,235	\$ 121,331	\$ 123,619
Restricted	1,892	1,655	1,800	3,299
Unrestricted	<u>18,134</u>	<u>20,816</u>	<u>26,249</u>	<u>30,650</u>
Total primary government net position	<u><u>\$ 145,118</u></u>	<u><u>\$ 145,706</u></u>	<u><u>\$ 149,380</u></u>	<u><u>\$ 157,568</u></u>

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

(1) 2009	(1) 2010	(1) 2011	(2) 2012	2013	2014
\$ 60,967	\$ 59,936	\$ 51,521	\$ 78,903	\$ 64,020	\$ 72,956
3,575	3,515	8,674	12,102	26,400	45,863
<u>41,005</u>	<u>42,298</u>	<u>49,259</u>	<u>27,234</u>	<u>34,841</u>	<u>14,732</u>
<u>\$ 105,547</u>	<u>\$ 105,749</u>	<u>\$ 109,454</u>	<u>\$ 118,239</u>	<u>\$ 125,261</u>	<u>\$ 133,551</u>
\$ 32,014	\$ 30,759	\$ 38,406	\$ 40,381	\$ 43,469	\$ 46,341
-	-	-	5,014	5,050	451
<u>18,119</u>	<u>19,260</u>	<u>17,736</u>	<u>14,788</u>	<u>16,093</u>	<u>27,092</u>
<u>\$ 50,133</u>	<u>\$ 50,019</u>	<u>\$ 56,142</u>	<u>\$ 60,183</u>	<u>\$ 64,612</u>	<u>\$ 73,884</u>
\$ 92,981	\$ 90,695	\$ 89,927	\$ 119,284	\$ 107,489	\$ 119,297
3,575	3,515	8,674	17,116	31,450	46,314
<u>59,124</u>	<u>61,558</u>	<u>66,995</u>	<u>42,022</u>	<u>50,934</u>	<u>41,824</u>
<u>\$ 155,680</u>	<u>\$ 155,768</u>	<u>\$ 165,596</u>	<u>\$ 178,422</u>	<u>\$ 189,873</u>	<u>\$ 207,436</u>

- (1) Reclassifications in the categories were made to stay consistent and comparable with the presentation in the current year.
- (2) 2012 reflects net position as originally stated and does not include the effect of implementation of GASB Statement No. 65 in 2013 which restated beginning net position.

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

	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 4,201	\$ 4,488	\$ 4,957	\$ 5,199
Public safety	18,042	19,758	17,804	18,981
Public works	5,628	7,526	7,685	4,307
Community development	771	837	835	4,168
Parks, recreation, and library	10,803	11,373	11,304	9,465
Shuttle bus operations	250	286	306	304
Financing and other activities	1,072	519	2,644	1,401
Total governmental activities expenses	40,767	44,787	45,535	43,825
Business-type activities:				
Water	6,363	6,934	7,629	8,662
Sewer	7,388	8,486	9,323	10,011
Waste management	290	318	372	307
Landfill	-	-	-	-
Parking	902	1,127	1,154	1,315
Building	-	-	-	-
Total business-type activities expenses	14,943	16,865	18,478	20,295
Total primary governmental expenses	\$ 55,710	\$ 61,652	\$ 64,013	\$ 64,120
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 244	\$ 275	\$ 574	\$ 269
Public safety	1,672	1,892	2,355	1,737
Public works	1,077	1,393	3,032	1,438
Community development	305	317	344	263
Parks, recreation, and library	2,424	2,514	2,810	2,719
Operating grants and contributions	1,756	2,080	166	2,730
Capital grants and contributions	885	1,086	-	105
Total governmental activities program revenues	8,363	9,557	9,281	9,261
Business-types activities:				
Charges for services:				
Water	8,095	8,726	10,484	11,119
Sewer	8,253	9,584	10,825	11,592
Waste management	-	-	-	-
Landfill	-	-	-	-
Parking	1,662	1,644	1,638	1,691
Building	-	-	-	-
Capital grants and contributions	-	-	-	1,105
Total business-type activities program revenues	18,010	19,954	22,947	25,507
Total primary governmental program revenues	\$ 26,373	\$ 29,511	\$ 32,228	\$ 34,768
Net (expenses)/revenue				
Governmental activities	\$ (32,404)	\$ (35,230)	\$ (36,254)	\$ (34,564)
Business-type activities	3,067	3,089	4,469	5,212
Total primary government net revenues (expenses)	\$ 29,337	\$ 32,141	\$ (31,785)	\$ (29,352)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 9,360	\$ 10,390	\$ 11,469	\$ 12,198
Sales tax	8,508	8,806	9,231	9,458
Transient occupancy tax	8,067	9,273	10,356	11,265
Other taxes	2,169	2,498	2,090	2,103
Other general revenue	-	-	-	-
Special item - OPEB pre-funding	-	-	-	-
Investment earnings (expense)	782	716	1,408	1,610
Transfers	(689)	11,039	464	2,080
Total governmental activities	28,197	42,722	35,018	38,714
Business-type activities:				
Other taxes	401	747	905	906
Investment earnings (expense)	367	299	-	-
Transfers	689	(11,039)	(464)	(2,080)
Total business-type activities	1,457	(9,993)	441	(1,174)
Total primary government	29,654	32,729	35,459	37,540
Change in Net Position				
Governmental activities	(4,207)	7,492	(1,236)	4,149
Business-type activities	4,524	(6,904)	4,910	4,038
Total primary government	\$ 317	\$ 588	\$ 3,674	\$ 8,187

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

2009	2010	2011	2012	2013	2014
\$ 5,493	\$ 5,354	\$ 6,803	\$ 6,358	\$ 6,188	\$ 7,295
21,154	21,050	21,141	20,265	21,163	19,141
8,071	8,453	8,514	8,248	9,268	12,961
3,263	2,318	1,752	1,245	941	1,007
10,868	9,191	10,475	9,828	11,065	11,162
318	130	324	249	179	188
2,093	1,876	2,656	2,215	3,552	2,812
51,261	48,372	51,665	48,408	52,356	54,567
9,315	9,370	9,569	11,082	12,127	10,745
10,442	10,170	9,509	9,686	9,553	9,332
1,217	687	936	681	634	467
-	-	-	-	-	177
1,353	1,298	1,454	1,435	1,350	1,183
1,185	1,075	1,141	1,222	1,317	1,254
23,512	22,600	22,608	24,107	24,980	23,158
\$ 74,773	\$ 70,972	\$ 74,273	\$ 72,516	\$ 77,336	\$ 77,725
\$ 240	\$ 350	\$ 616	\$ 2	\$ 117	\$ 302
2,104	1,179	2,202	1,053	212	1,097
556	314	1,713	560	3,230	4,075
300	336	744	319	384	738
2,565	2,643	2,744	2,760	2,880	2,919
2,590	2,040	2,210	1,165	987	738
918	3,407	3,189	3,520	357	1,249
9,273	10,269	13,490	9,379	8,167	11,118
11,800	11,516	12,734	13,708	14,875	16,023
12,467	12,534	14,566	16,157	16,791	16,931
7	294	653	465	564	1,694
-	-	-	-	-	350
1,640	1,645	1,802	1,950	2,428	2,477
2,356	1,479	1,404	1,580	1,707	2,057
535	23	-	-	-	-
28,805	27,491	31,159	33,860	36,365	39,532
\$ 38,078	\$ 37,760	\$ 44,649	\$ 43,239	\$ 44,532	\$ 50,651
\$ (41,988)	\$ (38,103)	\$ (38,175)	\$ (39,029)	\$ (44,189)	\$ (43,449)
5,293	4,891	8,551	9,753	11,385	16,374
\$ (36,695)	\$ (33,212)	\$ (29,624)	\$ (29,277)	\$ (32,804)	\$ (27,075)
\$ 12,798	\$ 13,355	\$ 13,310	\$ 13,672	\$ 14,394	\$ 15,497
8,251	6,276	8,041	8,495	9,199	10,196
10,155	10,342	13,404	16,183	18,244	21,357
2,095	2,267	5,037	4,478	5,311	4,595
-	-	-	-	-	344
-	-	-	-	-	(6,600)
897	618	805	472	148	576
980	5,447	1,282	4,513	3,916	5,774
35,176	38,305	41,879	47,813	51,212	51,739
610	442	-	228	314	-
-	-	(1,145)	(1,427)	(3,353)	(1,329)
(980)	(5,447)	(1,282)	(4,513)	(3,916)	(5,774)
(370)	(5,005)	(2,427)	(5,712)	(6,955)	(7,103)
34,806	33,300	39,452	42,101	44,257	44,636
(6,811)	202	3,704	8,784	7,023	8,290
4,923	(114)	6,124	4,041	4,430	9,271
\$ (1,887)	\$ 88	\$ 9,828	\$ 12,825	\$ 11,453	\$ 17,562

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

	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ -	\$ 40	\$ 88	\$ 669	\$ 670	\$ 580
Unreserved	<u>8,994</u>	<u>8,707</u>	<u>9,802</u>	<u>8,881</u>	<u>6,676</u>	<u>6,276</u>
Subtotal General Fund	<u>\$ 8,994</u>	<u>\$ 8,747</u>	<u>\$ 9,890</u>	<u>\$ 9,550</u>	<u>\$ 7,346</u>	<u>\$ 6,856</u>
All other governmental funds:						
Reserved	\$ 1,841	\$ 1,666	\$ 4,509	\$ 7,724	\$ 6,111	\$ 9,024
Unreserved, reported in:						
Debt service funds	-	-	-	-	-	-
Special revenue funds	293	481	517	605	757	739
Capital projects funds	<u>2,708</u>	<u>2,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal all other governmental funds	<u>\$ 4,842</u>	<u>\$ 4,790</u>	<u>\$ 5,026</u>	<u>\$ 8,329</u>	<u>\$ 6,868</u>	<u>\$ 9,763</u>
	2011	2012	2013	2014		
General Fund:						
Nonspendable	\$ 3	\$ 1	\$ 217	\$ 221		
Assigned	10,200	11,927	12,300	9,413		
Unassigned	<u>1,665</u>	<u>3,591</u>	<u>7,430</u>	<u>13,251</u>		
Subtotal General Fund	<u>11,868</u>	<u>15,519</u>	<u>19,947</u>	<u>22,885</u>		
All other governmental funds:						
Nonspendable	\$ 475	\$ 204	\$ 396	\$ 383		
Restricted	5,756	11,898	26,004	13,617		
Committed	-	-	19,412	31,863		
Assigned	<u>16,140</u>	<u>13,246</u>	<u>1,166</u>	<u>651</u>		
Subtotal all other governmental funds	<u>22,370</u>	<u>25,348</u>	<u>46,978</u>	<u>46,514</u>		
Total governmental fund balance	<u>\$ 34,238</u>	<u>\$ 40,867</u>	<u>\$ 66,925</u>	<u>\$ 69,400</u>		

(1) Beginning in fiscal year 2011, the City implemented GASB Statement No. 54, which provided updated guidance on fund balance designation and reporting.

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

	2005	2006	2007	2008
REVENUES:				
Property taxes	\$ 9,360	\$ 10,390	\$ 11,469	\$ 12,198
Sales and use taxes	8,508	8,806	9,231	9,459
Transient occupancy taxes	8,067	9,273	10,355	11,265
Other taxes	1,861	1,843	1,900	1,981
Licenses and permits	816	927	967	1,221
Fines, forfeitures, and penalties	1,070	984	1,184	1,178
Investment income	809	773	1,491	1,677
Motor vehicle in lieu tax	308	655	190	122
Charges for services	3,637	4,237	4,145	3,797
Grant and governmental revenue	1,688	2,003	2,091	2,148
Other revenue	1,099	1,306	777	823
Total revenues	37,223	41,197	43,801	45,869
EXPENDITURES:				
General government	3,965	4,306	4,686	4,987
Public safety	17,734	18,949	16,550	18,846
Public works	6,158	6,881	6,204	4,723
Community development	739	841	780	1,697
Parks, recreation, and library	8,388	9,028	8,784	9,505
Shuttle bus operations	250	286	306	304
Other	-	-	-	-
Capital outlay	3,253	2,050	1,456	6,680
Debt service:				
Principal	267	803	2,405	2,547
Interest	1,158	540	2,297	1,543
Total expenditures	41,912	43,684	43,468	50,832
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,689)	(2,487)	333	(4,963)
OTHER FINANCING SOURCES (USES):				
Transfers in	11,880	15,455	16,935	15,532
Transfers out	(12,569)	(13,268)	(16,471)	(7,605)
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)	(837)	2,187	1,046	7,927
Net change in fund balances	\$ (5,526)	\$ (300)	\$ 1,379	\$ 2,964
Debt service as a percentage of noncapital expenditures	4%	3%	11%	9%

(1) Certain reclassifications have been made to facilitate comparability between prior year CAFRs.

(2) Property tax revenues include reimbursement of \$1.1 million plus interest in fiscal year 2012-13 from the State of California which borrowed 8% of local property tax revenues in 2009 to balance the state deficit

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)

2009	2010	2011	2012	2013	2014
\$ 12,798	\$ 12,209	\$ 13,310	\$ 13,672	\$ 15,539	\$ 15,497
8,251	6,276	8,041	8,495	9,199	10,196
10,155	10,342	13,404	16,183	18,244	21,357
2,012	2,159	2,416	2,582	2,970	4,595
298	92	97	100	102	112
1,298	467	1,025	889	933	874
959	695	803	472	148	391
83	108	148	-	-	-
3,986	6,392	6,121	6,270	6,721	7,704
2,722	2,652	2,162	3,112	2,383	1,987
877	552	845	904	370	345
<u>43,440</u>	<u>41,945</u>	<u>48,372</u>	<u>52,679</u>	<u>56,608</u>	<u>63,058</u>
5,111	4,842	5,458	6,669	5,699	5,989
19,097	18,830	17,378	18,392	18,895	20,082
6,839	7,231	5,713	9,790	7,834	11,280
890	780	731	1,172	854	1,041
10,319	8,500	8,620	9,463	9,328	10,485
318	130	139	145	179	188
-	-	17	-	-	-
11,001	5,028	4,023	-	6,447	3,206
2,138	2,212	7,526	3,034	3,527	4,631
2,104	1,922	2,425	2,304	2,337	2,752
<u>57,817</u>	<u>49,475</u>	<u>52,030</u>	<u>50,969</u>	<u>55,100</u>	<u>59,655</u>
<u>(14,377)</u>	<u>(7,530)</u>	<u>(3,658)</u>	<u>1,710</u>	<u>1,508</u>	<u>3,404</u>
17,398	16,797	26,312	29,276	33,209	37,320
(6,686)	(6,861)	(25,029)	(24,763)	(29,293)	(38,248)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	20,300	405	20,637	-
-	-	(305)	-	-	-
<u>10,712</u>	<u>9,936</u>	<u>21,278</u>	<u>4,918</u>	<u>24,553</u>	<u>(928)</u>
<u>\$ (3,665)</u>	<u>\$ 2,405</u>	<u>\$ 17,620</u>	<u>\$ 6,629</u>	<u>\$ 26,059</u>	<u>\$ 2,474</u>
9%	9%	21%	10%	12%	13%

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

Category	2004-05	2005-06	2006-07
Residential	\$ 3,463,549,952	\$ 3,770,638,803	\$ 4,097,648,898
Commercial	982,822,412	1,050,922,639	1,111,631,900
Industrial	304,544,600	340,313,166	367,137,642
Government	1,587,678	1,619,429	1,651,816
Institutional	30,439,591	30,906,932	31,826,071
Miscellaneous	2,205,229	2,249,331	2,294,312
Recreational	11,316,394	11,499,783	12,299,913
Vacant Land	53,112,703	8,433,634	10,666,591
SBE Nonunitary	1,682,882	1,569,728	1,290,599
Unsecured	292,198,625	272,414,954	324,100,493
Unknown	-	-	-
TOTALS	\$ 5,143,460,062	\$ 5,490,568,404	\$ 5,960,548,228
Total Direct Rate	0.14530	0.14536	0.14531

Source: San Mateo County Assessor 2004/05 - 2013/14 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

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
\$	4,425,787,714	\$ 4,752,698,976	\$ 4,919,813,993	\$ 4,964,900,673	\$ 5,067,435,558	\$ 5,292,630,080	\$ 5,657,587,039
	1,218,274,542	1,205,209,020	1,229,890,648	1,197,204,546	1,203,204,597	1,264,338,491	1,304,028,690
	386,532,903	403,343,837	417,397,081	445,945,589	449,409,192	469,569,724	487,612,064
	1,684,851	1,718,546	1,752,914	477,622	481,217	490,841	1,131,741
	32,449,526	27,466,494	23,302,586	5,108,197	5,179,683	5,313,527	5,686,994
	2,340,192	2,386,992	6,116,146	47,603,695	46,149,474	47,731,445	52,216,889
	12,527,505	20,570,100	17,974,577	21,392,656	21,565,053	21,330,221	21,756,820
	10,038,189	43,891,543	46,610,281	50,379,786	44,684,470	53,260,644	61,242,201
	3,837,425	3,837,425	3,837,425	3,680,597	2,560,452	2,560,452	2,560,452
	291,377,516	300,758,515	299,902,769	274,429,627	270,906,684	275,840,943	302,712,785
	-	145,525	-	-	-	-	45,233,193
\$	6,384,850,362	\$ 6,762,026,973	\$ 6,966,598,420	\$ 7,011,122,988	\$ 7,111,576,380	\$ 7,433,066,368	\$ 7,941,768,868
	0.14525	0.14522	0.14521	0.14520	0.14519	0.14209	0.14205

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

TAXABLE PROPERTY VALUES						
LIEN YEAR	SECURED	UNSECURED	SBE NONUNITARY	NET TOTAL ASSESSED VALUE	% CHANGE	
2004/05	\$ 4,849,578,559	\$ 292,198,625	\$ 1,682,882	\$ 5,143,460,066	6.76%	
2005/06	5,216,583,717	272,414,954	1,569,728	\$ 5,490,568,399	6.75%	
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%	
2012/13	7,154,664,973	275,840,943	2,560,452	\$ 7,433,066,368	4.52%	
2013/14	7,636,495,631	302,712,785	2,560,452	\$ 7,941,768,868	6.84%	

Source: San Mateo County Assessor 2004/05 - 2013/14 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	
	\$	\$	\$	\$	\$	\$	\$	\$
2005	1.0000	0.0000	0.0000	0.0000	0.0065	0.0865	0.0174	1.1104
2006	1.0000	0.0000	0.0000	0.0000	0.0065	0.0851	0.0174	1.1090
2007	1.0000	0.0000	0.0000	0.0000	0.0184	0.0815	0.0156	1.1155
2008	1.0000	0.0000	0.0000	0.0000	0.0171	0.0830	0.0150	1.1151
2009	1.0000	0.0000	0.0000	0.0000	0.0165	0.1083	0.0298	1.1546
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
2013	1.0000	0.0000	0.0000	0.0000	0.0194	0.1448	0.0381	1.2023
2014	1.0000	0.0000	0.0000	0.0000	0.0194	0.1772	0.0355	1.2321
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 (5)								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. The Burlingame Redevelopment Agency is currently dissolved.

(5) Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013-14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012-13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source: HDL Coren & Cone

**CITY OF BURLINGAME, CALIFORNIA
TOP TEN PROPERTY TAXPAYERS
JUNE 30, 2014
(AMOUNTS EXPRESSED IN THOUSANDS)**

Taxpayer	2014				2013		
	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	\$ 115,209,000	1	1.45%	EQR-Northpark LP	\$ 112,200,000	1	1.41%
Inland American Lodging Burlingame	106,182,000	2	1.34%	HMC Burlingame Hotel LLC	88,569,898	2	1.12%
HMC Burlingame Hotel LLC	92,818,651	3	1.17%	Inland American Lodging Burlingame	79,569,725	3	1.00%
Bay Park Plaza Associates	66,200,000	4	0.83%	Mills Peninsula Helath Svc	61,086,976	4	0.77%
Felcor CCS Holdings LP 9520	49,367,791	5	0.62%	Bay Park Plaza Associates	53,405,499	5	0.67%
EQR Skyline Terrace LP	44,305,434	6	0.56%	Felcor CCS Holdings LP 9520	44,109,547	6	0.56%
One Bay Plaza Associates LLC	43,000,000	7	0.54%	EQR Skyline Terrace LP	43,450,534	7	0.55%
DCT Rollins Road LLC	35,853,000	8	0.45%	One Bay Plaza Associates LLC	38,419,758	8	0.48%
Harbour View Hotels, Inc	29,603,244	9	0.37%	DCT Rollins Road LLC	35,150,000	9	0.44%
Upsky International Holdings Limited	29,008,443	10	0.37%	Harbour View Hotles, Inc	28,570,152	10	0.36%
	<u>\$ 611,547,563</u>		<u>7.70%</u>		<u>\$ 584,532,089</u>		<u>7.36%</u>

(1) 2013-14 Local Secured Assessed Valuation \$ 7,941,768,868

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	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
2005	\$ 8,539,731	\$ 8,596,528	100.67%	\$ -	\$ 8,596,528	100.67%
2006	9,141,651	9,278,777	101.50%	-	9,278,777	101.50%
2007	9,939,398	8,799,467	88.53%	-	8,799,467	88.53%
2008	10,661,563	9,371,585	87.90%	-	9,371,585	87.90%
2009	11,304,881	9,730,358	86.07%	-	9,730,358	86.07%
2010	11,653,813	8,840,920	75.86%	-	8,840,920	75.86%
2011	11,729,356	10,050,908	85.69%	-	10,050,908	85.69%
2012	11,900,220	10,976,456	92.24%	-	10,976,456	92.24%
2013	12,446,101	11,762,421	94.51%	-	11,762,421	94.51%
2014	13,312,310	12,745,227	95.74%		12,745,227	95.74%

Notes:

(1) In fiscal year 2009-10 as part of the State of California's budget balancing actions, the State borrowed \$1,145,268 of the City's property tax revenue, with the promise to repay the Proposition 1A loan in three years with 2% interest. These amounts were fully reimbursed by the State of California as of June 30, 2013.

(2) Current tax collections are less than the levy due to roll corrections, county administrative charges, and other adjustments which may occur after the date of levy.

(3) The City participates in the Teeter Plan under California State law. Under the Teeter Plan, the County remits the entire tax levy and manages delinquent tax collections with the associated interest and penalties.

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>
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	1,782	313	33,299
2010	13,355	6,276	10,342	1,857	403	32,233
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
2013	14,394	9,199	18,244	4,217	1,408	47,462
2014	15,497	10,196	21,357	2,970	1,625	51,645

Source: Audited City financial records - Statement of Activities

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

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Other Taxes	Inter- governmental Revenues	Total
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	1,782	313	33,299
2010	12,209	6,276	10,342	1,857	403	31,087
2011	13,310	8,041	13,404	2,416	1,500	38,671
2012	13,672	8,495	16,183	2,582	1,896	42,828
2013	15,539	9,199	18,244	4,217	1,408	48,607
2014	15,497	10,196	21,357	2,970	1,625	51,645

Source: Audited City financial records - Governmental Funds

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

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Lease Revenue Bond	Storm Drainage	Pension Obligation Bonds	State Loans	Lease Purchase	Sewer Bonds	Water Bonds and Loans			
2005	\$ 6,705,000	\$ -	\$ -	\$ 7,107,120	\$ -	\$ 19,565,000	\$ 18,600,000	\$ 51,977,120	3.52%	\$ 1,844
2006	6,180,000	-	-	10,521,750	-	18,025,000	18,080,000	52,806,750	3.28%	1,867
2007	5,645,000	-	31,395,000	11,056,020	-	16,435,000	17,540,000	82,071,020	4.80%	2,884
2008	5,095,000	-	30,280,000	10,696,649	-	26,025,000	30,475,000	102,571,649	5.87%	3,566
2009	4,530,000	-	29,020,000	10,249,390	-	24,250,000	29,550,000	97,599,390	5.74%	3,360
2010	3,950,000	-	27,605,000	9,791,549	-	22,400,000	28,600,000	92,346,549	7.25%	3,147
2011	11,555,000	9,805,000	26,010,000	11,776,097	1,500,000	20,470,000	27,625,000	108,741,097	7.78%	3,736
2012	10,935,000	9,560,000	24,235,000	13,466,890	1,305,907	18,225,000	25,925,000	103,652,797	6.91%	3,522
2013	19,985,000	19,630,000	22,275,000	364,204	1,104,952	17,525,000	24,895,000	105,779,156	7.14%	3,563
2014	18,260,000	19,155,000	20,095,000	320,209	897,597	29,634,992	23,320,000	111,682,798	7.54%	3,762

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

Furthermore, please reference the schedule of Demographic and Economic Statistics for personal income and per capita data. Data for calendar year 2014 is not available. Therefore, in order to present a useful estimate, personal income data for calendar year 2013 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
2005	\$ -	\$ -	\$ -	0.00%	\$ -
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2010	-	-	-	0.00%	-
2011	-	-	-	0.00%	-
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-

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

CITY OF BURLINGAME, CALIFORNIA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT*
JUNE 30, 2014

2013-14 Assessed Valuation** : \$ 7,941,768,868

	Total Debt June 30, 2014	Percent Applicable (1)	City's Share of Debt June 30, 2014
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 563,069,994	5.058%	\$ 28,480,080
San Mateo Union High School District	514,146,777	14.561%	74,864,912
Burlingame Elementary School District	85,947,486	94.496%	81,216,936
Hillsborough School District	56,921,434	0.100%	58,833
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,220,085,691		\$ 184,620,762
<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>			
San Mateo County General Fund Obligations	\$ 473,769,816	5.058%	\$ 23,963,277
San Mateo County Board of Education Certificates of Participation	10,950,000	5.016%	553,851
City of Burlingame General Fund Obligations	18,260,000	100.000%	18,260,000
City of Burlingame Pension Obligation Bond	20,095,000	100.000%	20,095,000
TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT	\$ 523,074,816		\$ 62,872,128
Less: City of Burlingame General Fund Obligations Supported from Enterprise Revenues			\$ 3,570,000
Less: City of Burlingame Pension Obligations Supported by Enterprise Revenues			5,023,750
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 54,278,378
TOTAL GROSS DIRECT DEBT			\$ 38,355,000
TOTAL NET DIRECT DEBT			\$ 29,761,250
TOTAL OVERLAPPING DEBT			\$ 209,137,890
GROSS COMBINED TOTAL DEBT			\$ 247,492,890
NET COMBINED TOTAL DEBT			\$ 238,899,140

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	2.32%	* Source: California Municipal Statistics, Inc.
Gross Combined Direct Debt (\$35,170,000).....	0.48%	** Total assessed valuation less other exemptions
Net Combined Direct Debt (\$25,008,750).....	1.82%	
Gross Combined Total Debt	3.12%	
Net Combined Total Debt	3.01%	

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/14: \$0

Source: California Municipal Statistics, Inc.

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)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 766,012	\$ 780,344	\$ 888,627	\$ 239,432	\$ 253,576	\$ 261,247	\$ 266,684	\$ 295,550	\$ 295,550	\$ 297,816
Total net debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>\$ 266,684</u>	<u>\$ 295,550</u>	<u>\$ 295,550</u>	<u>\$ 297,816</u>
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Legal Debt Margin Calculation for Fiscal Year 2014

Gross Assessed Valuation	\$ 7,941,768,868
Multiplied by: (1)	<u>3.75%</u>
	297,816,333
Less: Outstanding Debt	<u>\$ -</u>
Legal Debt Margin	297,816,333

(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 SIX FISCAL YEARS**

Fiscal Year	Water Revenue Bonds			Debt Service		
	Water Charges	Less:	Net			Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
2009	\$ 11,800,380	\$ 6,801,139	\$ 4,999,241	\$ 925,000	\$ 1,279,173	2.27
2010	11,515,884	6,874,120	4,641,764	950,000	1,249,998	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	1,225,000	1,232,332	1.87
2013	14,874,705	9,577,242	5,297,463	1,220,000	1,295,085	2.11
2014	16,023,092	8,955,437	7,067,655	1,125,000	942,966	3.42

Fiscal Year	Wastewater Revenue Bonds			Debt Service			Coverage
	Wastewater Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest		
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	1,091,957	3.11	
2011	14,566,587	6,927,346	7,639,241	844,287	1,069,436	3.99	
2012	16,157,287	6,932,146	9,225,141	981,019	1,072,772	4.49	
2013	16,791,449	6,297,799	10,493,650	1,483,648	1,221,156	3.88	
2014	16,931,432	6,448,667	10,482,765	1,470,149	1,060,938	4.14	

Source: City financial statements

Notes:

Details regarding the City's outstanding debt can be found in Note 5 in the Notes to the Basic Financial Statements. Operating expenses, for purposes of calculating debt service coverage, do not include depreciation and amortization. The above reference debt service only includes parity debt.

**CITY OF BURLINGAME, CALIFORNIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST NINE 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)	% Population 25+ with Bachelor's Degree (3)
2005	28,180	\$ 1,475,381	\$ 52,356	N/A	N/A
2006	28,277	1,610,910	56,969	N/A	N/A
2007	28,453	1,708,173	60,035	N/A	N/A
2008	28,762	1,747,107	60,744	N/A	N/A
2009	29,050	1,700,088	58,523	95.3%	53.6%
2010	29,342	1,274,382	43,432	94.4%	51.8%
2011	29,106	1,396,972	47,996	94.1%	53.4%
2012	29,426	1,500,785	51,002	95.2%	54.1%
2013	29,685	1,480,747	49,882	95.2%	54.6%

Sources:

(1) California State Department of Finance

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

(3) For 2005-2008, 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

**CITY OF BURLINGAME, CALIFORNIA
PRINCIPAL EMPLOYERS
FISCAL YEAR 2013-14 AND 2008-09**

Employer	2013-14		
	Employee	Rank	Percentage of Total City Employment
Mills Peninsula Health Services*	2,000	1	11.83%
Flying Food Group	510	2	3.02%
Lufthansa Service Holdings Group Sky Chefs Inc	473	3	2.80%
Hyatt Regency San Francisco Airport**	450	4	2.66%
Burlingame School District	295	5	1.75%
Guittard Chocolate Co.**	254	6	1.50%
Classic Party Rentals	250	7	1.48%
Lohlouh Inc	250	8	1.48%
Putnam Auto	222	9	1.31%
American Medical Response**	181	10	1.07%
ECC Remediation Services Corp.			
Critchfield Mechanical, Inc			
SF Airport Marriott			
Virgin America			
Goldberg & Solovy Foods, Inc			
Total Top 10 Employers	4,885		28.91%
Total City Labor Force (2)	16,900		

Source : MuniServices, LLC

Results based on direct correspondence with city's local businesses.

(1) prior year data provided by previous CAFR.

(2) Total City Labor Force provided by EDD Labor Force Data.

* Includes all of San Mateo County

** Includes full and part time.

†San Francisco Airport Marriott has declined to participate.

**CITY OF BURLINGAME, CALIFORNIA
PRINCIPAL EMPLOYERS (Continued)
FISCAL YEAR 2013-14 AND 2008-09**

2008-09 (1)		
Employee	Rank	Percentage of Total City Employment
236	9	1.62%
281	6	1.93%
467	2	3.21%
521	1	3.58%
218	10	1.50%
460	3	3.16%
371	4	2.55%
350	5	2.40%
257	7	1.77%
244	8	1.68%
3,405		23.39%
14,556		

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General government	18.13	18.13	19.13	19.13	19.13	19.00	18.00	18.00	18.00	18.00
Public safety										
Police:										
Officers	43.00	42.00	42.00	42.00	42.00	39.00	37.00	37.00	37.00	37.00
Civilians	20.75	20.00	20.00	20.00	20.00	19.00	18.25	18.25	17.25	19.25
Fire:										
Firefighters and officers	44.00	44.00	44.00	44.00	44.00	43.00	-	-	-	-
Civilians	1.00	1.00	1.00	1.75	1.75	1.75	-	-	-	-
Public works	59.55	55.30	56.55	56.30	56.30	59.55	61.15	61.15	61.14	61.75
Community development	11.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00	10.00	11.00
Leisure and Culture	54.53	54.02	55.14	55.42	55.42	52.29	49.77	49.77	49.52	51.67

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.

Please refer to the Notes to the Basic Financial Statements which define the reporting entity. CCFD is a non-disclosed organization, independently governed, and therefore, no longer a reporting unit of the City.

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

	2008	2009	2010
Function			
Police			
Calls for service	30,337	28,481	29,124
Physical arrests	541	343	438
Crimes reported	2,053	2,296	1,797
Traffic violations	4,128	6,354	5,255
Fire			
Number of calls answered	4,374	4,205	4,267
Inspections	2,089	1,299	1,414
Public works			
Street repair (sq. ft.)	15,000	15,529	10,000
Sidewalk and curb repair (sq. ft.)	6,000	8,278	4,000
City planning			
Plans checked	548	500	364
Planning applications reviewed	140	187	131
Parks, recreation, and library			
Recreation class participants	16,303	14,318	13,607
Library circulation	600,000	698,558	713,394
Tree plantings	229	466	222
Tree trimmings	1,574	1,576	1,831
Water			
New connections	8	17	50
Main and valve repairs	20	61	15
Millions of gallons purchased (millions of gallons)	1,700	1,561	1,600
Wastewater			
Average daily sewage treatment (millions of gallons)	4.10	3.82	3.30
Preventive maintenance, main cleaning (feet)	385,293	450,937	450,000

Source: Various city department records.

Aquatic Center registrations are not included in fiscal year 2013, due to the transition of programming responsibility from the City of Burlingame to the Burlingame Aquatics Club.

Police statistical data has been presented on a calendar year basis.

Central County Fire Department data is now reported with the Central County Fire Department CAFR.

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

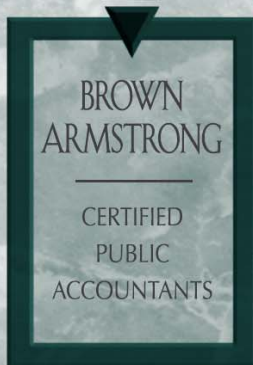
2012	2013	2014
39,724	41,651	40,773
410	581	641
1,681	1,926	1,738
3,836	4,656	7,073
N/A	N/A	N/A
5,700	5,662	N/A
4,270	6,586	5,095
4,898	2,630	2,465
362	443	537
75	71	110
13,657	11,982	13,428
721,132	761,795	753,694
193	270	230
766	948	1,806
20	10	21
19	20	25
1,494	1,520	1,500
3.14	3.05	2.75
408,437	338,333	317,464

**CITY OF BURLINGAME, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION
FOR FISCAL YEAR 2013-14
(COMPARED TO 5 YEARS AGO)**

	<u>2009</u>	<u>2014</u>
Function		
Public safety		
Police:		
Stations	1	1
Parking lots	23	26
Fire stations (note)	3	3
Public works		
Streets (miles)	152	152
Streetlights	1,700	1,700
Traffic signals	14	14
Parks, recreation, and library		
Parks acreage	96	96
Parks	13	16
Community garden	-	1
Swimming pools (now, Burlingame Aquatic Center)	1	-
Tennis courts	8	8
Community centers	1	1
Baseball/softball/ soccer fields	9	13
Bocce ball courts	-	1
Golf range	1	1
Water		
Water mains (miles)	94	107
Fire hydrants	822	826
Maximum daily capacity (thousands of gallons)	2,850	2,850
Sewer		
Sanitary sewers (miles)	84	~ 100
Storm sewers (miles)	38.6	42.0
Maximum daily treatment capacity (thousands of gallons)	4,100	4,100
Storm drain pump station	5	5

Source: Various City department records

Note: Historical data is not available.
Includes Hillside Fire Station which is currently closed.



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, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

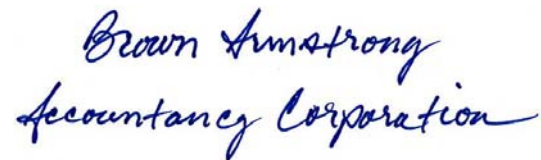
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 22, 2014.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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 22, 2014