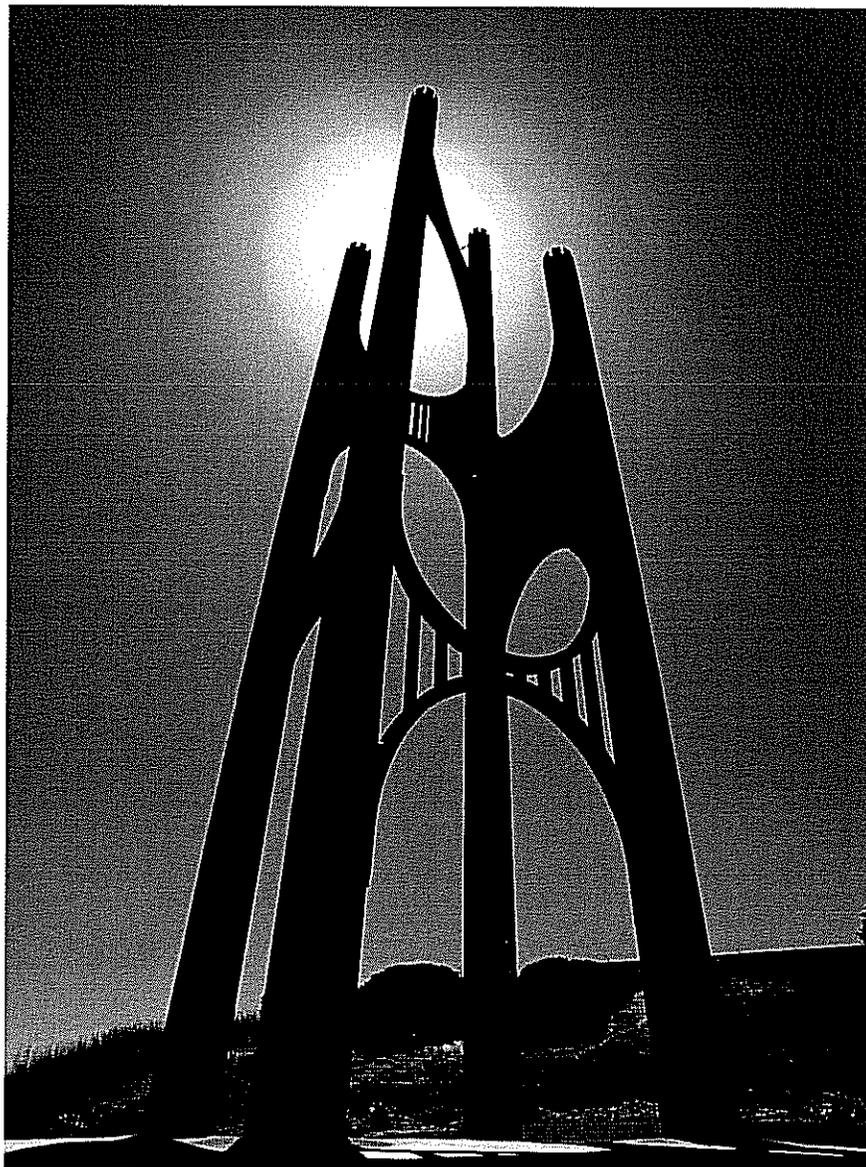


THE CITY OF SOUTH SAN FRANCISCO, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

CITY OF SOUTH SAN FRANCISCO, CALIFORNIA



Comprehensive Annual Financial Report

For the Year Ended June 30, 2008

Prepared by:

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

Original Cover Photo by Scott Bushman

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CITY OF SOUTH SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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CITY COUNCIL 2008

PEDRO GONZALEZ, MAYOR
KARYL MATSUMOTO, MAYOR PRO TEM
MARK N. ADDIEGO, COUNCILMEMBER
RICHARD A. GARBARINO,
COUNCILMEMBER
KEVIN MULLIN, COUNCILMEMBER

OFFICE OF THE CITY MANAGER

January 16, 2009

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

The Comprehensive Annual Financial Report (CAFR) of the City of South San Francisco (the City) for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report includes all financial activities of the City of South San Francisco, including financial information for the City, as the primary government, and for its component units, for which the City is considered financially accountable. The component units are included because of the significance of their governing, operational, and/or financial relationships with the City.

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

BACKGROUND OF THE CITY

The City encompasses approximately 9.5 square miles and has a population of 63,744. It employs approximately 420 full-time employees and part-time employees. South San Francisco is a full service city which includes public safety (police, fire and paramedics), libraries, parks, cultural and recreational activities, senior citizen services, public works, public improvements, engineering, planning, building regulation, economic development, drainage, street lighting, and general administrative services. Sewer service, downtown parking operations, and storm water management are accounted for in the City's

enterprise funds. The Conference Center Authority is included in the financial statements by discrete presentation – that is, the Authority’s financial data is reported in a column separate from the financial data of the City. Water and refuse services are provided by private entities.

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

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

FINANCIAL INFORMATION

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

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

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

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

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

To accomplish a multi-year perspective on financial planning, the City has used a five year model in prior years. For the 2007-08 year we are entering, the City’s budget is a two year budget.

Debt Administration

The City has outstanding tax allocation bonds, lease revenue bonds, special assessment debt, and certificates of participation that are supported by specific revenue sources. These are not considered to be general tax-supported obligations. There are also various capital leases and notes payable in governmental and proprietary funds.

Cash Management

The City pools all of its idle funds for investment purposes and manages its investments following objectives that maintain safety of principal, liquidity, and yield. As of June 30, 2008, the City's investments consisted of U.S. Treasury Securities (38%), Local Agency Investment Fund (30%), San Mateo County Investment Pool (9%), Money Market Funds (1%), Collateralized Investment Agreements (21%), and Cash in Banks and on Hand (1%). At June 30, 2008, the City held at fair value, \$150.4 million in cash and investments, while investments earned an average yield of 3.81%. The average days to maturity of the portfolio was 293 at June 30, 2008.

Capital Assets

The City comprised land, buildings, infrastructure, machinery, equipment, furniture, fixtures, and vehicles owned and used by general government and proprietary functions. Assets are reported within the basic financial statements.

Risk Management

The City maintained a risk management program for workers' compensation, general liability, and property damage. As part of this comprehensive plan, monies have accumulated in the self-insurance internal service fund to meet potential losses. In addition, a safety committee of City employees reviews all accidents and recommends preventive measures to minimize future accident-related losses. The City self-insures the deductible or retention levels of its workers compensation, general liability and property damage insurance policies. A third party administrator handles worker compensation claims. The Association of Bay Area Governments' municipal pool self-insurance plan provides the City's general liability and property damage coverage along with claims and risk management services. An employers' casualty insurance company provides workers compensation coverage in excess of the deductible.

OTHER INFORMATION

Independent Audit

The City engaged an independent accounting firm to audit the books of accounts, financial records, transactions, and financial statements. Their report covering 2007-08 is in the Financial Section of this report.

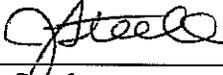
Award

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007, received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The award signified the report's attainment of easily readable and efficiently organized content and satisfaction of generally accepted accounting principles and legal requirements. The award is valid for a period of one year only. However, the City believes that this current report continues to conform to program eligibility requirements.

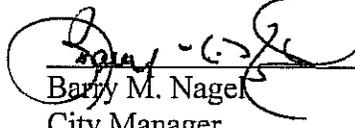
Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated services of the entire staff of the Finance Department and our auditors. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Jim Steele
Director of Finance



Barry M. Nagel
City Manager

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South San Francisco
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

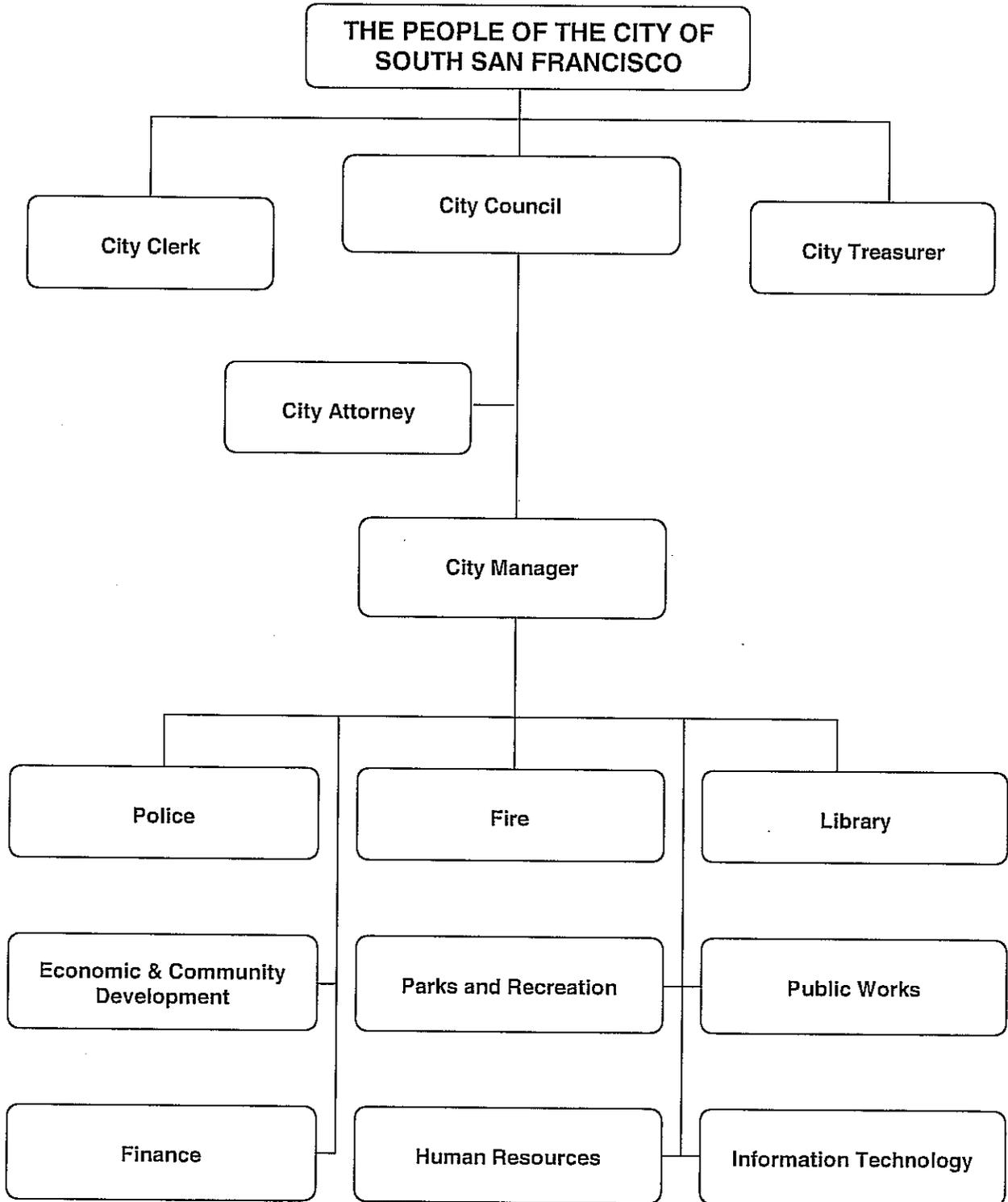


President

Executive Director

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ORGANIZATION CHART



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

CITY COUNCIL*

PEDRO GONZALEZ MAYOR		KARYL MATSUMOTO VICE MAYOR
RICHARD A. GARBARINO COUNCIL MEMBER	KEVIN MULLIN COUNCIL MEMBER	MARK N. ADDIEGO COUNCIL MEMBER

CITY OFFICIALS

KRISTA MARTINELLI-LARSON CITY CLERK	BARRY M. NAGEL CITY MANAGER	RICHARD BATTAGLIA CITY TREASURER
	STEVEN T. MATTAS CITY ATTORNEY	

DEPARTMENT MANAGERS

	MARTY VAN DUYN ASSISTANT CITY MANAGER	
MARK J. RAFFAELLI CHIEF OF POLICE	SUSAN KENNEDY ASSISTANT TO THE CITY MANAGER	PHILIP D. WHITE FIRE CHIEF
TERRY WHITE DIRECTOR OF PUBLIC WORKS		SHARON RANALS DIRECTOR OF PARKS AND RECREATION
JIM STEELE DIRECTOR OF FINANCE		VALERIE SOMMER LIBRARY DIRECTOR
DOUG HOLLIS DIRECTOR OF INFORMATION TECHNOLOGY		VACANT HUMAN RESOURCES DIRECTOR

* As of June 30, 2008

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ACCOUNTANCY CORPORATION
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maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of the South San Francisco Conference Center Authority, which represents 1% and 2% of the assets and revenues and 3% and 3% of liabilities and expenses of the reporting entity, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South San Francisco as of June 30, 2008 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons as listed in the table of content listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008 on our consideration of the City of South San Francisco's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the City of South San Francisco. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the Table of Contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maze & Associates

December 18, 2008

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

Government Accounting Standards Board Statement 34 (GASB 34) requires the City of South San Francisco to provide this overview of its financial activities for the fiscal year. Please read this in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2007-08 FINANCIAL HIGHLIGHTS

Summary:

- The local economy began a drop into recession into 2007-08. While General Fund revenue increased \$1.3 million, that was a modest 2% increase over the prior year. There were troubling signs in several areas:
 - ⇒ Sales Taxes, declined \$.3 million, with two of South San Francisco's larger sales tax generators closing. Ron Price Motors closed altogether with the general decline in automobile sales, and Edward B. Ward (a wholesale construction materials business) moved to a neighboring city.
 - ⇒ While Lowe's opened a home improvement store in February, they report their taxes one quarter in arrears, so no results occurred in 2007-08.
 - ⇒ Building and Fire Permit Revenues, one indicator of business investment, came in 36% below the prior year, a drop of \$1.8 million.
- The Redevelopment Agency continued to use the 2006 RDA Bond proceeds, as well as cash, to fund several key projects, including flood control projects in the Downtown/Lindenville area, acquisition of several key properties for future development, and purchase of several housing units to ensure that the stock of low and moderate housing is preserved.
- The Sewer Fund continued work on the multi-year Wet Weather improvements, which will upgrade the system's collection system to prevent heavy rains from causing untreated sewage to reach the Bay. The Fund is on track to complete the Wet Weather program next year. It was in its fourth of a five year rate program needed to fund the program.
- As reported for the last three years, Storm Water net assets are declining. As part of an effort to bolster the fund, the Redevelopment Agency paid for some major storm improvements out of its 2006 bond sale, and the City shifted more city and gas tax dollars towards storm drain improvements.

Financial highlights of the year include the following:

- Net assets in governmental activities rose from \$305 million to \$322.8 million at June 30, 2008. Net assets in business-type activities increased from \$41.4 to \$44.4 million.
- Governmental program revenues decreased from \$34.1 million to \$28.1 million in fiscal 2007-08, as developer fees and building and fire permit revenue declined with the economic downturn.
- Program expenses rose from \$83.1 million to \$86.2 million, reflecting wage and benefit growth for all employee groups as well as higher fuel costs.

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

- Revenues generated from business-type activities were \$20.2 million, a \$2.0 million decline from the prior year. The decline occurred in the Sewer Fund because of one-time capital improvement reimbursements from another city in 2006-07, and due to some large developer fees received in 2006-07. Business-type expenses grew 10% to \$17.7 million, reflecting higher wage, health insurance, and energy costs at the Treatment Plant.
- The overall General Fund balance declined by \$3.2 million to \$17.9 million at June 30, 2008, primarily to reflect the shifting of \$4.0 million from the General Fund to the Benefits Internal Service Fund to pay down the City's post-retirement health care liability.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

- 1) The Introductory Section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis (this part),
- 3) The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the notes accompanying these statements,
- 4) Required Supplementary Information and the accompanying notes,
- 5) Other Supplementary Information including combining statements for non-major governmental funds, internal service funds, other budgetary information, and a fiduciary statement of changes in assets and liabilities, and
- 6) The Statistical Section.

Basic Financial Statements

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

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Government Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

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

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The fiduciary statements provide financial information about the activities of Non-Obligated Assessment Districts, for which the City acts solely as agent.

Note 1 to the Basic Financial Statements provides a summary of the City's significant accounting policies, fund categories, and fund types.

City-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the following:

- ***Governmental activities***—All of the City's basic services are considered to be governmental activities, including general government, fire, police, public works, parks, recreation, maintenance services, library, and economic and community development. These services are supported by general City revenues such as taxes, and by specific program revenues from grants, contributions, and fees.
- The City's governmental activities include two separate legal entities, the City of South San Francisco Redevelopment Agency and the City of South San Francisco Capital Improvements Financing Authority, because the City Council governs both of these entities, with services provided solely to the City.
- ***Business-type activities***—All the City's enterprise activities are reported here, including sewage treatment, parking, and storm water management. Unlike governmental services, user fees fully support these services.
- ***Component Unit*** - The City of South San Francisco Conference Center Authority comprises the component unit. The Authority serves the City and other interests and it has a governing body separate from the City Council.

Citywide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities. Fund Financial Statements include governmental, enterprise and internal service funds as discussed below.

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

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

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

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

Fiduciary Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets and the Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City's Governmental Activities (Table and Charts 1 through 5) and Business-type Activities (Tables 6 and 7) presented in the City-wide Statement of Net Assets and Statement of Activities. A comparative analysis is presented for fiscal years 2006-07 and 2007-08.

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

Governmental Activities

Governmental Net Assets

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

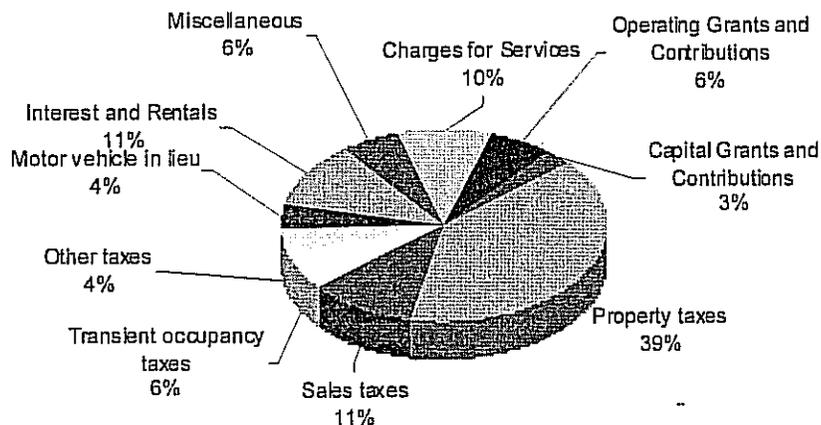
	2008	2007
Cash and investments	\$100.3	\$105.5
Other assets	54.7	68.1
Capital assets	286.6	242.6
Total assets	441.6	416.2
Long-term debt outstanding	80.6	80.5
Other liabilities	38.2	31.0
Total liabilities	118.8	111.5
Net assets:		
Invested in capital assets, net of debt	233.3	212.3
Restricted	80.3	89.2
Unrestricted	9.2	3.3
Total net assets	\$322.8	\$304.8

The City's net assets from governmental activities (including Redevelopment) increased \$17.4 million to \$322.2 million at June 30, 2008. The increase from a revenue and expense perspective is explained in Table 3, Change in Governmental Net Assets. Significant changes in assets and liabilities are explained as follows:

- Overall, capital assets increased \$44 million, reflecting the acquisition of several new properties by the Redevelopment Agency, primarily near the corner of El Camino Real and Chestnut Ave. This key intersection is undergoing a master planning study, and will be in important part of development over the next 5 years;
- Cash and investments declined, as the Redevelopment Agency purchased several sites, noted above.
- Other Assets: Loans increased as the Redevelopment Agency loaned dollars for first time homebuyers as well as loaned funds to non-profit housing developers.

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

Chart 2
Revenues by Source - Governmental Activities 2007-08



The percentage of 2007-08 revenues by source was consistent with the previous year, with the exception of Charges for Services. Charges declined, primarily in the area of Building Permits, as the deteriorating economy negatively impacted local business expansion plans.

Table 3 below shows that total 2007-08 revenues of \$104.2 million for the City's governmental activities represented an \$11.1 million or 8.7% decrease from the previous year. Besides the decline in building permits mentioned above, there was a large property tax refund was ordered by a superior court due to an improper noticing by the County Property Tax Appeals Board. This one time adjustment totaled \$8.5 million, and is described in Note 13 of the Financial Statements. General revenues decreased \$5 million, or 6%. Program revenue areas decreased \$6.1 million during 2007-08, primarily due lower building and fire permits, and higher ambulance revenue.

Total governmental expenses increased \$3.6 million or 4% to \$86.2 million for 2007-08, reflecting higher wages, health care costs, and gasoline prices. Total revenues exceeded expenses by \$18.0 million.

The Statement of Activities presents expenses, program revenues, and general revenues in detail. These elements effect the Change in Governmental Net Assets as follows:

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

Table 3
Change in Governmental Net Assets
(in Millions)

	2007-08	2006-07
Expenses		
General government	\$7.4	\$6.3
Fire department	17.2	14.9
Police department	19.0	17.9
Public works department	16.3	13.5
Recreation and community services	11.3	5.0
Library	4.7	4.4
Economic and community development	4.7	16.2
Interest on long-term debt	5.6	4.9
Total expenses	\$86.2	\$83.1
Revenues		
Program revenues:		
Charges for services	\$18.1	\$20.0
Operating grants and contributions	6.8	5.7
Capital grants and contributions	3.1	8.4
Total program revenues	\$28.0	\$34.1
General revenues:		
Taxes:		
Property taxes	\$44.3	\$41.5
Sales taxes	12.2	12.4
Transient occupancy taxes	7.1	6.0
Other taxes	6.1	5.4
Motor vehicle in lieu	0.3	0.4
Property taxes in lieu	4.6	4.2
Investment earnings	9.0	6.9
Miscellaneous	(7.1)	4.6
Total general revenues	\$76.5	\$81.4
Excess (deficiency) before transfers	\$18.3	\$32.4
Transfers	(0.2)	(0.2)
Change in net assets	18.1	32.2
Net assets - beginning	304.7	180.2
Implementation of GASB 34		92.3
Net assets - ending	\$322.8	\$304.7

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

Expense and Program Revenue Analysis

Chart 4
Expense and Program Revenue Comparison in Governmental Activities
2007-08

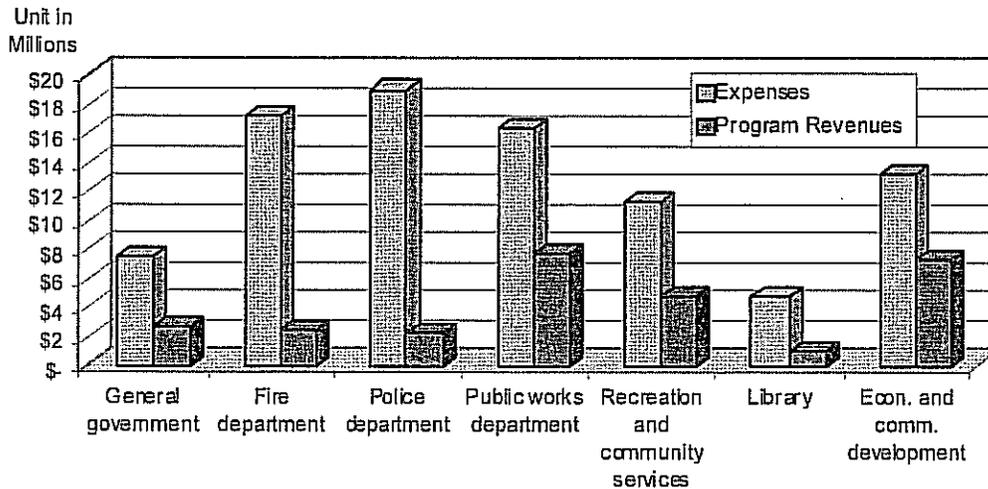


Table 5
Net (Expense) Revenue from Services
Governmental Activities
(in Millions)

	<u>2007-08</u>	<u>2006-07</u>
General government	(\$4.9)	(\$3.9)
Fire department	(14.7)	(12.3)
Police department	(16.8)	(15.3)
Public works department	(8.6)	(7.3)
Recreation and community services	(6.4)	(1.1)
Library	(3.7)	(3.5)
Economic and community development	2.6	(0.6)
Interest on long-term debt	(5.6)	(4.9)
Total	<u><u>(\$58.1)</u></u>	<u><u>(\$48.9)</u></u>

The above Chart 4 and Table 5 illustrate the difference between program revenues and expenses. Program revenues consist of capital and operating grants and contributions and fees for services. General City revenues, such as property taxes, sales and transient occupancy taxes, motor vehicle in-lieu taxes, and investment earnings, cover the shortfall between program revenues and expenses.

**CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information (Continued)**

Significant changes were as follows:

- Recreation and Community Services increased dramatically, as that department took over park and building maintenance responsibilities from the Public Works Department. Other changes were due to growth in wages and health costs. .
- Interest on long-term debt increased to reflect the interest expense on the 2006 Redevelopment Agency bonds.

Business-type Activities

**Table 6
Business-type Net Assets at June 30 (in Millions)**

	2008	2007
Cash and investments	\$9.4	\$16.6
Other assets	3.6	1.4
Capital assets	121.0	107.0
Total assets	134.0	125.0
Long-term debt outstanding	72.4	69.4
Other liabilities	17.2	14.1
Total liabilities	89.6	83.5
Net assets:		
Invested in capital assets, net of debt	45.6	34.6
Restricted	1.4	2.8
Unrestricted	(2.6)	4.0
Total net assets	\$44.4	\$41.4

Cash declined in business activities, as the Sewer Fund continued to spend dollars on its multi-year Wet Weather improvements. Unrestricted net assets show a negative \$2.6 million, reflecting the Sewer Fund using advances from the Redevelopment Agency and developer contributions to fund a portion of those Wet Weather improvements. The Sewer Fund is about to enter its final year of a five year rate program, and will have to raise rates in 2009-2010 to stabilize its reserves.

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

Table 7
Change in Business-type Net Assets
 (in Millions)

	2007-08	2006-07
Expenses		
Sewer Rental	16.3	14.7
Parking District	0.4	0.3
Storm Water	0.7	0.7
Total expenses	<u>17.4</u>	<u>15.7</u>
Revenues		
Program revenues		
Charge for Services	15.1	13.4
Operating grants and contributions	4.95	5.7
Capital grants and contributions	0.17	3.1
Total program revenues	<u>20.22</u>	<u>22.2</u>
General revenues		
Investment earnings	0.07	0.35
Total general revenues	<u>0.07</u>	<u>0.35</u>
Excess (deficiency) before transfers	<u>2.89</u>	<u>6.85</u>
Transfers	<u>0.17</u>	<u>0.17</u>
Change in net assets	3.06	7.02
Net assets - beginning	41.38	34.36
Net assets - ending	<u>44.44</u>	<u>41.38</u>

The Storm Water Enterprise has higher obligations than ongoing revenues, and has had to shift various capital improvements to the other funding sources. The Redevelopment Agency has contributed resources to flood improvements adjacent to downtown, and Gas Tax and Measure A funds have been used as well. Overall net assets of business-type activities, however, increased \$3 million during fiscal 2007-08 primarily from the City's Sewer Rental enterprise activity. The Sewer Fund continues to invest in capital assets for its Wet Weather program, which is nearing the end of its five year program.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

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

At June 30, 2008, the City's governmental funds (including Redevelopment) reported combined fund balances of \$131.9 million, a decline of \$22 million compared with the prior year. The General Fund moved its Reserve for Post-Employment Health Benefits to the Benefits Internal Service Fund, accounting for \$4.0 million of that decline. The Merged Redevelopment Project Area Capital Projects Fund (RDA Fund) declined \$19.3 million, representing the balance. The RDA Fund declined due to the prior years' adjustment, mentioned in footnote 13, and due to the use of RDA funds to acquire several new sites.

Governmental fund revenues decreased \$2.5 million or 2.2% this year to a new total of \$112.7 million. The declines were in several smaller special revenue funds that had large, non-recurring development and/or grant activity in the prior year. Specifically, Park Dedication Fees, East of 101 Traffic, and Oyster Point Overpass developer fees were all down.

- ⇒ Governmental fund expenditures increased \$36.6 million, or 39% reflecting the several large Redevelopment site purchases referenced elsewhere.

Proprietary Funds

Enterprise Fund net assets totaled \$44.4 million at June 30, 2008, an increase of \$3.0 million from the previous year. The increase was primarily due to the Sewer Fund's planned 9% annual sewer rate increase, with cash on hand at year end which will be used to complete the enhancements that are part of the multi-year Wet Weather capital program during 2007-08.

Analysis of Major Governmental Funds

General Fund

General Fund revenues rose at a modest 1.2% from the prior year, reflecting the beginnings of a national, state, and local economic slowdown.

- ⇒ Sales Taxes declined \$.3 million or 2% from the prior year, reflecting the closing of two of the City's top sales tax generators, Ron Price Motors, and E.B. Ward.
- ⇒ Property taxes increased \$1.0 million or 7%, reflecting the expansion of the research and development sector in the prior year, increasing the tax base for 2007-08. (There is generally a one year lag from building completion until tax roll change).
- ⇒ Hotel (transient occupancy taxes) rose \$.1.1 million, or 20%, fully recovering from the last recession.
- ⇒ Building and Fire Permits declined \$1.8 million, 37%, as new building slowed during 2007-08, reflecting the national slowdown. Staff awaits next year's property taxes with some anticipation.
- ⇒ A voter approved Commercial Parking tax change in effect for half of 2007-08.

General Fund expenditures rose \$4.4 million or 7% from last year, reflecting rising wages, health insurance, and gasoline costs.

The overall General Fund Balance decreased from \$21 million to \$17.9 million during 2007-08, reflecting the transfer of \$4.0 million in fund balance to the Health and Benefits Internal Service Fund. Those dollars have been reserved for Post Employment Health Care Costs.

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

At June 30, 2008, the General Fund balance consisted of \$6.1 million in unreserved, undesignated dollars, \$4.5 million for emergencies and economic contingencies, \$4.4 million for future capital projects and economic development, and \$1.6 million for encumbrances and capital projects. Except for the reserves for encumbrances and capital projects, the remaining reserves represent discretionary resources available for absorbing future expenditures that exceed revenues.

Capital Improvement Fund

The City consolidates and reports its governmental fund-type capital project expenditures in this fund. Resources consist of transfers from the general fund, major and non-major Redevelopment Agency funds, developer impact fees, and gasoline taxes and transportation sales taxes from non-major governmental funds. Resources also come from federal, state, and local grants, contributions from other cities, utilities and private enterprises. Entire capital projects are appropriated in one-year, but expended over multiple years, with unspent appropriations carried-forward year-to-year until completion.

Merged Project Redevelopment Capital Project Fund

The Redevelopment Agency's (RDA) project areas were fiscally merged during 2005-06, allowing the Agency to tap into a larger tax base with which to sell bonds for redevelopment purposes. At the end of 2007-08, \$27 million remained in bond funds to be used. All funds have been allocated to capital projects, and are expected to be fully drawn down during 2008-09. During the year, the largest project expenditures were for several major site acquisitions:

- the acquisition of several parcels from the Public Utilities' Commission at El Camino and Chestnut for future development at the key corner of the City;
- the acquisition of the vacant site at One Chestnut adjacent to the Public Utilities' Commission parcels at El Camino and Chestnut, also for future development;
- the acquisition of a surplus site from Cal Water adjacent to Orange Memorial Park. That site, along with improvements funded by the Agency, will be used by the South San Francisco Historical Society as their museum.

The Agency also paid for improvements to the pump station in the Downtown/Lindenville area, to improve the storm water system to prevent flooding during rainy periods. As these major capital acquisitions and renovations were made, cash has decreased.

Property Tax increment grew in Gateway, Shearwater, and in El Camino areas reflecting new development. Advances to Other Funds have increased over \$7.0 million to \$19.4 million. (The largest advances are to the Oyster Point Developer Impact Fee Fund, until that fund has paid for the Oyster Point Flyover and Hookramps freeway interchange). The largest advance booked during 2007-08 was to the Sewer Fund to assist in completing a new pump station for the East of 101 area, to be reimbursed to the Agency over time from Sewer Impact Fees.

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

Low and Moderate Income Housing Capital Project Redevelopment Agency Fund

This fund holds the 20% in annual Redevelopment Agency (RDA) property tax increment that must be set aside for low and moderate income housing needs. The fund received \$5.6 million in such revenues, up from \$4.6 million last year. Major capital projects included the acquisition of the property at 314 Miller Ave, which will be renovated and preserved for affordable housing purposes.

Merged Redevelopment Project Area Debt Service Fund

- ⇒ Activity in 2007-08 was very similar to that in 2006-07, as no new debt service obligations were incurred. Fund balance reflects bond reserves on hand, as required by bond covenants.

Other Governmental Funds

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

Analysis of Enterprise Funds

Sewer Rental Fund

The Sewer Rental fund reported net income before transfers of \$3.9 million in the current year. Operating revenues decreased \$2.7 million or 13% from the previous year to \$18.4 million, due to some one-time reimbursements 2006-07 from other Agencies for capital improvements, and due to a high level of connection fees in 2006-07 from new development. Operating expenses increased \$1.0 million this year or 7.5%, from \$13.4 in 2006-07. This reflects higher wage, health, chemical, and energy costs. Thus, the operating income and net non-operating expense led to the net assets of this fund increasing \$2.9 million to \$42 million.

The multi-year wet weather capital improvement program continued during this fiscal year, largely funded by the State Water Resources Control Board loan. The expansion and improvements to the wastewater collection system and pump stations will control sewer system overflows as ordered by the Regional Water Quality Control Board. This is year four of the five-year rate increase plan adopted by the City Council in July 2006 to cover the capital outlays and debt service for these improvements.

Parking District Fund

Net assets increased slightly to \$2.3 million. During the year, design commenced on the Downtown Parking Structure to be funded from future parking district revenue increases, with funds to be advanced by the Redevelopment Agency.

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

Storm Water Fund

Ongoing revenues continue to lag requirements for storm water improvements. As a result, the Gas Tax Fund, as it did in the prior year, transferred in \$200,000 to keep the Storm Water Fund afloat.

CAPITAL ASSETS

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

**CITY OF SOUTH SAN FRANCISCO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information (Continued)**

At June 30, 2008, the City had \$407.7 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 8 below:

**Table 8
Capital Assets
(in Millions) at June 30**

	2008	2007
<i>Governmental Activities:</i>		
Land	\$76.5	\$48.3
Buildings and improvements	70.2	62.2
Equipment and vehicles	14.1	13.1
Furniture and fixtures	1.3	1.3
Infrastructure – streets*	167.5	166.9
Infrastructure – traffic control devices*	4.8	4.8
Infrastructure – storm drains*	4.5	4.5
Construction in progress	26.7	12.9
Less accumulated depreciation	(78.9)	(71.3)
Totals	<u>\$286.7</u>	<u>\$242.7</u>
* Additions during the fiscal year only		
<i>Business-type Activities</i>		
Land	\$1.3	\$1.3
Clean water facilities and transmission line:	69.7	69.7
Buildings and improvements	13.8	13.7
Equipment and vehicles	9.3	9.2
Infrastructure – streets	1.4	1.4
Construction in progress	52.0	35.9
Less accumulated depreciation	(26.5)	(24.2)
Totals	<u>\$121.0</u>	<u>\$107.0</u>

The largest changes were due in land acquisitions (for the Redevelopment Agency, mentioned elsewhere), and for construction in progress in the Sewer Fund, as it neared completion of the Wet Weather improvements. Also notable was the completion of the Orange Park Recreation Building in the General Fund.

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

DEBT ADMINISTRATION

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

Table 9
Outstanding Debt
(in Millions) at June 30

<i>Governmental activities</i>	2008	2007
Tax allocation, revenue bonds, and loans		
(issued and incurred by the Redevelopment Agency)	\$72.7	\$74.2
Certificates of participation	5.0	5.2
Notes payable	2.3	2.3
Capital leases	0.5	0.8
	\$80.5	\$82.5
 <i>Business-type Activities</i>		
State Water Resources Board loans	\$70.4	\$67.1
2005 Sewer Bonds	5.8	6.0
	\$76.2	\$73.1

The State Water Resources Control Board has issued \$86 million in four loan packages to the City's Sewer Rental Enterprise Fund to finance the expansion of the City's water quality control plant. Principal and interest repayments commence on the loans upon completion of the project related to each loan package, with \$3.5 million in principal repaid this fiscal year. The three current loans outstanding have fixed interest of 3.0%, 2.6%, and 2.5% and are due in 2013, 2022 and 2026. Because of the regional benefits and equity interest in this project, the City of San Bruno shares in the loan repayments.

During 2007-08, the Redevelopment Agency used proceeds of the 2006 bond sale as well as cash to pay for land acquisitions.

Debt Without City Commitment

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facility construction in their respective districts.

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

At June 30, 2008, a total of \$1 million in special assessment district debt was outstanding, issued by three special assessment districts. This debt is secured by special assessments on the real property in the districts that issued the debt. Although the City bears no responsibility on the debt, it does act as the districts' agent in the collection and remittance of assessments. South San Francisco Magnolia Plaza Associates, a developer, is responsible for repaying a \$6.1 million Magnolia Plaza Senior Apartment note due in 2017 out of rent revenue received from the 1987 apartment development. Note 6 to the Basic Financial Statements provides further information on these debt issues outside of the City's liability to pay.

ECONOMIC OUTLOOK AND MAJOR ACCOMPLISHMENTS

The economic outlook and major accomplishments of the City are discussed in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide readers with a general overview of the City's finances. Questions about this report or requests for additional financial information should be directed to the City of South San Francisco Finance Department, P.O. Box 711, South San Francisco, CA 94083, phone (650) 877-8513. The City's website is at www.ssf.net.

Basic Financial Statements
Fund Financial Statements

CITY OF SOUTH SAN FRANCISCO

**STATEMENT OF NET ASSETS AND
STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

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

Both these Statements include the financial activities of the City, the City of South San Francisco Redevelopment Agency and the City of South San Francisco Capital Improvements Financing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their activities. Data for the South San Francisco Conference Center Authority is reflected as a discretely presented component unit of the City. This data is presented separately from other funds of the City to reflect operations under control of a governing body with a voting majority which is different from the City Council.

CITY OF SOUTH SAN FRANCISCO
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and investments	\$100,297,149	\$9,405,277	\$109,702,426	\$1,251,405
Receivables:				
Accounts	2,012,843	92,060	2,104,903	422,579
Accrued interest	1,103,650	80,303	1,183,953	
Due from other governments	4,403,330	2,508,929	6,912,259	
Due from Conference Center	109,093		109,093	
Loans	6,220,173		6,220,173	
Deposit	171,010		171,010	
Inventory	60,586		60,586	
Bond issuance costs		126,740	126,740	139,800
Prepaid items	24,778		24,778	
Restricted cash and investments	38,780,317	812,310	39,592,627	490,850
Advances to other funds	1,700,000		1,700,000	
Capital assets:				
Nondepreciable	103,130,514	53,278,647	156,409,161	
Depreciable, net accumulated depreciation	183,578,258	67,721,285	251,299,543	6,193,696
Total Assets	<u>441,591,701</u>	<u>134,025,551</u>	<u>575,617,252</u>	<u>8,498,330</u>
LIABILITIES				
Current liabilities:				
Accounts payable	11,568,150	1,402,418	12,970,568	241,130
Accrued salaries and benefits	936,267		936,267	
Accrued interest payable	7,692,897	1,171,478	8,864,375	45,504
Due to Primary Government				109,093
Other payable	286,404	24,080	310,484	
Deposits	3,105,382	100,000	3,205,382	269,111
Unearned revenue	5,250,055	8,465,337	13,715,392	
Advances from other funds		1,700,000	1,700,000	
Long-term liabilities due within one year:				
Accrued insurance losses	592,343		592,343	
Compensated absences obligation	488,854	46,361	535,215	48,721
Debt and capital lease obligations	1,964,522	3,842,458	5,806,980	
Matured bonds and interest payable	5,140		5,140	335,000
Noncurrent liabilities:				
Accrued insurance losses	3,520,000		3,520,000	
Compensated absences obligation	4,818,505	498,235	5,316,740	
Noncurrent portion of long-term debt	78,580,717	72,334,665	150,915,382	3,682,061
Total Liabilities	<u>118,809,236</u>	<u>89,585,032</u>	<u>208,394,268</u>	<u>4,730,620</u>
NET ASSETS				
Invested in capital assets, net of related debt	233,230,681	45,635,119	278,865,800	2,176,635
Restricted for:				
Gas tax projects	2,185,261		2,185,261	
Developer fee projects	13,858,043		13,858,043	
Community development projects	1,624,881		1,624,881	
Maintenance projects	2,071,670		2,071,670	
Transportation projects	655,368		655,368	
Solide waste projects	679,412		679,412	
Debt service	5,305,867		5,305,867	490,850
Capital projects	53,966,132	1,480,000	55,446,132	
Total Restricted Net Assets	<u>80,346,634</u>	<u>1,480,000</u>	<u>81,826,634</u>	<u>490,850</u>
Unrestricted	9,205,150	(2,674,600)	6,530,550	1,100,225
Total Net Assets	<u>\$322,782,465</u>	<u>\$44,440,519</u>	<u>\$367,222,984</u>	<u>\$3,767,710</u>

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$7,435,350	\$2,578,384	\$19,954	
Fire	17,147,670	2,425,673		
Police	18,959,373	1,685,514	527,923	
Public Works	16,286,592	2,973,297	1,602,802	\$3,113,674
Recreation and Community Services	11,233,170	3,755,368	1,083,727	
Library	4,719,233	233,753	768,385	
Economic and Community Development	4,712,239	4,483,292	2,837,837	
Interest on Long-Term Debt	5,694,097			
Total Governmental Activities	86,187,723	18,135,281	6,840,628	3,113,674
Business-type Activities				
Sewer Rental	16,340,344	14,112,051	4,951,013	173,767
Parking District	363,878	553,317		
Storm Water	705,099	421,727		
Total Business-type Activities	17,409,321	15,087,095	4,951,013	173,767
Total Primary Government	\$103,597,044	\$33,222,376	\$11,791,641	\$3,287,441
Component Unit				
Conference Center	\$3,186,723	\$1,744,907		

General revenues:

Taxes:

 Property taxes

 Sales taxes

 Transient occupancy taxes

 Other taxes

 Motor vehicle in lieu, unrestricted

 Property taxes in lieu of vehicle license fees

 Investment earnings

 Miscellaneous

Special item - property tax refund

Transfers

Total general revenues, special item and transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
(\$4,837,012)		(\$4,837,012)	
(14,721,997)		(14,721,997)	
(16,745,936)		(16,745,936)	
(8,596,819)		(8,596,819)	
(6,394,075)		(6,394,075)	
(3,717,095)		(3,717,095)	
2,608,890		2,608,890	
(5,694,097)		(5,694,097)	
<u>(58,098,140)</u>		<u>(58,098,140)</u>	
	\$2,896,487	2,896,487	
	189,439	189,439	
	(283,372)	(283,372)	
	<u>2,802,554</u>	<u>2,802,554</u>	
<u>(58,098,140)</u>	<u>2,802,554</u>	<u>(55,295,586)</u>	
			<u>(\$1,441,816)</u>
44,165,490		44,165,490	
12,180,885		12,180,885	
7,098,284		7,098,284	1,996,472
6,083,162		6,083,162	
267,061		267,061	
4,608,649		4,608,649	
8,994,203	69,777	9,063,980	63,776
1,417,773		1,417,773	
(8,540,400)		(8,540,400)	
(169,330)	169,330		
<u>76,105,777</u>	<u>239,107</u>	<u>76,344,884</u>	<u>2,060,248</u>
18,007,637	3,041,661	21,049,298	618,432
<u>304,774,828</u>	<u>41,398,858</u>	<u>346,173,686</u>	<u>3,149,278</u>
<u>\$322,782,465</u>	<u>\$44,440,519</u>	<u>\$367,222,984</u>	<u>\$3,767,710</u>

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2008. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

FEDERAL AVIATION GRANT SPECIAL REVENUE FUND

This fund accounts for federal monies received for insulating structures against airport noise.

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

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

REDEVELOPMENT AGENCY FUNDS:

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

LOW AND MODERATE INCOME HOUSING CAPITAL PROJECTS FUND – This fund accounts for the 20% share of property tax increment revenue directed toward low and moderate income housing projects.

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CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General Fund	Federal Aviation Grant Special Revenue Fund	Capital Projects Funds		
			Capital Improvement	Merged Redevelopment Project Area	Redevelopment Agency Low Mod Housing
ASSETS					
Cash and investments	\$16,584,359	\$3,524,785	\$4,888,274	\$25,033,944	\$15,183,809
Receivables:					
Accounts	1,485,682		10,735	23,807	
Accrued interest	281,382	34,966	35,941	338,081	163,386
Due from other governments	1,732,158		2,007,454		
Due from other funds	513,914				
Due from Conference Center	109,093				
Loans				255,908	4,588,938
Advance to other fund				19,409,727	
Inventory	60,586				
Prepaid items	12,000				
Restricted cash and investments			95,227	31,027,345	2,211,597
Total Assets	\$20,779,174	\$3,559,751	\$7,037,631	\$76,088,812	\$22,147,730
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$813,513		\$586,885	\$897,061	\$21,477
Accrued salaries and benefits	936,267				
Other payable	61,921		18,795	37,414	
Deposits	1,600		211,283	500	27,055
Deferred revenue	1,026,337	\$3,603,914	66,888	500,000	50,000
Due to other funds			387,000		
Advance from other fund			17,709,727		346,748
Matured bonds payable					
Matured interest payable					
Total Liabilities	2,839,638	3,603,914	18,980,578	1,434,975	445,280
Fund Balances:					
Reserved for:					
Encumbrances	210,849	2,500	1,512,176	2,337,825	27,035
Advances, inventory and prepaid	72,586			19,409,727	
Loans receivable				264,215	4,538,938
Future loan obligations					1,026,633
Debt service					
Restricted assets and programs			95,227	31,084,676	2,211,597
Unreserved, reported in:					
General fund	17,656,101				
Special revenue funds		(46,663)			
Debt service funds					
Capital projects funds			(13,550,350)	21,557,394	13,898,247
Total Fund Balances (Deficits)	17,939,536	(44,163)	(11,942,947)	74,653,837	21,702,450
Total Liabilities and Fund Balances	\$20,779,174	\$3,559,751	\$7,037,631	\$76,088,812	\$22,147,730

See accompanying notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$24,959,541	\$90,174,712
42,591	1,562,815
213,559	1,067,315
663,718	4,403,330
	513,914
	109,093
1,375,327	6,220,173
346,748	19,756,475
	60,586
	12,000
<u>5,446,148</u>	<u>38,780,317</u>
<u>\$33,047,632</u>	<u>\$162,660,730</u>

\$154,193	\$2,473,129
	936,267
	118,130
2,864,944	3,105,382
2,916	5,250,055
412,649	799,649
	18,056,475
5,000	5,000
<u>140</u>	<u>140</u>
<u>3,439,842</u>	<u>30,744,227</u>

358,251	4,448,636
346,748	19,829,061
1,360,327	6,163,480
	1,026,633
5,305,867	5,305,867
398,142	33,789,642
	17,656,101
18,918,174	18,871,511
1,836,502	1,836,502
<u>1,083,779</u>	<u>22,989,070</u>
<u>29,607,790</u>	<u>131,916,503</u>
<u>\$33,047,632</u>	<u>\$162,660,730</u>

CITY OF SOUTH SAN FRANCISCO
 GOVERNMENTAL FUNDS
 BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
 FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2008

Total fund balances reported on the governmental funds balance sheet	\$131,916,503
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	282,853,507
Internal service funds are used by management to charge the cost of management of communication, telephone, building, fleet maintenance, equipment replacement, worker's compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Assets.	8,303,298
Tax refund payable - Property tax refund	(8,540,400)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.	(7,692,897)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(79,985,860)
Non-current portion of compensated absences	<u>(4,071,686)</u>
Net assets of governmental activities	<u><u>\$322,782,465</u></u>

See accompanying notes to financial statements

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**CITY OF SOUTH SAN FRANCISCO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Federal Aviation Grant Special Revenue Fund	Capital Projects Funds		
			Capital Improvement	Merged Redevelopment Project Area	Redevelopment Agency Low Mod Housing
REVENUES					
Property taxes	\$15,416,601			\$27,363,682	
Sales taxes	12,209,687				
Transient occupancy taxes	7,098,284				
Other taxes	3,796,063				
Intergovernmental	6,464,237	\$42,605	\$3,592,085		
Interest and rentals	4,197,952	196,592	76,248	5,418,284	\$1,049,196
Licenses and permits	5,716,017				
Charges for services	8,536,217		252,957	35,117	
Fines and forfeitures	1,077,003				
Other	234,264			120	
Total Revenues	64,746,325	239,197	3,921,290	32,817,203	1,049,196
EXPENDITURES					
Current:					
City council	155,017				
City clerk	391,474				
City treasurer	36,270				
City attorney	777,575				
City manager	733,743				
Finance	1,714,784				
Non-departmental	821,803				
Human Resources	1,078,239				
Fire	16,875,311				
Police	18,648,011				
Public works	4,039,425		9,342,990		
Recreation and community services	10,826,041				
Library	4,766,821				
Economic and community development	3,066,407	237,900		8,229,135	1,345,776
Information Systems			456,038		
Other	3,965				
Capital outlay		1,297	237,941	35,624,484	681,019
Debt service:					
Principal repayments					
Interest and fiscal charges	23,335		1,278,208	11,705	
Total Expenditures	63,958,221	239,197	11,315,177	43,865,324	2,026,795
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	788,104		(7,393,887)	(11,048,121)	(977,599)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets			13,750		
Transfers in	925,089		5,581,594	2,619,435	5,561,842
Transfers out	(4,866,031)			(10,924,097)	(2,896,312)
Total Other Financing Sources (Uses)	(3,940,942)		5,595,344	(8,304,662)	2,665,530
Net Change in Fund Balances (Deficits)	(3,152,838)		(1,798,543)	(19,352,783)	1,687,931
Fund balances (deficits), July 1	21,092,374	(44,163)	(10,144,404)	94,006,620	20,014,519
Fund balances (deficits), June 30	\$17,939,536	(\$44,163)	(\$11,942,947)	\$74,653,837	\$21,702,450

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,385,207	\$44,165,490
	12,209,687
	7,098,284
1,209,509	5,005,572
3,120,126	13,219,053
1,380,322	12,318,594
	5,716,017
1,967,752	10,792,043
	1,077,003
857,130	1,091,514
<u>9,920,046</u>	<u>112,693,257</u>
	155,017
	391,474
	36,270
	777,575
	733,743
	1,714,784
187,907	1,009,710
254	1,078,493
	16,875,311
109,383	18,757,394
1,531,386	14,913,801
	10,826,041
	4,766,821
968,831	13,848,049
	456,038
563,432	567,397
	36,544,741
1,692,296	1,692,296
4,127,788	5,441,036
<u>9,181,277</u>	<u>130,585,991</u>
<u>738,769</u>	<u>(17,892,734)</u>
	13,750
5,494,054	20,182,014
(5,567,181)	(24,253,621)
<u>(73,127)</u>	<u>(4,057,857)</u>
<u>665,642</u>	<u>(21,950,591)</u>
<u>28,942,148</u>	<u>153,867,094</u>
<u>\$29,607,790</u>	<u>\$131,916,503</u>

CITY OF SOUTH SAN FRANCISCO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$21,950,591)

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

Capital Assets Transactions

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

Expenditures for capital assets	50,604,854
Current year depreciation	(7,114,252)

Long Term Debt Proceeds and Payments

Repayment of debt principal is added back to fund balance	1,692,296
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Accrual of Non-Current Items

The amount below included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as revenue or expenditures in governmental funds (net change):

Special item - Property tax refund	(8,540,400)
Interest expenses	(253,061)
Compensated absences	99,840

Allocation of Internal Service Fund Activity

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.

3,468,951

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$18,007,637

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Resources (inflows):				
Property taxes	\$14,237,768	\$15,265,334	\$15,416,601	\$151,267
Sales taxes	13,080,000	12,129,046	12,209,687	80,641
Transient occupancy taxes	5,900,000	6,300,000	7,098,284	798,284
Other taxes	4,115,000	3,915,000	3,796,063	(118,937)
Intergovernmental	5,794,500	6,176,858	6,464,237	287,379
Interest and rentals	3,353,020	3,453,020	4,197,952	744,932
Licenses and permits	6,105,000	6,148,637	5,716,017	(432,620)
Charges for services	7,584,450	8,145,874	8,536,217	390,343
Fines and forfeitures	1,125,000	1,125,000	1,077,003	(47,997)
Other	5,000	5,000	234,264	229,264
	<u>61,299,738</u>	<u>62,663,769</u>	<u>64,746,325</u>	<u>2,082,556</u>
Amounts available for appropriation				
Charges to appropriations (outflows)				
City Council	202,886	180,386	155,017	25,369
City Clerk	406,258	395,799	391,474	4,325
City Treasurer	41,067	42,567	40,270	2,297
City Attorney	474,308	986,308	777,575	208,733
City Manager	728,312	744,681	740,962	3,719
Finance	1,694,720	1,791,341	1,790,776	565
Non-Departmental	910,279	829,279	821,803	7,476
Human Resources	947,450	1,080,097	1,103,819	(23,722)
Fire	15,409,413	17,687,112	16,875,311	811,801
Police	18,888,620	18,671,565	18,665,952	5,613
Public Works	3,699,764	4,189,064	4,188,443	621
Recreation and Community Services	10,395,864	10,831,351	10,828,731	2,620
Library	4,580,806	4,785,503	4,766,821	18,682
Economic and Community Development	3,021,066	3,222,927	3,215,838	7,089
Other	4,494	4,494	3,965	529
Capital Outlay				
Interest and fiscal charges	150,785	56,903	23,335	33,568
	<u>61,405,307</u>	<u>65,442,474</u>	<u>64,390,092</u>	<u>1,052,382</u>
Total charges to appropriations				
OTHER FINANCING SOURCES (USES)				
Transfers in	897,500	958,235	925,089	(33,146)
Transfers out	(2,210,600)	(6,139,411)	(4,866,031)	1,273,380
	<u>(1,313,100)</u>	<u>(5,181,176)</u>	<u>(3,940,942)</u>	<u>1,240,234</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	<u>(\$1,418,669)</u>	<u>(\$7,959,881)</u>	<u>(3,584,709)</u>	<u>\$4,375,172</u>
Fund Balance, July 1			21,092,374	
Adjustment to budgetary basis:				
Encumbrance adjustments			431,871	
Fund Balance, June 30			<u>\$17,939,536</u>	

See accompanying notes to financial statements

CITY OF SOUTH SAN FRANCISCO
 FEDERAL AVIATION GRANT SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$1,260,000		\$42,605	\$42,605
Interest and rental			196,592	196,592
Total Revenues	<u>1,260,000</u>		<u>239,197</u>	<u>239,197</u>
EXPENDITURES:				
Current:				
Economic and Community Development	1,281,095	\$1,275,265	240,400	1,034,865
Capital outlay			1,297	(1,297)
Total Expenditures	<u>1,281,095</u>	<u>1,275,265</u>	<u>241,697</u>	<u>1,033,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(21,095)</u>	<u>(1,275,265)</u>	<u>(2,500)</u>	<u>1,272,765</u>
NET CHANGE IN FUND BALANCES	<u>(\$21,095)</u>	<u>(\$1,275,265)</u>	<u>(2,500)</u>	<u>\$1,272,765</u>
Fund balance, July 1			(44,163)	
Adjustment to budgetary basis:				
Encumbrance adjustments			<u>2,500</u>	
Fund balance (deficit), June 30			<u>(\$44,163)</u>	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of *major funds* established by GASB Statement 34 extends to Proprietary Funds. The City reported all enterprise funds as major proprietary funds.

GASB 34 does not provide for the disclosure of budget versus actual comparisons regarding proprietary funds that are major funds.

SEWER RENTAL FUND

This fund accounts for user charges and debt proceeds supporting the operation, maintenance, and capital expansion of the wastewater collection and treatment system.

PARKING DISTRICT FUND

This fund accounts for meter and parking permit fees used to maintain parking facilities.

STORM WATER FUND

This fund accounts for user charges sustaining the Storm Water Management Program mandated by state and federal authorities.

CITY OF SOUTH SAN FRANCISCO
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

	Business-type Activities - Enterprise Funds			Governmental	
	Sewer Rental	Parking District	Storm Water	Internal Service Funds	
			Total		
ASSETS					
Current assets:					
Cash and investments	\$8,731,103	\$531,652	\$142,522	\$9,405,277	\$10,122,437
Receivables:					
Accounts	92,060			92,060	450,028
Accrued interest	72,375	6,463	1,465	80,303	36,335
Due from other governments	2,508,929			2,508,929	
Due from other funds					285,735
Deposit					171,010
Prepaid items					12,778
Total current assets	11,404,467	538,115	143,987	12,086,569	11,078,323
Noncurrent assets:					
Restricted cash and investments	812,310			812,310	
Cost of issuance	126,740			126,740	
Capital assets:					
Nondepreciable	51,458,620	1,820,027		53,278,647	
Depreciable, net accumulated depreciation	67,512,747	198,265	10,273	67,721,285	3,855,265
Total non-current assets	119,910,417	2,018,292	10,273	121,938,982	3,855,265
Total Assets	131,314,884	2,556,407	154,260	134,025,551	14,933,588
LIABILITIES					
Current liabilities:					
Accounts payable	1,191,709	186,841	23,868	1,402,418	554,621
Accrued interest payable	1,171,478			1,171,478	
Other payable	23,921		159	24,080	168,274
Deposits	100,000			100,000	
Deferred revenue	8,465,337			8,465,337	
Accrued insurance loss					592,343
Compensated absences obligation	38,946	3,234	4,181	46,361	488,854
Current portion of long-term debt	3,842,458			3,842,458	209,096
Total current liabilities	14,833,849	190,075	28,208	15,052,132	2,013,188
Noncurrent liabilities:					
Accrued insurance losses					3,520,000
Advances from other funds	1,700,000			1,700,000	
Compensated absences obligation	416,898	25,714	55,623	498,235	746,819
Noncurrent portion of long-term debt	72,334,665			72,334,665	350,283
Total noncurrent liabilities	74,451,563	25,714	55,623	74,532,900	4,617,102
Total Liabilities	89,285,412	215,789	83,831	89,585,032	6,630,290
NET ASSETS:					
Invested in capital assets, net of related debt	43,606,554	2,018,292	10,273	45,635,119	3,295,886
Restricted	1,480,000			1,480,000	
Unrestricted	(3,057,082)	322,326	60,156	(2,674,600)	5,007,412
Total Net Assets	\$42,029,472	\$2,340,618	\$70,429	\$44,440,519	\$8,303,298

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewer Rental	Parking District	Storm Water	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$14,112,051	\$9,481	\$413,827	\$14,535,359	\$8,767,369
Other cities' participation	4,112,065			4,112,065	
Connection and other fees	67,255			67,255	
Developer fees	106,512			106,512	
Parking fees		543,836		543,836	
Total Operating Revenues	18,397,883	553,317	413,827	19,365,027	8,767,369
OPERATING EXPENSES					
Personnel expenses	5,113,211	199,410	557,595	5,870,216	4,849,760
Professional services	1,196,366	19,710	51,504	1,267,580	632,055
Program supplies	1,053,449	14,642	33,820	1,103,911	814,606
Insurance	162,801	2,200	4,500	169,501	839,531
Self-insurance and claims					1,031,117
Repair and maintenance	682,716			682,716	863,276
Rents and leases	1,459,222			1,459,222	
Utilities	1,389,136	6,400	2,644	1,398,180	27,524
Administration	995,220	94,510	49,990	1,139,720	
Depreciation	2,320,219	17,526	4,997	2,342,742	695,678
Other	42,135		49	42,184	72,727
Total Operating Expenses	14,416,475	354,398	705,099	15,475,972	9,826,274
Operating Income (Loss)	3,981,408	198,919	(291,272)	3,889,055	(1,058,905)
NONOPERATING REVENUES (EXPENSES)					
Interest income	20,983	41,127	7,667	69,777	186,654
Proceeds from sales of capital assets					28,717
Gain (loss) on sale of capital assets	(4,974)			(4,974)	(17,288)
Interest expense	(1,918,895)			(1,918,895)	
Other	838,948	(9,480)	7,900	837,368	427,496
Total Nonoperating Revenues (Expenses)	(1,063,938)	31,647	15,567	(1,016,724)	625,579
Income (loss) before transfers	2,917,470	230,566	(275,705)	2,872,331	(433,326)
TRANSFERS					
Transfers in	93,000		200,000	293,000	4,325,316
Transfers out	(123,670)			(123,670)	(423,039)
Change in Net Assets	2,886,800	230,566	(75,705)	3,041,661	3,468,951
Net Assets - July 1	39,142,672	2,110,052	146,134	41,398,858	4,834,347
Net Assets - June 30	\$42,029,472	\$2,340,618	\$70,429	\$44,440,519	\$8,303,298

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Rental	Parking District	Storm Water	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$19,573,238	\$543,837	\$421,727	\$20,538,802	
Cash payment to suppliers for goods and services	(5,978,557)	37,690	(126,660)	(6,067,527)	(\$3,197,978)
Cash payment to employees for services	(5,116,751)	(194,833)	(551,695)	(5,863,279)	(4,760,124)
Cash received from interfund service provided					8,757,693
Cash payment for judgments and claims					(615,097)
Net Cash Provided by (Used in) Operating Activities	8,477,930	386,694	(256,628)	8,607,996	184,494
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipt from other funds	1,700,000			1,700,000	(94,380)
Transfers in	93,000		200,000	293,000	4,325,316
Transfers out	(123,670)			(123,670)	(423,039)
Net Cash Provided by Noncapital Financing Activities	1,669,330		200,000	1,869,330	3,807,897
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	3,043,958			3,043,958	(238,264)
Interest paid on long-term debt	(1,982,813)			(1,982,813)	
Cost of issuance	14,554			14,554	
Gain (loss) on sale of capital assets	(4,974)			(4,974)	
Acquisition of capital assets	(15,646,878)	(708,087)		(16,354,965)	26,490
Net Cash Used in Capital and Related Financing Activities	(14,576,153)	(708,087)		(15,284,240)	(211,774)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	125,196	44,894	8,617	178,707	204,293
Net Cash Provided by Investing Activities	125,196	44,894	8,617	178,707	204,293
Net Increase (Decrease) in cash and cash equivalents	(4,303,697)	(276,499)	(48,011)	(4,628,207)	2,718,069
Cash and cash equivalents, beginning	16,356,039	808,151	190,533	17,354,723	7,404,368
Cash and cash equivalents, ending	ERROR	\$531,652	\$142,522	ERROR	\$10,122,437
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$3,981,408	\$198,919	(\$291,272)	\$3,889,055	(\$1,058,905)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	2,320,219	17,526	4,997	2,342,742	695,678
Other non-operating revenue (expenses)	838,948	(9,480)	7,900	837,368	427,496
Net change in assets and liabilities:					
Accounts and lease receivables	131,070			131,070	(437,172)
Prepaid items	8,801			8,801	7,758
Accounts payable	871,792	175,152	15,688	1,062,632	86,722
Other payable	23,895		159	24,054	65,337
Deposits	100,000			100,000	
Deferred revenue	205,337			205,337	
Accrued insurance losses					416,020
Compensated absence obligations	(3,540)	4,577	5,900	6,937	(18,440)
Net Cash Provided by (Used in) Operating Activities	\$8,477,930	\$386,694	(\$256,628)	\$8,607,996	\$184,494

See accompanying notes to basic financial statements

FIDUCIARY FUND

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

NON-OBLIGATED ASSESSMENT DISTRICTS AGENCY FUND

This fund accounts for the collection of assessments and related repayments of special assessment bonds.

CITY OF SOUTH SAN FRANCISCO
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2008

	Agency Fund Non- Obligated Assessment Districts
ASSETS	
Accrued interest receivable	\$11,540
Restricted cash and investments	1,155,881
Total Assets	\$1,167,421
LIABILITIES	
Accounts payable	\$229
Deferred contributions from property owners	1,167,192
Total Liabilities	\$1,167,421

See accompanying notes to financial statements

Basic Financial Statements
Notes to the Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description of the Financial Reporting Entity*

As required by generally accepted accounting principles, the financial statements present the City of South San Francisco (the City) as the Primary Government, with its component units for which the City is considered financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

B. *Description of Blended Component Units*

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component units, entities for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City. The City's following blended component units are described below.

The **City of South San Francisco Redevelopment Agency** (the Agency) was established in 1981 to develop certain portions of the City's older industrial areas. The Agency is governed by the City Council in a separate capacity as members of the Redevelopment Agency Board. The City of South San Francisco Redevelopment Agency's component unit financial statements may be obtained from the City's Finance Department at 400 Grand Avenue, South San Francisco, CA 94080.

The **City of South San Francisco Capital Improvements Financing Authority** is a joint exercise of powers authority created in 1991 between the City and the City of South San Francisco Redevelopment Agency. The Financing Authority is authorized to borrow money through the purchase or issuance of bonds, notes, or other obligations for the purpose of making loans to the City and other public entities to finance capital improvements. The City Council members serve as the Board of Directors.

C. *Description of Discrete Component Unit*

The **City of South San Francisco Conference Center Authority** was established in 1992 to manage and operate the South San Francisco Conference Center. The Authority is governed by a Board of nine commissioners consisting of two Council members and seven representatives from various businesses appointed by City Council.

The Authority does not meet the criteria of a blended component unit, since the City Council is not the component unit's governing body and the Authority does not provide services entirely to the City. However the City is financially accountable and is able to impose its will on the Authority. The Authority is therefore considered a discrete component unit with its financial data reported separately from the financial data of the City.

The City of South San Francisco Conference Center Authority financial statements may be obtained from the Authority at 255 South Airport Boulevard, South San Francisco, CA 94080.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation

Government-wide Statements - The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Interfund transfers and amounts owed between funds within the primary government have been eliminated from the statements. Amounts representing interfund services and uses remain in the statements. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

E. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund – Accounts for resources traditionally associated with government, such as administration, public safety, library, parks, maintenance, and recreation, outside of those accounted for in other funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Aviation Grant Special Revenue Fund - Accounts for Federal monies received for insulating structures against airport noise.

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

Redevelopment Agency Funds:

Merged Redevelopment Project Area Capital Projects Fund - Accounts for property tax increment revenues used for capital projects connected with the Gateway, Downtown, Shearwater and El Camino project areas.

Low and Moderate Income Housing Capital Project Fund - Accounts for the 20% share of property tax increment revenue directed toward low and moderate income housing projects.

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

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

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

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

The City also reports the following fund types:

Internal Service Funds - These funds account for self insurance, health and retirement benefits, City services and equipment replacement; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Fund - An agency fund is used to account for assets held by the City as an agent for special assessment districts that service debt for which the City is not obligated for repayment. The City is an agent for the 1989 El Camino Plaza Assessment Districts Series 89A and B, 1990 Pointe Grand Business Park Assessment District Series 90A, and 1987 Magnolia Plaza Senior Apartments as disclosed in Note 6 below. The financial activities of this fund, excluded from the Government-wide financial statement, are presented in a separate Fiduciary Fund financial statement.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Basis of Accounting

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

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

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

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

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

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

Certain indirect costs are included in program expenses reported for individual functions and activities.

The City follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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G. Budgets, Budgetary Accounting, and Encumbrances

The City is not legally required to budget any of its funds, but does so to enhance City management's effectiveness in their financial planning efforts and to enhance control over the City's operations. Budgets are adopted on a modified accrual basis, except for encumbrances and for the Capital Improvement Fund. Encumbrances are considered expenditures in the year of the purchase order issuance. The Capital Improvement Fund is adopted on a multi-year project basis with unexpended and unencumbered budgets reappropriated in the following year. The City operates under the general laws of the State of California (the State) and annually adopts a budget effective July 1 for the ensuing fiscal year for the General fund; Special Revenue funds except for the City Programs fund; Debt Service funds; Capital Projects funds except for the Inactive Bonds fund; and Enterprise funds.

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

All appropriations lapse at year-end, except for capital projects and encumbrances. Original adopted budgets and final amended budgets are presented in the basic financial statements. Supplementary budget appropriations were necessary during the year ended June 30, 2008.

Encumbrance accounting, under which, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances are reappropriated in the following year.

The budgetary comparison statements present comparisons of the legally adopted budget with actual charges to appropriations on a budgetary basis. In order to provide a meaningful comparison, the actual charges on a budgetary basis include encumbrances, which is a basis that differs significantly from those used to present financial statements in conformity with generally accepted accounting principles.

The General Fund's following departments incurred expenditures and encumbrances in excess of their budgets:

Departments	Amounts
Human Resources	23,722

However, no department had expenditures in excess of final budgets, when excluding encumbrances.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Redevelopment Low-Mod Housing Debt Service Fund and Developer Impact Special Revenue Fund had expenditures in excess of its budgets in the amounts of \$278,630 and \$260,547, respectively. Other City Obligations Debt Service Fund had expenditures in excess of its budgets in the amounts of \$331,948. Sufficient resources were available within the funds to finance their excesses.

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

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

J. Capital Assets

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

GASB Statement 34 allows the City up to four years to record all its infrastructure assets at June 30, 2003. With the implementation of GASB 34 the City has recorded additions and improvements to infrastructure classified as streets, storm drains, and traffic control devices since fiscal 2003. Historical value for infrastructure assets acquired in prior years since 1980 was recorded as of June 30, 2008.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets, excluding infrastructure, are recorded if acquisition or construction costs exceeds \$5,000. The similar threshold for infrastructure is \$100,000.

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

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

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$5,425,639	\$537,659	\$5,963,298
Leave accruals	3,871,597	282,024	4,153,621
Leave use	(3,989,877)	(275,087)	(4,264,964)
Ending Balance	\$5,307,359	\$544,596	\$5,851,955
Current Portion	\$488,854	\$46,361	\$535,215

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Tax Levy, Collection and Maximum Rates - State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts. The County of San Mateo assesses properties, bills for and collects property taxes on the schedule that follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

- M. Pension Costs** are funded currently as determined each July 1 by an actuary.
- N. Unbilled Services** - for the Sewer Rental Enterprise Fund are accrued at year-end.
- O. Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The City's goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time.

- A. Policies**
The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments as of June 30, 2008 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Statement of net assets:	
City of South San Francisco:	
Cash and investments available for operations	\$ 109,702,426
Restricted cash and investments	39,592,627
Total Primary Government cash and investments	149,295,053
Conference Center:	
Cash and investments available for operations	1,251,405
Restricted cash and investments	490,850
Total South San Francisco Conference Center cash and investments	1,742,255
Restricted Cash and investments in Fiduciary Funds (separate statement)	1,155,881
Total cash and investments	\$152,193,189

The City does not allocate investments by fund. Each proprietary fund's portion of Cash and Investments Available for Operations is in substance a demand deposit available to finance operations, and is considered a cash equivalent in preparing the statement of cash flows.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the City to invest in the following provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where it is more restrictive:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	No Limit	No Limit
Banker's Acceptances	180 days	N/A	20%	\$5 million
Commercial Paper	270 days	A1,P1	15%	\$3 million
Negotiable Certificates of Deposit	1 year	N/A	20%	\$5 million
Repurchase Agreements	90 days	N/A	No Limit	No Limit
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$40 million	No Limit
The San Mateo County Investment Fund	Upon Demand	N/A	No Limit	No Limit
		Highest Rating		
Mutual Funds	N/A	Category	20%	10%
Medium-Term Notes	5 years	A	10%	\$2 million

The City of South San Francisco Conference Center Authority maintains its cash and investments separately from the City. It follows the California Government code which allows the Authority to invest in their own bonds, certain time deposits, obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances with maturities not to exceed 270 days, and medium-term notes issued by corporations operating within the U.S., commercial paper rated P-1 or higher by Moody's or A-1 by Standard & Poor's commercial paper record, repurchase agreements of obligations of the U.S. Government or its agencies for a term of one year or less and the Local Agency Investment Fund.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	N/A	N/A	No Limit
Banker's Acceptances	360 days	Highest Rating Category	No Limit
Commercial Paper	270 days	Highest Rating Category	No Limit
State and Local Investment Pool	N/A	Highest Rating Category	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	AAA	No Limit
Municipal Obligations	N/A	Highest Rating Category	No Limit
State Obligations	N/A	Two Highest Rating Categories	No Limit

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements (Continued)

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	N/A	N/A	10%
Negotiable Certificates of Deposit	N/A	A	No Limit
Commercial Paper	N/A	Aaa	No Limit
Corporate Notes	N/A	A	No Limit
Money Market	N/A	N/A	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	AAA	No Limit

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

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk is by holding most investments to maturity, thus reversing unrealized market gains and losses.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Remaining maturity			Total
	Less than 1 year	One to Five Years	More than Five Years	
<i>City:</i>				
U.S. Agency Securities				
Callable	\$5,048,437	\$11,116,546		\$16,164,983
Non-callable	4,015,625	37,877,549		41,893,174
Local Agency Investment Fund	44,563,841			44,563,841
San Mateo County Investment Fund	13,461,649			13,461,649
Money Market Funds	1,024,996			1,024,996
Collateralized Investment Agreements	27,370,148		\$3,955,550	31,325,698
Cash in Banks	2,007,873			2,007,873
Cash on Hand	8,720			8,720
<i>South San Francisco Conference Center:</i>				
Local Agency Investment Fund	888,799			888,799
Restricted Investments			490,850	490,850
Cash in Banks	362,506			362,506
Cash on Hand	100			100
Total Cash and Investments	\$98,752,694	\$48,994,095	\$4,446,400	\$152,193,189

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

The City is a participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance is available for withdrawal on demand, and is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2008, for each of the Primary Government's investment types as provided by Standard and Poor's or Fitch investment rating systems, except as noted:

Investment Type	Aaa	Fitch AA+/V1+	Total
<i>City:</i>			
U.S. Government-Sponsored Enterprise Agencies			
Non-callable	\$41,893,174		\$41,893,174
Callable	16,164,983		16,164,983
San Mateo County Investment Fund		\$13,461,649	13,461,649
Money Market Funds	1,024,996		1,024,996
Totals	59,083,153	13,461,649	72,544,802
<i>Not rated:</i>			
U.S. Treasury Bill			
Collateralized Investment Agreements			31,325,698
Local Agency Investment Fund			44,563,841
Cash in Banks			2,007,873
Cash on Hand			8,720
<i>South San Francisco Conference Center:</i>			
<i>Not rated:</i>			
Restricted Investments			490,850
California Local Agency Investment Fund			888,799
Cash in Banks			362,506
Cash on Hand			100
Total Cash and Investments	\$59,083,153	\$13,461,649	\$152,193,189

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U. S. Treasury securities, mutual funds, and external investment pools, that represent 5% or more of total Entity-wide investments are as follows at June 30, 2008:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal agency securities	\$35,760,673
Federal National Mortgage Association	Federal agency securities	16,164,983
Morgan Stanley	Collateralized investment agreement	31,325,698

Investments in any one issuer that represent 5% or more of total investments by major fund are as follows at June 30, 2008:

Fund	Issuer	Type	Amount
Major Funds			
Capital Project Fund	Morgan Stanley	Collateralized investment agreement	\$31,325,698
Non-Major Funds			
Merged Redevelopment Project Area	Federal National Mortgage Association	Federal agency securities	16,164,983

H. Subsequent Event

Subsequent to June 30, 2008, the City was informed that management of the San Mateo County Investment Pool removed certain investments issued by Lehman Brothers Holdings, Inc. (Lehman Brothers) from the Pool and classified them as non-performing assets due to the bankruptcy filed by Lehman Brothers. The City's proportional share of these investment loss totals \$476,677 as of September 30, 2008. This write down reflects concerns that those investments may not be collectable. Ultimate recovery, if any, is not determinable at this time.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS

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

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Governmental activities					
Capital assets not being depreciated:					
Land	\$48,318,440	\$28,150,781			\$76,469,221
Construction in Progress	12,859,575	17,915,391		(\$4,113,673)	26,661,293
Total capital assets not being depreciated	61,178,015	46,066,172		(4,113,673)	103,130,514
Capital assets being depreciated:					
Buildings and Improvements	62,252,065	3,823,163		4,113,673	70,188,901
Infrastructure - Streets	166,888,177	630,684			167,518,861
Infrastructure - Storm Drains	4,499,437				4,499,437
Infrastructure - Traffic Control Devices	4,789,725				4,789,725
Infrastructure - Parks					
Equipment & Vehicle	4,857,231	84,835	(\$65,086)		4,876,980
Furniture and Fixtures	1,292,899				1,292,899
Total capital assets being depreciated	244,579,534	4,538,682	(65,086)	4,113,673	253,166,803
Less accumulated depreciation for:					
Buildings and Improvements	(15,321,589)	(1,604,423)			(16,926,012)
Infrastructure - Streets	(44,204,200)	(4,920,673)			(49,124,873)
Infrastructure - Storm Drains	(1,309,977)	(97,030)			(1,407,007)
Infrastructure - Traffic Control Devices	(994,765)	(167,681)			(1,162,446)
Infrastructure - Parks					
Equipment & Vehicle	(3,805,856)	(237,898)	65,086		(3,978,668)
Furniture and Fixtures	(758,257)	(86,547)			(844,804)
Total accumulated depreciation	(66,394,644)	(7,114,252)	65,086		(73,443,810)
Net Governmental Fund Program Capital Assets Being Depreciated	178,184,890	(2,575,570)		4,113,673	179,722,993
Internal Service Fund Capital Assets					
Equipment & Vehicle	8,184,737	1,269,719	(189,912)		9,264,544
Accumulated depreciation	(4,885,574)	(695,678)	171,973		(5,409,279)
Net Internal Service Capital Assets Being Depreciated	3,299,163	574,041	(17,939)		3,855,265
Governmental activity capital assets, net	\$242,662,068	\$44,064,643	(\$17,939)		\$286,708,772

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Business-type activities				
Capital assets, not being depreciated:				
Land	\$1,252,141			\$1,252,141
Construction in Progress	35,883,795	\$16,142,711		52,026,506
Total capital assets not being depreciated	37,135,936	16,142,711		53,278,647
Capital assets, being depreciated:				
Buildings and Improvements	13,728,209	52,049		13,780,258
Clean Water Facilities & Lines	69,690,715			69,690,715
Infrastructure - Streets	1,385,399			1,385,399
Equipment & Vehicle	9,205,692	166,737	(\$10,446)	9,361,983
Furniture and Fixtures	31,154			31,154
Total capital assets being depreciated	94,041,169	218,786	(10,446)	94,249,509
Less accumulated depreciation for:				
Buildings and Improvements	(3,880,845)	(312,967)		(4,193,812)
Clean Water Facilities & Lines	(11,743,077)	(1,742,269)		(13,485,346)
Infrastructure - Streets	(161,630)	(46,180)		(207,810)
Equipment & Vehicle	(8,383,144)	(238,730)	3,914	(8,617,960)
Furniture and Fixtures	(20,700)	(2,596)		(23,296)
Total accumulated depreciation	(24,189,396)	(2,342,742)	3,914	(26,528,224)
Net capital assets being depreciated	69,851,773	(2,123,956)	(6,532)	67,721,285
Business-type activity capital assets, net	\$106,987,709	\$14,018,755	(\$6,532)	\$120,999,932
	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Component Unit:				
South San Francisco Conference Center				
Buildings and Improvements	\$8,479,349	\$1,818,558		\$10,297,907
Furniture and Fixtures	727,501	65,831		793,332
Machinery and equipment	322,494	22,357		344,851
Construction in progress	1,676,609		(\$1,676,609)	
Total:	11,205,953	1,906,746	(1,676,609)	11,436,090
Less accumulated depreciation	4,851,613	390,781		5,242,394
Component unit, net	\$6,354,340	\$1,515,965	(\$1,676,609)	\$6,193,696

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS (Continued)

- B. Capital Asset Contributions** - Some capital assets may have been acquired using federal and State grant funds, or were contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.
- C. Depreciation Allocation** - Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

	2008
<i>Governmental Activities</i>	
Governmental Fund Programs	
General government	\$391,132
Economic & Community Development	81,825
Police	35,398
Fire	94,342
Library	51,776
Maintenance	6,141,060
Recreation	318,719
Internal Service Funds	695,678
Total Governmental Activities	\$7,809,930
 <i>Business-Type Activities</i>	
Sewer Rental	\$2,320,218
Parking	17,526
Storm Water	4,998
Total Business-Type Activities	\$2,342,742

NOTE 4 - INTER-FUND TRANSACTIONS

A. Inter-fund Receivables and Payables

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year.

Due From Fund	Due to Fund	Amount
General Fund	Capital Improvement Capital Project Fund Merged Redevelopment Project Area Debt Service Fund	\$387,000 126,914
Equipment Replace Internal Service Fund	Community Development Block Grant	285,735
		\$799,649

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 - INTER-FUND TRANSACTIONS (Continued)

As of June 30, 2008, the South San Francisco Conference Center owed the City General Fund \$109,093, which will be repaid in the next fiscal year.

B. *Inter-fund Advance*

Advances due to or due from other funds are long-term loans between funds that are to be repaid in their entirety over several years.

As of June 30, 2008, the Redevelopment Agency Low/Mod Income Housing Capital Projects Fund owed the Community Development Block Grant Special Revenue Fund in the amount of \$346,748 for the rehabilitation of the rental apartment complex on 339-341 Commercial Avenue. The advance bears no interest and the outstanding balances will be paid off from the low and moderate income rental revenues generated from the apartment complex.

As of June 30, 2008, the Capital Improvement Capital Projects Fund owed the Merged Redevelopment Project Area Capital Project Fund for developer fees in the amount of \$17,709,727 for the Flyover and Hookramps Projects that were completed in prior years. The advance bears 4.585% interest annually and the outstanding balance will be paid off from the future developer fees.

The Sewer Rental Enterprise Fund owed the Merged Redevelopment Project Area Capital Project Fund for development of sewer infrastructures in the amount of \$1,700,000. The advance bears 0% interest annually and the outstanding balance will be paid off from future sewer fees.

C. *Internal Balances*

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

D. *Transfers*

Resources may be transferred from one City fund to another. Transfers routinely fund capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects.

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

NOTE 4 - INTER-FUND TRANSACTIONS (Continued)

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

FROM FUND	TO FUND	AMOUNT	
General Fund	Capital Improvement Capital Project Fund	\$520,767	(A)
	Health and Retirement Benefits Internal Service Fund	4,000,000	(E)
	Non-Major Governmental Funds	345,264	(B)
Capital Project Funds:			
RDA Merged Capital Project Fund	Capital Improvement Capital Project Fund	508,342	(A)
	RDA Low/Mod Housing Capital Project Fund	5,561,842	(C)
	Non-Major Governmental Funds	4,853,913	(B)
RDA Low Mod Housing	RDA Merged Capital Project Fund	2,619,435	(A)
	Non-Major Governmental Funds	276,877	(E)
Non-major Governmental Funds	General Fund	925,089	(D)
	Capital Improvement Capital Project Fund	4,349,092	(A)
	Sewer Rental Enterprise Fund	93,000	(D)
	Storm Water Enterprise Fund	200,000	(D)
Sewer Rental Enterprise Fund	Capital Improvement Capital Project Fund	48,354	(A)
	City Service Internal Service Fund	75,316	(E)
Internal Service Funds			
City Service	Capital Improvement Capital Project Fund	47,312	(A)
	City Programs Special Revenue Fund	18,000	(D)
Self Insurance	Health and Retirement Benefits Internal Service Fund	250,000	(D)
Equipment Replacement	Capital Improvement Capital Project Fund	107,727	(D)
	Total	\$24,800,330	

The reasons for these transfers are set forth below:

- (A) For capital projects
- (B) For debt service
- (C) Set aside 20% of property tax increment for low and moderate housing
- (D) For maintenance and operating expenses
- (E) For contribution to post employment benefits

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

NOTE 5 - LONG-TERM OBLIGATIONS

A. Current Year Transactions and Balances

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2008, follows:

	Authorized and Issued	Balance at June 30, 2007	Additions	Repayments /Retirement	Balance at June 30, 2008	Current Portion
Governmental Activities:						
Redevelopment Agency (1):						
2006 Revenue Bonds, 3.75 to 5.13%, due 9/1/35 (2)	\$70,675,000	\$69,745,000		\$1,230,000	\$68,515,000	\$1,275,000
2000 HUD Section 108, 4.4 to 6.6%, due 8/1/23 (3)	1,750,000	1,614,000		112,000	1,502,000	112,000
1999 Revenue Bonds, 3.3 to 5.0%, due 9/1/18 (4)	31,720,000	2,655,000		170,000	2,485,000	180,000
1999 Certificates of Participation, 3.2 to 5.0%, due 4/1/29 (5)	6,145,000	5,200,000		140,000	5,060,000	145,000
1989 California Health Facilities Financing Authority (CHFFA) Revenue Bonds, 7.2%, due 9/23/11(6)	563,000	194,156		40,296	153,860	43,426
Total Redevelopment Agency		79,408,156		1,692,296	77,715,860	1,755,426
1988 Costco (Price Club) Notes, 8.5%, due 12/6/13 (7)	2,270,000	2,270,000			2,270,000	
Total Other Bonds and Notes		2,270,000			2,270,000	
Total Governmental Activities Debt		81,678,156		1,692,296	79,985,860	1,755,426
Capital Leases (8):						
1998 Quint, 4.57 to 5.0%, due 12/23/08		116,612		76,784	39,828	39,827
2000 Fire Truck, 5.72%, due 7/14/10		127,992		34,030	93,962	36,004
2005 Ambulance & Fire truck		77,401		24,661	52,740	25,783
2005 ALS Ambulance & Fire truck		120,447		20,017	100,430	20,816
2006 Ambulance & Sweeper		245,463		57,201	188,262	59,892
2006 EMS Computer System		109,728		25,571	84,157	26,774
Total Capital Leases		797,643		238,264	559,379	209,096
Compensated Absences		5,425,639	3,871,597	3,989,877	5,307,359	488,854
Net Governmental Long-Term Obligations		\$87,901,438	\$3,871,597	\$5,920,437	\$85,852,598	\$2,453,376
Business-Type Activities:						
1993 State Water Resources Loan, 3.0%, due 10/8/13 (9)	\$7,899,017	\$3,728,159		\$486,549	\$3,241,610	\$501,445
1999 State Water Resources Loan, 2.6%, due 8/1/22 (9)	47,721,252	42,403,827		2,170,921	40,232,906	2,227,365
2004 State Water Resources Loan, 2.5%, due 1/1/27 (9)	21,258,529	21,001,179		877,022	20,124,157	898,948
2008 State Water Resources Loan, 2.4%, (10)	9,164,505		\$6,788,450		6,788,450	
2005 Sewer Revenue Bonds, 2.75 to 5.0%, due 04/30/26 (11)	6,000,000	6,000,000		210,000	5,790,000	215,000
Compensated Absences		537,659	282,024	275,087	544,596	46,361
Total Enterprise Fund Long-Term Obligations		\$73,670,824	\$7,070,474	\$4,019,579	\$76,721,719	\$3,888,819
Component Unit - Conference Center:						
2003 Revenue Bonds, 2.25% to 4.0%, due 9/1/18 (12)	\$5,865,000	\$4,605,000		\$325,000	\$4,280,000	\$335,000
Unamortized refunding loss on 2003 bonds		(289,454)		(26,515)	(262,939)	
Total Conference Center		\$4,315,546		\$298,485	\$4,017,061	\$335,000

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

(1) The City has pledged incremental property taxes (related to the specific properties) of the Redevelopment Agency.

(2) On April 19, 2006, the Agency issued \$70,675,000 of **Tax Allocation Revenue Bonds, Series 2006A** to advance refund and defease \$9,920,000 of the 1997 Downtown Tax Allocation Bonds and \$23,860,000 of the 1999 Revenue Bonds, and to finance various redevelopment projects. Net proceeds of \$9,364,974 and \$3,753,130 plus an additional \$801,925 and \$20,039,830 from the 1997 and 1999 bonds were used to purchase U.S. government securities for the 1997 Downtown Tax Allocation Bonds and 1999 Revenue Bonds, respectively. Those securities were deposited in irrevocable trust with an escrow agent to provide for all future debt service payments. The 1997 and 1999 bonds are considered to be defeased and the liabilities for those bonds have been removed. As of June 30, 2008, \$9,405,000 and \$21,420,000 of principal remained outstanding on the defeased 1997 and 1999 bonds, respectively.

The 2006 Bonds are special obligation of the Redevelopment Agency payable solely from and secured by a pledge of tax revenues generated within the project area. Interest on the 2006A Bonds is payable on each March 1 and September 1. Principal payments are due each September 1. The pledge of future tax revenue ends upon repayment of the \$125,713,511 in remaining debt service on the bonds which is scheduled to occur in 2036. As disclosed in the originating offering documents, projected net revenues are expected to provide coverage over debt service of 3.41 over the life of the bonds. For fiscal year 2008, tax revenues available for debt service amounted to \$27.4 million which represented coverage of 6.1 over the \$4.5 million in debt service

(3) In May 2000, the City and Redevelopment Agency secured a "Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, in the aggregate principal amount of \$1,750,000 (the **2000 HUD Section 108 Loan**). The proceeds of the HUD Section 108 Loan were used to finance the acquisition of real property (and related relocation), the rehabilitation of rental housing, and the rehabilitation of a public facility, pursuant to 24 CFR Statute 570.703(a), (d), (h) and (l).

Under the Contract, the City and the Redevelopment Agency pledge: (a) all allocations or grants under Section 106 of Title I, or Section 108 (q) of Title I; (b) program income, as defined at 24 CFR Section 570.500 (a); (c) tax increment revenues and receipts available to the Redevelopment Agency; (d) all proceeds from foregoing; and (e) all funds or investments in accounts established by the Contract.

(4) On February 1, 1999, the City of South San Francisco Capital Improvements Financing Authority (CIFA) issued \$31,720,000 of **1999 Revenue Bonds** to provide funds to pay loans (Homart Development), to finance redevelopment and housing activities and to refund the 1993 Gateway tax allocation bonds, which were due in 2018. The 1999 revenue bonds are obligations of the CIFA although the Redevelopment Agency is required to make bond principal and interest payments from the Gateway increment tax and housing set-aside revenues. The 1999 Revenue Bonds are, in substance, obligations of the Redevelopment Agency, and have therefore been recorded as such in these financial statements. On April 16, 2006, the Gateway principal portion of the \$23,860,000 was refunded as discussed in (2) above. As of June 30, 2008, the Housing Set-Aside's portion of the bonds outstanding was \$2,485,000.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

The 1999 Revenue Bonds were issued and net proceeds of \$9,614,978 plus an additional \$956,470 of 1993 bond reserve funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 bonds. As a result, the 1993 bonds are considered to be defeased and the liability for those bonds has been removed. As of June 30, 2008, \$6,940,000 of principal remained outstanding on the defeased 1993 bonds.

(5) On February 1, 1999, the City issued \$6,145,000 of **1999 Certificates of Participation (COPs)** to finance the acquisition of the land and improvements used and operated as the City of South San Francisco Conference Center. During fiscal 2003/04, pursuant to a resolution of the Redevelopment Agency Board, tax increment revenues were pledged to pay debt service on the 1999 COPS. The pledge of future tax increment revenue ends upon repayment of the \$8,283,714 in remaining debt service on the bonds which is scheduled to occur in 2029. For fiscal year 2008, tax revenues available for debt service amounted to \$27.4 million which represented coverage of 69.1 over the \$396,748 in debt service

(6) **1989 California Health Facilities Financing Authority Revenue Bonds** - In April 6, 1989 the City received \$563,000 from the California Health Facilities Financial Authority for construction of the adult day care facility in the Magnolia Senior Center. Debt service payments are made from low and moderate tax increment revenues from the Redevelopment Agency Low/Moderate Income Housing Debt Service Fund.

(7) **1988 Costco (Price Club) Notes** - In 1988 the City borrowed money from a retail company then known as Price Club to purchase land from a third party adjacent to their store located on South Airport Boulevard in the City, which now operates as a Costco Wholesale store. The City leases the land back to the company for lease payments equaling a percentage of Costco's gross annual sales at the location. The note bore interest at 8.5%, and matured in December 2006. In fiscal year 2007, Costco exercised the option to extend the lease through December 6, 2013. The repayment of the notes do not begin until after the City has reimbursed Costco for development costs, plus interest as provided in the ground lease agreement. In the event the notes have not been paid in full at the end of the ground lease term, any unpaid balance of principal and accrued interest will be forgiven. The lease payments made to the City by Costco are offset against the City's obligation to Costco, first for interest, then for principal.

(8) The City has entered into long-term **capital leases** with various financing agencies. Under these capital leases, all leased assets shall be distributed to the City at the end of the lease terms and shall thereafter remain the sole property of the City. Therefore, these capital leases have been recorded at the present value of the future minimum lease payments at the date of inception of the lease, and the corresponding assets have been included in the Statement of Net Assets as appropriate. Capital lease payments are made from revenues of the Equipment Replacement Internal Service Fund, Redevelopment Agency and General Fund.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

(9) The three loans were authorized by the **State Water Resources Control Board** to improve and expand the City's wastewater treatment plant. Loan proceeds were issued as the projects progressed and debt service payments commenced one year after project completion. Sewage treatment user fees support the debt service payments. One third of the annual debt service payment on the 1993 loan is reimbursable from the City of San Bruno through a joint construction and ownership agreement of the wastewater treatment plant. The City is currently developing an amended agreement with the City of San Bruno to reimburse the City for a portion of the 1999 debt service payments

(10) **State Water Resources Control Board Loan** – In November 2007, the City approved the \$11.8 million loan agreement with State Water Resources Control Board (SWRCB) to finance the City's Wet Weather Program project. Under the terms of the contract, the City has agreed to repay \$11.8 million to the State in exchange for receiving \$9.2 million in proceeds to be used to fund the Project. The difference between the repayment obligation and proceeds amounts to \$2.6 million and represents in-substance interest on the outstanding balance. Loan proceeds are drawn down as the project progresses and debt service payments commence on August 15, 2009. As of June 30, 2008, the City received a total loan amount of \$4.3 million.

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

The 2005 Water and Wastewater Revenue Bonds are secured by a pledge of net revenues of the City's Enterprise system. The pledge of future all Enterprise Funds ends upon repayment of the \$8,571,390 in remaining debt service on the bonds which is scheduled to occur in 2026. For fiscal year 2008, all Enterprise Funds Revenues including operating revenues and non-operating interest earnings amounted to \$ 19.4 million and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$13.1 million. Net Revenues available for debt service amounted to \$6.3 million which represented coverage of 13.9 over the \$453,439 in debt service.

(12) On June 1, 2003, the City of South San Francisco Capital Improvement Financing Authority (the CIFA) issued \$5,865,000 of **2003 Revenue Bonds**. The CIFA was created through a joint exercise of powers agreement between the City and the City of South San Francisco Financing Authority for the purpose of obtaining financing for capital improvements. The 2003 revenue bonds are obligations of the CIFA although the Authority is required to make the bond principal and interest payments in return for the use and ownership of the improvements to the leased buildings that comprise the Conference Center's facilities. The Authority has pledged the \$2.50 tax imposed on the

City's hotel occupants on a per day per room basis as the sole source of repayment of these obligations. The 2003 revenue bonds are, in substance, obligations of the Authority and have therefore been recorded as such in these discretely presented component unit financial statements.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

The 2003 revenue bonds were issued for the purpose of refunding prior 1993 revenue bonds, which were due in 2018. The refunding reduced required interest payments and did not extend the maturities on the bonds. The proceeds from these bonds are transferred to a trustee to be placed in an irrevocable trust to redeem the 1993 revenue bonds. The funds were invested in U.S. Treasury Notes with a cost of \$5,082,742, which represents the amount necessary to pay the redemption price and interest through the call date. Accordingly, the 1993 revenue bonds were removed from the balance sheet at June 1, 2003. As of June 30, 2008, approximately \$4,605,000 principal remained outstanding on the 1993 revenue bonds. The advance refunding reduced the Authority's total debt service payments over the next 15 years by \$846,859 and resulted in an accounting loss of \$401,345, which has been deferred in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*.

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

B. Debt Service Requirements

Future debt service requirements, including interest and capital leases, at June 30, 2008, were as follows:

For the Year Ended June 30	Governmental Activities		Business-Type Activities		Component Unit Conference Center Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$1,964,523	\$3,731,944	\$3,842,458	\$1,883,842	\$335,000	\$136,513
2010	2,001,235	3,647,304	4,119,746	1,953,799	345,000	129,813
2011	2,029,816	3,561,913	4,329,763	1,955,970	350,000	122,050
2012	1,953,614	3,476,622	4,441,980	1,854,670	360,000	113,300
2013	4,264,051	3,394,545	4,562,013	1,750,305	370,000	97,850
2014-2018	11,185,000	15,566,346	22,200,911	6,228,090	2,060,000	289,287
2019-2023	12,400,000	12,754,570	24,636,712	3,181,932	460,000	9,200
2024-2028	14,977,000	9,434,617	7,616,047	565,839		
2029-2033	17,385,000	5,324,000	427,493	10,260		
2034-2036	12,385,000	948,875				
Totals	\$80,545,239	\$61,840,736	\$76,177,123	\$19,384,707	\$4,280,000	\$898,013

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

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

Certificates of Participation and Capital Leases are issued for the purpose of financing the construction or acquisition of projects defined in each leasing arrangement. Projects are leased to the City for lease payments which, together with unspent proceeds of the leasing arrangement, will be sufficient to meet the debt service obligations of the leasing arrangement. At the termination of the leasing arrangement title to the project will pass to the City.

Leasing arrangements are similar to debt; they allow investors to participate in a share of guaranteed payments which are made by the City. Because they are similar to debt, the present value of the total of the payments to be made by the City is recorded as long-term debt. The City's leasing arrangements are included in long term obligations discussed above.

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

Leasing Arrangement	Fund/Activity	Cost
Capital Leases	Governmental Activity	<u>\$1,306,675</u>

NOTE 6 - DEBT WITHOUT CITY COMMITMENT

The City has sponsored the issuance of the following debt, for which the City is not liable for repayment but is only acting as agent for the property owners and bondholders:

	Balance at June 30, 2007	Repayments	Balance at June 30, 2008	Current Portion
1989 El Camino Plaza Assessment District Series 89A, 6.5 to 7.2%, due 9/2/09	\$135,000	\$40,000	\$95,000	\$45,000
1989 El Camino Plaza Assessment District Series 89B, 9.5 to 9.75%, due 9/2/09	95,000	30,000	65,000	30,000
1990 Pointe Grand Business Park Assessment District Series 90A, 7.0 to 7.75%, due 9/2/11	1,025,000	175,000	850,000	190,000
1987 Magnolia Plaza Senior Apartments variable interest rates, due 5/1/17	6,100,000		6,100,000	
Total	<u>\$7,355,000</u>	<u>\$245,000</u>	<u>\$7,110,000</u>	<u>\$265,000</u>

For all debt issues above, bond principal and interest payments will be made from installment payments on unpaid assessments on properties within the assessment districts.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - NET ASSETS AND FUND BALANCES

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include assets restricted due to Redevelopment Agency bond covenants or low and moderate income housing loan agreements.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balance

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

C. Reservations

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves.

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserves for **advances, inventory and prepaid** are the portions of fund balance that are not available for appropriation due to funds being advanced to other City funds, assets held in inventory and assets committed for future expenses.

Reserve for **loans receivable** represents fund balances that cannot be appropriated because the assets have been loaned out in various City improvement programs.

Reserve for **future loan obligations** represents fund balances set aside strictly for potential future loans, as required by the various loan programs.

Reserve for **debt service** represents fund balances set aside for cash reserve accounts held by fiscal agents for debt service.

Reserve for **restricted assets and programs** is the portion of fund balance legally restricted for the payment of principal and interest on long-term obligations.

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

NOTE 7 - NET ASSETS AND FUND BALANCES (Continued)

D. Designations

The unreserved-designated fund balances include amounts which have been internally designated to be set aside and are not considered to be available for immediate appropriation. The components of the unreserved fund balance for the Governmental Funds at June 30, 2008 are as follows:

	General Fund	Federal Aviation	Capital Improvement	Redevelopment Agency Capital Project		Other Governmental Funds	Total
				Merged Project Area	Low Mod Housing		
Unreserved, designated for:							
Economic contingencies	\$4,576,000						\$4,576,000
Potential catastrophic events	1,307,000						1,307,000
General plan maintenance				\$8,416,485			
Capital projects and maintenance	1,418,182			574,969	\$6,999,001	\$7,044,851	16,037,003
Future economic development and future capital projects	4,399,131						4,399,131
Post employment benefits							
City programs						7,614,013	7,614,013
Total unreserved, designated	11,700,313			8,991,454	6,999,001	14,658,864	42,349,632
Total unreserved, undesignated	5,955,788	(\$46,663)	(\$13,550,350)	12,565,940	6,899,246	7,169,591	18,993,552
Total unreserved fund balances	\$17,656,101	(\$46,663)	(\$13,550,350)	\$21,557,394	\$13,898,247	\$21,828,455	\$61,343,184

E. Net Deficit

The Capital Improvement Capital Project Fund had a net deficit in the amount of \$11,972,947 at June 30, 2008. Capital Projects are often funded from grant sources that reimburse the City after the dollars are expended. In addition, the Redevelopment Agency advanced funds to the Capital Projects Fund. The City has an AB 1600 developer impact fee that charges developers in the Oyster Point area for the Oyster Point freeway improvements to repay the advance from the Redevelopment Agency. In fiscal 2008, the Redevelopment Agency had advanced funds to the Capital Improvement Capital Projects Fund to pay off the outstanding loan from San Mateo County Transportation Authority. The developer impact fee will remain on the books until the advance is paid off.

The Self Insurance Internal Service Fund had a net deficit in the amount of \$2,056,172 at June 30, 2008. The City Council adopted a reserve policy to target 50% of its potential future liabilities in the Self Insurance Fund. Cash in the Fund is sufficient so that the above deficit results in a 49% funding level at June 30, 2008. City management believes that this is a prudent funding level considering the anticipated cash flow requirements and the probability of the liabilities.

The Federal Aviation Grant Special Revenue Fund had a fund deficit in the amount of \$44,163 at June 30, 2008.

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

NOTE 8 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2008, are summarized as follows:

	Safety (Police & Fire)	Miscellaneous
Benefit vesting schedule	5 Years of service	5 Years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 years	50 years
Monthly benefits, as a % of annual salary	3.000%	1.426 – 2.7%
Required employee contribution rates	9%	7%
Required employer contribution rates	30.442%	17.312%

All qualified permanent and probationary employees are eligible to participate in PERS. A credited service year is one year of full time employment. The City's labor contracts require it to pay the employees contributions as well as its own. These benefit provisions and all other requirements are established by state statute and City ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

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

NOTE 8 - RETIREMENT BENEFITS (Continued)

CALPERS uses the 3-year smoothed market method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 20 years. Investment gains and losses are accumulated as they are realized and 10 percent of the net balance is amortized annually.

Actuarially required contributions for fiscal years 2008, 2007 and 2006 were \$8,111,984, \$7,724,510 and \$6,670,370, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

The Plans' actuarial value (which differs from market value) and funding progress over the most recent three years available is set forth below at their actuarial valuation date of June 30:

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$104,783,216	\$83,488,929	\$21,294,287	79.7%	\$17,596,591	121.0%
2006	112,083,357	90,724,014	21,359,343	80.9%	17,717,314	120.6%
2007	121,314,261	99,425,920	21,888,341	82.0%	18,091,423	121.0%

Safety:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$164,544,158	\$131,941,598	\$32,602,560	80.2%	\$13,802,943	236.2%
2006	174,244,412	140,481,955	33,762,457	80.6%	14,810,713	228.0%
2007	183,900,944	151,407,610	32,493,334	82.3%	15,674,127	207.3%

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

B. *Deferred Compensation Plan*

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

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

NOTE 8 - RETIREMENT BENEFITS (Continued)

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

C. *Other Post-Employment Benefits*

The City provides certain health care benefits for all employees who retire after attaining age 50 with at least five years of service. Benefits are provided as authorized by various memorandums of understanding entered into by the City and its employees. This program covered 241 retirees as of June 30, 2008. The City provides fully paid medical coverage under various health care plans. The City pays premiums on behalf of retirees monthly. Expenditures are recognized as premiums are incurred. During the year, expenditures of \$1,681,755 were recognized for postretirement health care. At June 30, 2008, the City Council authorized the transfer of \$4.0 million from the General Fund to the Health and Retirement Benefits Fund for the reservation of post employment benefits payments. This will begin the City's paying down this liability over time.

NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS

The City participates in the jointly governed organizations discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint organization, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this joint organization are not the City's responsibility and the City does not have an equity interest in the assets of each joint organization except upon dissolution of the joint organization.

A. *Oyster Point Marina*

(OPM) was established in 1977 by the City and the San Mateo County Harbor District (Harbor District) for the purpose of expanding, improving and operating the Oyster Point Marina and Park. The governing board consists of two of the City's council members and two Harbor District commissioners. The Harbor District operates OPM. Operation of the Marina provides revenues for the marina's operations. The City retains title to the land; however, the City is not liable for any obligations of the San Mateo County Harbor District. Condensed unaudited financial information may be obtained from San Mateo County Harbor District, #1 Johnson Pier, Half Moon Bay, CA 94019.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. *Peninsula Traffic Congestion Relief Alliance*

(PTCRA) was formed from the merger of The Inter City Transportation Systems Management Agency and Multi-City Transportation Systems Management Agency (MCTSMA) in 2000. The members are Cities of South San Francisco, Brisbane, Colma, Daly City, Half Moon Bay, Millbrae, Pacifica and San Bruno and seven other members for the purpose of mitigating traffic congestion. The governing board consists of one council member from each member city. The finance director of Daly City acts as the treasurer and controller of PTCRA. The individual cities are not liable for the debts, liabilities or obligations of PTCRA. Each member city has an equal interest in PTCRA. Condensed accrual basis unaudited financial information may be obtained from the City of Daly City Finance Department, 333 90th Street, Daly City, CA 94015.

C. *Mobile Air Compressor Unit*

(MACU) was established in 1989 by the Cities of South San Francisco, Daly City, San Bruno, Pacifica, Brisbane and the Colma Fire Protection District for the purpose of purchasing and maintaining certain specialized fire equipment for the use of members. Purchase of equipment is funded by members in proportion to each member's share of interest. Routine maintenance is funded annually by a \$1,500 charge to each member. Unusual costs are shared by members according to each member's share of interest. The City's proportionate share of interest is 28.6%. The entire entity is presented as part of the Inter-Agency Special Revenue Fund.

D. *City/County Association of Governments*

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

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

NOTE 10 - RISK MANAGEMENT

A. Insurance Coverage

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$5,000,000 of general liability and automobile coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 self-insured retention. As of July 1, 2007, the City's liability coverage through ABAG increased to a total of \$20 million, with the first \$5.0 million covered out of ABAG's financial reserves, and with the next \$15 million covered from two excess insurance policies acquired by ABAG. The Plan includes a property insurance program that covers various perils and risks up to \$1,000,000,000 per occurrence subject to lower categorical sub-limits and various deductibles. A boiler and machinery policy insures up to a combined limit of \$100,000,000 with various deductibles. For pollution, the City purchased separate insurance which insures up to \$2,000,000 for each condition and up to \$5,000,000 in the aggregate with a \$50,000 self-insured retention. For the year ended June 30, 2008, the City paid ABAG Plan \$667,530 in premiums and did not receive a refund of premiums paid in prior years. ABAG Plan has not determined the value of the City's interest in its net assets. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

The City has also purchased excess coverage insurance for worker's compensation claims from CSAC Excess Insurance Authority \$500,000 self-insured retention. For the past three fiscal years, general liability and worker compensation settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Self Insurance Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by management based on prior years claims experience as follows:

	June 30, 2008			Fiscal
	Workers' Compensation	General Liability	Total	2006-2007 Total
Balance, beginning of year	\$3,246,833	\$449,490	\$3,696,323	\$4,425,000
Current year claims and changes in estimates	1,346,906	95,543	1,442,449	277,398
Claims Paid	(833,739)	(95,033)	(928,772)	(1,006,075)
Balance, end of year	<u>\$3,760,000</u>	<u>\$450,000</u>	<u>\$4,210,000</u>	<u>\$3,696,323</u>
Current portion	<u>\$540,000</u>	<u>\$150,000</u>	<u>\$690,000</u>	<u>\$781,345</u>

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

The City participates in Federal and State grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the Federal Single Audit Act of 1984 including 1996 amendments and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

A. *Operating Leases*

The City has entered into operating leases for temporary buildings for after school programs, for vehicles and for copiers. Some of the leases terminated during the current fiscal year, while others continue up through 2014. City expenditures were \$146,150 for operating leases during the fiscal year ended June 30, 2008. Future minimum operating lease commitments are as follows:

Year ending June 30	
2009	\$39,620
2010	18,645
2011	13,175
2012	13,175
2013	<u>13,175</u>
	<u>\$97,790</u>

B. *Redevelopment Settlement*

In fiscal year 2005, the Agency approved a Settlement and Release Agreement with the County of San Mateo to mitigate the County's financial losses due to the proposed plan amendments and the fiscal merger of the four redevelopment project areas. The agreement calls for the Agency to fund the cost of certain County public improvements or rent waivers up to \$5,000,000, with payments not to exceed \$2,000,000 during fiscal years 2006 and 2007 and \$3,000,000 during the period commencing with fiscal year 2008. During fiscal year 2008 the Agency made a payment of \$1,573,872 to the County.

C. *Redevelopment Pass-Throughs*

Pursuant to California Redevelopment Law (Health and Safety Code Section 33607.5), the Agency is obligated to pass-through a portion of the gross tax increment received on the Project Area to jurisdictions within the project area. In fiscal 2007-2008, the Agency calculated and remitted \$4,655,621 in pass-through payments to the affected jurisdictions.

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

The State also directed that the above amounts be included in the Agency's total incremental property tax receipts for purposes of calculating the amounts to be set aside for Low and Moderate Income Housing.

NOTE 12 - RENTAL REVENUES FROM USE OF CITY PROPERTY

The Conference Center Authority, a discrete component unit, leases land from the City under an operating lease commencing on January 1, 1999, with a 30-year term from February 1, 1999, to January 31, 2029. The rent amount is subject to re-negotiation at the option of either party between January 1 and February 28, 2009 and 2019. These leases are considered for accounting purposes to be operating leases. Property lease revenue from the Conference Center Authority during the year fiscal year ended June 30, 2008, was \$420,000. The cost and carrying amount of leased land under this lease receivable is \$5,325,000. Future minimum lease payments from the Conference Center Authority land leases are as follows:

Year ending June 30	Component Unit Conference Center
2009	\$420,000
2010	420,000
2011	420,000
2012	420,000
2014-2018	2,100,000
2019-2023	2,100,000
2024-2028	2,100,000
2029	840,000
Total	\$8,820,000

Related to a long-term obligation mentioned in Note 5 to the Basic Financial Statements, Price Club Associates leases the land for the Costco store on South Airport Boulevard from the City. Lease payments are based on a percentage of Costco's gross annual sales, with minimum annual rent set at \$400,000, payable in monthly installments of \$33,333. In fiscal 2007, Costco exercised the option to extend the lease through December 6, 2013. In fiscal 2008 lease payments were \$400,000.

The City Redevelopment Agency leases land to South San Francisco Magnolia Plaza Associates (Magnolia Plaza), upon which Magnolia Plaza has constructed a multifamily rental housing development. The period of the lease is 75 years beginning May 1, 1987. At expiration or termination of the lease, title to all improvements on the land shall vest in the Agency. In fiscal 2008, total lease payments were \$51,800.

The City leases land to Sitike Counseling Center for general office use. The period of the lease is 10 years beginning December 2, 1996. In fiscal 2007, Sitike exercised the option to extend the lease through February 2012. At expiration or termination of the lease, title to all improvements on the land shall vest in the Agency. In fiscal 2008 lease receipts were \$82,593.

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

NOTE 12 - RENTAL REVENUES FROM USE OF CITY PROPERTY (Continued)

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

Year ending June 30:	Costco	Magnolia Plaza	Sitike	Total
2009	\$400,000	\$51,800	\$83,970	\$535,770
2010	400,000	51,800	88,168	539,968
2011	400,000	51,800	92,576	544,376
2012	400,000	51,800	63,741	515,541
2013-2017	602,740	259,000		861,740
2018-2022		259,000		259,000
2023-2027		259,000		259,000
2028-2032		259,000		259,000
2033-2037		259,000		259,000
2038-2042		259,000		259,000
2043-2047		259,000		259,000
2048-2052		259,000		259,000
2053-2057		259,000		259,000
2058-2061		207,200		207,200
	<u>\$2,202,740</u>	<u>\$2,745,400</u>	<u>\$328,455</u>	<u>\$5,276,595</u>

NOTE 13 – SPECIAL ITEM

On April 1, 2008, the San Mateo County Superior Court ruled that in a prior decision going back several years for several parcels in South San Francisco, the San Mateo County Assessment Appeals Board (AAB) “did not hear (the applicant’s appeals case) within the time frame specified in California Revenue and Taxation Code Section 1604(c)”. As a result of the untimely hearing, the court ruled that the applicant “is entitled to have enrolled its opinion of value (for affected parcels)” rather than the County’s opinion of value for the parcels and years in question. The applicant was a large biotechnology company based in South San Francisco.

The difference between the applicant’s opinion of value and the County’s opinion of value totaled \$18.1 million for all affected prior tax years, including interest due the applicant. That amount must be refunded to the large biotechnology firm, with the money for that refund to come from two sources. About half of the refund will come from the South San Francisco Redevelopment Agency, and the remainder will come from all taxing entities in San Mateo County.

Two of the parcels impacted by the April 1 ruling are in the Downtown Redevelopment Project Area, and the County will be deducting that refund amount directly from the Redevelopment Agency’s December 2008 property tax payment. The County applies all supplemental roll adjustments for Redevelopment area parcels directly back to those areas. The County has indicated that that refund amount, including interest, totals \$8.9 million. The Agency has already identified sufficient funds in fiscal 2008-09 to cover this refund, with no resulting impact on the Agency’s debt service payments or other legal obligations.

CITY OF SOUTH SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13 – SPECIAL ITEM (Continued)

The remaining parcels are in non-Redevelopment areas, that is, City areas, and those refunds will be deducted from all the taxing entities in the County, as is the County's practice for all supplemental adjustments to the property tax rolls for non-Redevelopment parcels. The City's (General Fund) share of this refund is \$124,000.

It is important to note that the April Superior Court ruling covered numerous prior tax years, and the ruling further stated that it would remain in effect "until the fiscal year in which the AAB holds a hearing and makes a final determination on the" application. Because the AAB subsequently held a hearing and made a determination prior to June 30, 2008 for the 2008 roll year, the County's assessment of value for the impacted parcels, and not the applicant's, will be in effect for on an ongoing basis for tax years 2008 and beyond, absent any future successful challenges. Therefore, the ruling on the untimely hearing by the County is a one-time event.

To reflect the large reduction to the Redevelopment Area, staff has designated \$8.9 million of fund balance on the Fund statements as of June 30, 2008 as Reserved for the pending property tax refund. To reflect the financial statements on a full accrual basis, an expense has been recorded on the Statement of Activities in current fiscal year for \$8.4 million. \$0.5 million was expensed in prior year.

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Supplementary Information

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

CAPITAL IMPROVEMENT FUND

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

REDEVELOPMENT AGENCY FUNDS:

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

LOW AND MODERATE INCOME HOUSING CAPITAL PROJECTS FUND – This fund accounts for the 20% share of property tax increment revenue directed toward low and moderate income housing projects.

CITY OF SOUTH SAN FRANCISCO
 CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$7,970,153	\$3,592,085	(\$4,378,068)
Interest and rentals		76,248	76,248
Charges for service	2,558,299	252,957	(2,305,342)
Other	75,000		(75,000)
Total Revenues	10,603,452	3,921,290	(6,682,162)
EXPENDITURES:			
Current:			
Public works	26,528,267	10,855,166	15,673,101
Information systems	1,365,605	456,038	909,567
Capital outlay	(764,571)	237,941	(1,002,512)
Debt service:			
Interest and fiscal charges	1,300,000	1,278,208	21,792
Total Expenditures	28,429,301	12,827,353	15,601,948
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,825,849)	(8,906,063)	8,919,786
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets		13,750	13,750
Transfers in	16,334,393	5,581,594	(10,752,799)
Total other financing sources (uses)	16,334,393	5,595,344	(10,739,049)
NET CHANGE IN FUND BALANCE	(\$1,491,456)	(3,310,719)	(\$1,819,263)
Adjustment to budgetary basis:			
Encumbrance adjustments		1,512,176	
Fund balance (deficit), July 1		(10,144,404)	
Fund balance (deficit), June 30		(\$11,942,947)	

CITY OF SOUTH SAN FRANCISCO
MERGED REDEVELOPMENT PROJECT AREA CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$23,598,065	\$27,363,682	\$3,765,617
Interest and rental	3,099,000	5,418,284	2,319,284
Charges for services		35,117	35,117
Other		120	120
	<u>26,697,065</u>	<u>32,817,203</u>	<u>6,120,138</u>
EXPENDITURES:			
Current:			
Economic and community development	8,846,002	10,566,960	(1,720,958)
Capital outlay	43,944,217	35,624,484	8,319,733
Debt services:			
Interest and fiscal charges		11,705	(11,705)
	<u>52,790,219</u>	<u>46,203,149</u>	<u>6,587,070</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(26,093,154)</u>	<u>(13,385,946)</u>	<u>12,707,208</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of debt and capital leases	1,150,000		(1,150,000)
Transfers in	17,429,795	2,619,435	(14,810,360)
Transfers (out)	(25,997,052)	(10,924,097)	15,072,955
	<u>(7,417,257)</u>	<u>(8,304,662)</u>	<u>(887,405)</u>
NET CHANGE IN FUND BALANCE	<u>(\$33,510,411)</u>	<u>(21,690,608)</u>	<u>\$11,819,803</u>
Adjustment to budgetary basis:			
Encumbrance adjustments		2,337,825	
Fund balance, July 1		<u>94,006,620</u>	
Fund balance, June 30		<u>\$74,653,837</u>	

CITY OF SOUTH SAN FRANCISCO
 LOW/MOD HOUSING CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest and rental	\$610,000	\$1,049,196	\$439,196
Total Revenues	610,000	1,049,196	439,196
EXPENDITURES:			
Current:			
Economic and community development	5,876,842	1,372,811	4,504,031
Capital outlay	5,131,224	681,019	4,450,205
Total Expenditures	11,008,066	2,053,830	8,954,236
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,398,066)	(1,004,634)	9,393,432
OTHER FINANCING SOURCES (USES)			
Transfers in	5,005,757	5,561,842	556,085
Transfers (out)	(2,965,591)	(2,896,312)	69,279
Total other financing sources (uses)	2,040,166	2,665,530	625,364
NET CHANGE IN FUND BALANCE	(\$8,357,900)	1,660,896	\$10,018,796
Adjustment to budgetary basis:			
Encumbrance adjustments		27,035	
Fund balance, July 1		20,014,519	
Fund balance, June 30		\$21,702,450	

NON-MAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for revenue sources that are restricted by law or administrative action to expenditures for specified purposes. Special revenue funds used by the City of South San Francisco include:

Gas Tax - Accounts for State monies received and expended for street improvements, repairs, engineering, and administration under Streets and Highway Code Sections 2105, 2106, 2107, and 2107.5. Includes sales taxes on gasoline received from the State's Traffic Congestion Relief Fund.

Inter-Agency - Accounts for joint programs, managed by the City, that are co-sponsored by other government agencies or by community organizations.

Developer Impact - Accounts for fees deposited for planning and engineering reviews or for future development that will increase childcare facilities throughout the City and improve transportation capacity in areas east of U.S. Highway 101.

Community Development Block Grant - Accounts for Federal monies received to be expended for development of jobs and suitable housing for low-income residents.

Miscellaneous Grants - Accounts for federal monies received for miscellaneous projects.

Maintenance District - Accounts for a property tax imposed on residents to provide funds for the maintenance of landscaped areas within housing developments.

Transportation Sales Tax - Accounts for the sales tax that provides resources for street improvements and repairs.

Solid Waste Reduction - Accounts for revenues and expenditures associated with the waste reduction, recycling, composting and household hazardous waste programs for residents and businesses.

Supplemental Law Enforcement Services - Accounts for State monies provided for designated Police department services.

City Programs - Organizations and individuals provide revenues that fund certain programs and services.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Debt service funds account for the accumulation of governmental resources used to pay general long-term debt principal and interest, excluding those involving proprietary funds. Debt service funds used at the City of South San Francisco include:

Obligated Assessment Districts - Accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies for which the City is obligated in some manner for payment.

Other City Obligations – Accounts for principal and interest on City obligated debt other than those supported by special assessments or the Redevelopment Agency.

Merged Redevelopment Project Area - Principal and interest associated with the Redevelopment Agency Bonds, supported by property tax increment in the redevelopment project areas.

Redevelopment Agency Low Mod Housing - Principal and interest associated with the 1999 Revenue Bonds and the 2000 Housing and Urban Development Section 108 loans, supported by the Agency's property tax increment allocated for low and moderate income housing purposes.

Capital projects funds are used to account for resources used for the acquisition and construction of capital facilities or major capital equipment, except for capital improvements financed by proprietary funds. Capital projects funds used at the City of South San Francisco include:

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

Inactive Bonds – Accounts for bond proceeds remaining from matured assessment debt issues kept in reserves until disposition is determined.

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

SPECIAL REVENUE FUNDS					
	Gas Tax	Inter-Agency	Developer Impact	Community Development Block Grant	Miscellaneous Grants
ASSETS					
Cash and investments	\$1,785,722	\$168,945	\$16,295,108		\$51,760
Receivables:					
Accounts			28,147		
Accrued interest	18,341		159,322		
Due from other governments	381,198			\$273,023	9,497
Loans				1,300,327	
Advance to other fund				346,748	
Restricted cash and investments				8,227	
	<u>\$2,185,261</u>	<u>\$168,945</u>	<u>\$16,482,577</u>	<u>\$1,928,325</u>	<u>\$61,257</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$2,932	\$68,641	\$17,709	
Deposits			2,555,893		
Deferred revenue					\$2,916
Due to other funds				285,735	
Matured bonds payable					
Matured interest payable					
		<u>2,932</u>	<u>2,624,534</u>	<u>303,444</u>	<u>2,916</u>
Fund Balances:					
Reserved for:					
Encumbrances			329,689	15,074	
Loans receivable				1,285,327	
Advances to other funds				346,748	
Debt service					
Restricted assets				392,809	
Unreserved:					
Designated for:					
City program	\$1,191,019	164,913	9,768,226		
Capital projects and maintenance					
Undesignated	994,242	1,100	3,760,128	(415,077)	58,341
	<u>2,185,261</u>	<u>166,013</u>	<u>13,858,043</u>	<u>1,624,881</u>	<u>58,341</u>
Total Fund Balances	<u>2,185,261</u>	<u>166,013</u>	<u>13,858,043</u>	<u>1,624,881</u>	<u>58,341</u>
Total Liabilities and Fund Balances	<u>\$2,185,261</u>	<u>\$168,945</u>	<u>\$16,482,577</u>	<u>\$1,928,325</u>	<u>\$61,257</u>

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS		
Maintenance District	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforcement Services	City Programs	Obligated Assessment Districts	Other City Obligations	Merged Redevelopment Project Area
\$2,110,616	\$641,181	\$665,005	\$1,225	\$2,042,528		\$121,764	
		14,444					
	14,187		1,095	12,522			
				75,000			
					\$5,140		\$5,125,533
<u>\$2,110,616</u>	<u>\$655,368</u>	<u>\$679,449</u>	<u>\$2,320</u>	<u>\$2,130,050</u>	<u>\$5,140</u>	<u>\$121,764</u>	<u>\$5,125,533</u>
\$38,946		\$37		\$25,928 309,051			\$126,914
					\$5,000 140		
<u>38,946</u>		<u>37</u>		<u>334,979</u>	<u>5,140</u>		<u>126,914</u>
		13,488		75,000			4,998,619
				5,333			
606,072	\$554,606	96,014		1,714,738			
1,465,598	100,762	569,910	\$2,320			\$121,764	
2,071,670	655,368	679,412	2,320	1,795,071		121,764	4,998,619
<u>\$2,110,616</u>	<u>\$655,368</u>	<u>\$679,449</u>	<u>\$2,320</u>	<u>\$2,130,050</u>	<u>\$5,140</u>	<u>\$121,764</u>	<u>\$5,125,533</u>

(Continued)

CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds
	Redevelopment Agency Low Mod Housing	Non-obligated Capital Projects	Inactive Bonds	
ASSETS				
Cash and investments		\$617,136	\$458,551	\$24,959,541
Receivables:				
Accounts				42,591
Accrued interest		6,099	1,993	213,559
Due from other governments				663,718
Loans				1,375,327
Advance to other fund				346,748
Restricted cash and investments	\$307,248			5,446,148
Total Assets	<u>\$307,248</u>	<u>\$623,235</u>	<u>\$460,544</u>	<u>\$33,047,632</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable				\$154,193
Deposits				2,864,944
Deferred revenue				2,916
Due to other funds				412,649
Matured bonds payable				5,000
Matured interest payable				140
Total Liabilities				<u>3,439,842</u>
Fund Balances:				
Reserved for:				
Encumbrances				358,251
Loans receivable				1,360,327
Advances to other funds				346,748
Debt service	\$307,248			5,305,867
Restricted assets				398,142
Unreserved:				
Designated for:				
City program				14,095,588
Capital projects and maintenance		\$97,400	\$460,543	557,943
Undesignated		525,835	1	7,184,924
Total Fund Balances	<u>307,248</u>	<u>623,235</u>	<u>460,544</u>	<u>29,607,790</u>
Total Liabilities and Fund Balances	<u>\$307,248</u>	<u>\$623,235</u>	<u>\$460,544</u>	<u>\$33,047,632</u>

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**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

SPECIAL REVENUE FUNDS					
	<u>Gas Tax</u>	<u>Inter-Agency</u>	<u>Developer Impact</u>	<u>Community Development Block Grant</u>	<u>Miscellaneous Grants</u>
REVENUES					
Property taxes					
Other taxes					
Intergovernmental	\$2,315,094			\$724,994	\$80,038
Interest and rentals	90,189	\$150	\$851,835	8,287	
Charges for services			1,779,984		
Other		212,686	(252,587)	2	
Total Revenues	<u>2,405,283</u>	<u>212,836</u>	<u>2,379,232</u>	<u>733,283</u>	<u>80,038</u>
EXPENDITURES					
Current:					
Economic and community development			326,347	611,629	
Public works			109,354		
Human resources		254			
Non-departmental		187,907			
Police					
Other			4,782		
Debt service:					
Principal repayments					
Interest and fiscal charges					
Total Expenditures		<u>188,161</u>	<u>440,483</u>	<u>611,629</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,405,283</u>	<u>24,675</u>	<u>1,938,749</u>	<u>121,654</u>	<u>80,038</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					2,916
Transfers out	(1,797,100)		(2,101,117)	(34,249)	(54,840)
Total Other Financing Sources (Uses)	<u>(1,797,100)</u>		<u>(2,101,117)</u>	<u>(34,249)</u>	<u>(51,924)</u>
Net Change in Fund Balances	608,183	24,675	(162,368)	87,405	28,114
Fund balance, (deficit) July 1	<u>1,577,078</u>	<u>141,338</u>	<u>14,020,411</u>	<u>1,537,476</u>	<u>30,227</u>
Fund balance, June 30	<u>\$2,185,261</u>	<u>\$166,013</u>	<u>\$13,858,043</u>	<u>\$1,624,881</u>	<u>\$58,341</u>

DEBT SERVICE FUNDS

Maintenance District	Transportation Sales Tax	Solid Waste Reduction	Supplemental Law Enforcement Services	City Programs	Obligated Assessment Districts	Other City Obligations	Merged Redevelopment Project Area
\$1,385,207	\$1,089,108		\$120,401				
	62,818		4,254	\$50,149			\$255,495
		\$187,768		885,556			
1,385,207	1,151,926	187,768	124,655	935,705			255,495
1,422,032		30,855					
			109,383				
				546,943	\$2,239		9,468
							1,522,296
						\$342,348	3,661,112
1,422,032		30,855	109,383	546,943	2,239	342,348	5,192,876
(36,825)	1,151,926	156,913	15,272	388,762	(2,239)	(342,348)	(4,937,381)
(296,033)	(1,165,699)	(118,143)		18,000		342,348	4,853,913
(296,033)	(1,165,699)	(118,143)		18,000		342,348	4,853,913
(332,858)	(13,773)	38,770	15,272	406,762	(2,239)		(83,468)
2,404,528	669,141	640,642	(12,952)	1,388,309	2,239	121,764	5,082,087
\$2,071,670	\$655,368	\$679,412	\$2,320	\$1,795,071		\$121,764	\$4,998,619

(Continued)

**CITY OF SOUTH SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008**

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		Total
	Redevelopment Agency Low Mod Housing	Non-obligated Capital Projects	Inactive Bonds	Nonmajor Governmental Funds
REVENUES				
Property taxes				\$1,385,207
Other taxes				1,209,509
Intergovernmental				3,120,126
Interest and rentals	\$15,698	\$33,248	\$8,199	1,380,322
Charges for services				1,967,752
Other		5,063	6,410	857,130
Total Revenues	15,698	38,311	14,609	9,920,046
EXPENDITURES				
Current:				
Economic and community development				968,831
Public works				1,531,386
Human resources				254
Non-departmental				187,907
Police				109,383
Other				563,432
Debt service:				
Principal repayments	170,000			1,692,296
Interest and fiscal charges	124,328			4,127,788
Total Expenditures	294,328			9,181,277
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(278,630)	38,311	14,609	738,769
OTHER FINANCING SOURCES (USES)				
Transfers in	276,877			5,494,054
Transfers out				(5,567,181)
Total Other Financing Sources (Uses)	276,877			(73,127)
Net Change in Fund Balances	(1,753)	38,311	14,609	665,642
Fund balance, (deficit) July 1	309,001	584,924	445,935	28,942,148
Fund balance, June 30	\$307,248	\$623,235	\$460,544	\$29,607,790

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**CITY OF SOUTH SAN FRANCISCO
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>GAS TAX</u>			<u>INTER-AGENCY</u>		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental	\$2,378,904	\$2,315,094	(\$63,810)	\$19,000		(\$19,000)
Interest and rentals	50,000	90,189	40,189		\$150	150
Charges for services						
Other				116,500	212,686	96,186
Total Revenues	<u>2,428,904</u>	<u>2,405,283</u>	<u>(23,621)</u>	<u>135,500</u>	<u>212,836</u>	<u>77,336</u>
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Human resources				29,000	254	28,746
Non-departmental				176,500	187,907	(11,407)
Police						
Other						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures				<u>205,500</u>	<u>188,161</u>	<u>17,339</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,428,904</u>	<u>2,405,283</u>	<u>(23,621)</u>	<u>(70,000)</u>	<u>24,675</u>	<u>94,675</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				60,000		(60,000)
Transfers out	(3,185,115)	(1,586,251)	1,598,864			
Total Other Financing Sources (Uses)	<u>(3,185,115)</u>	<u>(1,586,251)</u>	<u>1,598,864</u>	<u>60,000</u>		<u>(60,000)</u>
NET CHANGE IN FUND BALANCES	<u>(\$756,211)</u>	819,032	<u>\$1,575,243</u>	<u>(\$10,000)</u>	24,675	<u>\$34,675</u>
Adjustment to budgetary basis:						
Encumbrance adjustments		(210,849)				
Fund balance, (deficit) July 1		<u>1,577,078</u>			<u>141,338</u>	
Fund balance, June 30		<u>\$2,185,261</u>			<u>\$166,013</u>	

DEVELOPER IMPACT			COMMUNITY DEVELOPMENT BLOCK GRANT			MISCELLANEOUS GRANTS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$56,000	\$851,835	\$795,835	\$633,335	\$724,994	\$91,659	\$32,500	\$80,038	\$47,538
788,780	1,779,984	991,204	40,800	8,287	(32,513)			
	(252,587)	(252,587)		2	2			
844,780	2,379,232	1,534,452	674,135	733,283	59,148	32,500	80,038	47,538
586,998	656,036	(69,038)	771,006	626,703	144,303			
242,407	109,354	133,053						
	4,782	(4,782)						
829,405	770,172	59,233	771,006	626,703	144,303			
15,375	1,609,060	1,593,685	(96,871)	106,580	203,451	32,500	80,038	47,538
(6,600,857)	(2,101,117)	4,499,740	(34,249)	(34,249)		(54,840)	2,916	2,916
(6,600,857)	(2,101,117)	4,499,740	(34,249)	(34,249)		(54,840)	(54,840)	
(\$6,585,482)	(492,057)	\$6,093,425	(\$131,120)	72,331	\$203,451	(\$22,340)	(51,924)	2,916
	329,689			15,074			28,114	\$50,454
	14,020,411			1,537,476			30,227	
	\$13,858,043			\$1,624,881			\$58,341	

(Continued)

**CITY OF SOUTH SAN FRANCISCO
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008**

	MAINTENANCE DISTRICT			TRANSPORTATION SALES TAX		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$1,287,000	\$1,385,207	\$98,207			
Other taxes				\$1,051,452	\$1,089,108	\$37,656
Intergovernmental						
Interest and rentals	5,000		(5,000)	50,000	62,818	12,818
Charges for services						
Other						
Total Revenues	<u>1,292,000</u>	<u>1,385,207</u>	<u>93,207</u>	<u>1,101,452</u>	<u>1,151,926</u>	<u>50,474</u>
EXPENDITURES						
Current:						
Economic and community development						
Public works	1,482,988	1,422,032	60,956			
Human resources						
Non-departmental						
Police						
Other						
Debt service:						
Principal repayments						
Interest and fiscal charges						
Total Expenditures	<u>1,482,988</u>	<u>1,422,032</u>	<u>60,956</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(190,988)</u>	<u>(36,825)</u>	<u>154,163</u>	<u>1,101,452</u>	<u>1,151,926</u>	<u>50,474</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(902,105)	(296,033)	606,072	(1,720,305)	(1,165,699)	554,606
Total Other Financing Sources (Uses)	<u>(902,105)</u>	<u>(296,033)</u>	<u>606,072</u>	<u>(1,720,305)</u>	<u>(1,165,699)</u>	<u>554,606</u>
NET CHANGE IN FUND BALANCES	<u>(\$1,093,093)</u>	<u>(332,858)</u>	<u>\$760,235</u>	<u>(\$618,853)</u>	<u>(13,773)</u>	<u>\$605,080</u>
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance, (deficit) July 1		<u>2,404,528</u>			<u>669,141</u>	
Fund balance, June 30		<u>\$2,071,670</u>			<u>\$655,368</u>	

SOLID WASTE REDUCTION			SUPPLEMENTAL LAW ENFORCEMENT			OBLIGATED ASSESSMENT DISTRICTS		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
				\$120,401	\$120,401			
				4,254	4,254			
\$173,325	\$187,768	\$14,443						
<u>173,325</u>	<u>187,768</u>	<u>14,443</u>		<u>124,655</u>	<u>124,655</u>			
182,819	44,343	138,476						
			\$145,571	109,383	36,188	\$2,625	\$2,239	\$386
<u>182,819</u>	<u>44,343</u>	<u>138,476</u>	<u>145,571</u>	<u>109,383</u>	<u>36,188</u>	<u>2,625</u>	<u>2,239</u>	<u>386</u>
(9,494)	143,425	152,919	(145,571)	15,272	160,843	(2,625)	(2,239)	386
<u>(214,157)</u>	<u>(118,143)</u>	<u>96,014</u>						
<u>(214,157)</u>	<u>(118,143)</u>	<u>96,014</u>						
<u>(\$223,651)</u>	<u>25,282</u>	<u>\$248,933</u>	<u>(\$145,571)</u>	<u>15,272</u>	<u>\$160,843</u>	<u>(\$2,625)</u>	<u>(2,239)</u>	<u>\$386</u>
	13,488							
	<u>640,642</u>			<u>(12,952)</u>			<u>2,239</u>	
	<u>\$679,412</u>			<u>\$2,320</u>				

(Continued)

CITY OF SOUTH SAN FRANCISCO
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	OTHER CITY OBLIGATIONS			MERGED REDEVELOPMENT PROJECT AREA DEBT SERVICE		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Other taxes						
Intergovernmental						
Interest and rentals					\$255,495	\$255,495
Charges for services						
Other						
Total Revenues					<u>255,495</u>	<u>255,495</u>
EXPENDITURES						
Current:						
Economic and community development						
Public works						
Human resources						
Non-departmental						
Police						
Other	\$10,400		\$10,400	\$5,400	9,468	(4,068)
Debt service:						
Principal repayments				1,692,296	1,522,296	170,000
Interest and fiscal charges		\$342,348	(342,348)	3,780,775	3,661,112	119,663
Total Expenditures	<u>10,400</u>	<u>342,348</u>	<u>(331,948)</u>	<u>5,478,471</u>	<u>5,192,876</u>	<u>285,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,400)</u>	<u>(342,348)</u>	<u>(331,948)</u>	<u>(5,478,471)</u>	<u>(4,937,381)</u>	<u>541,090</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$150,000	342,348	192,348	\$5,127,480	4,853,913	(273,567)
Transfers out						
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>342,348</u>	<u>192,348</u>	<u>5,127,480</u>	<u>4,853,913</u>	<u>(273,567)</u>
NET CHANGE IN FUND BALANCES	<u>\$139,600</u>		<u>(\$139,600)</u>	<u>(\$350,991)</u>	<u>(83,468)</u>	<u>\$267,523</u>
Adjustment to budgetary basis:						
Encumbrance adjustments						
Fund balance, (deficit) July 1		<u>121,764</u>			<u>5,082,087</u>	
Fund balance, June 30		<u>\$121,764</u>			<u>\$4,998,619</u>	

REDEVELOPMENT AGENCY
LOW MOD HOUSING DEBT SERVICE

NONOBLIGATED
CAPITAL PROJECTS

Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$15,698	\$15,698		\$33,248	\$33,248
				5,063	5,063
	15,698	15,698		38,311	38,311
\$177,393	170,000	7,393			
272,202	124,328	147,874			
449,595	294,328	155,267			
(449,595)	(278,630)	170,965		38,311	38,311
345,591	276,877	(68,714)			
			(\$97,400)		97,400
345,591	276,877	(68,714)	(97,400)		97,400
(\$104,004)	(1,753)	\$102,251	(\$97,400)	38,311	\$135,711
	309,001			584,924	
	\$307,248			\$623,235	

INTERNAL SERVICE FUNDS

Internal service funds account for department services and financing performed for other departments within the same governmental jurisdiction. Funding comes from charges assessed to the departments benefiting from the service. Internal service funds used at the City of South San Francisco include:

City Service – Accounts for communications services, vehicle maintenance, and building maintenance provided to City departments

Self Insurance – Accounts for workers' compensation, general liability and property damage claim activity and financing is represented in this fund.

Health and Retirement Benefits - Accounts for health and retirement benefits paid on the behalf of eligible City employees.

Equipment Replacement – Accounts for resources set-aside for the future replacement of City vehicles and equipment.

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>City Service</u>	<u>Self Insurance</u>	<u>Health and Retirement Benefits</u>	<u>Equipment Replacement</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$1,513,682	\$2,056,172	\$5,478,200	\$1,074,383	\$10,122,437
Receivables:					
Accounts	22,532	427,496			450,028
Accrued interest		22,146		14,189	36,335
Due from other funds				285,735	285,735
Deposit		125,000	46,010		171,010
Prepaid items	12,778				12,778
Total current assets	<u>1,548,992</u>	<u>2,630,814</u>	<u>5,524,210</u>	<u>1,374,307</u>	<u>11,078,323</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	12,345			3,842,920	3,855,265
Total Assets	<u>1,561,337</u>	<u>2,630,814</u>	<u>5,524,210</u>	<u>5,217,227</u>	<u>14,933,588</u>
LIABILITIES					
Current liabilities:					
Accounts payable	455,919		91,334	7,368	554,621
Other payable	141	48,940	119,193		168,274
Current portion of accrued insurance loss		592,343			592,343
Current portion of compensated absences	9,255		479,599		488,854
Current portion of long-term debt				209,096	209,096
Total current liabilities	<u>465,315</u>	<u>641,283</u>	<u>690,126</u>	<u>216,464</u>	<u>2,013,188</u>
Noncurrent liabilities:					
Accrued insurance loss		3,520,000			3,520,000
Compensated absences obligation	149,051		597,768		746,819
Noncurrent portion of long-term debt				350,283	350,283
Total noncurrent liabilities	<u>149,051</u>	<u>3,520,000</u>	<u>597,768</u>	<u>350,283</u>	<u>4,617,102</u>
Total Liabilities	<u>614,366</u>	<u>4,161,283</u>	<u>1,287,894</u>	<u>566,747</u>	<u>6,630,290</u>
NET ASSETS:					
Invested in capital assets, net of related debt	12,345			3,283,541	3,295,886
Unrestricted	934,626	(1,530,469)	4,236,316	1,366,939	5,007,412
Total Net Assets (Deficits)	<u>\$946,971</u>	<u>(\$1,530,469)</u>	<u>\$4,236,316</u>	<u>\$4,650,480</u>	<u>\$8,303,298</u>

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

	City Service	Self Insurance	Health and Retirement Benefits	Equipment Replacement	Total
OPERATING REVENUES					
Charges for services	\$2,905,630	\$2,489,417	\$2,402,376	\$969,946	\$8,767,369
Total Operating Revenues	2,905,630	2,489,417	2,402,376	969,946	8,767,369
OPERATING EXPENSES					
Personnel expenses	1,314,285	524,187	3,011,288		4,849,760
Professional services	336,523	294,405		1,127	632,055
Program supplies	684,694			129,912	814,606
Insurance	7,200	832,331			839,531
Self-insurance and claims		1,031,117			1,031,117
Repair and maintenance	549,599	313,677			863,276
Utilities	27,524				27,524
Depreciation	26,560			669,118	695,678
Other	54,714			18,013	72,727
Total Operating Expenses	3,001,099	2,995,717	3,011,288	818,170	9,826,274
Operating Income (Loss)	(95,469)	(506,300)	(608,912)	151,776	(1,058,905)
NONOPERATING REVENUES (EXPENSES)					
Interest income	(12,834)	107,350		92,138	186,654
Proceeds from sale of Capital Assets				28,717	28,717
Gain (loss) on sale of capital assets	(15,061)			(2,227)	(17,288)
Other		427,496			427,496
Total Nonoperating Revenues (Expenses)	(27,895)	534,846		118,628	625,579
Net income (loss) before transfers	(123,364)	28,546	(608,912)	270,404	(433,326)
TRANSFERS					
Transfers in	75,316		4,250,000		4,325,316
Transfers out	(65,312)	(250,000)		(107,727)	(423,039)
Change in Net Assets	(113,360)	(221,454)	3,641,088	162,677	3,468,951
Net Assets - (deficits) July 1	1,060,331	(1,309,015)	595,228	4,487,803	4,834,347
Net Assets - (deficits) June 30	\$946,971	(\$1,530,469)	\$4,236,316	\$4,650,480	\$8,303,298

**CITY OF SOUTH SAN FRANCISCO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	City Service	Self Insurance	Health and Retirement Benefits	Equipment Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from interfund service provided	\$2,895,954	\$2,489,417	\$2,402,376	\$969,946	\$8,757,693
Cash payment to suppliers for goods and services	(1,672,903)	(1,391,473)	16,268	(149,870)	(3,197,978)
Cash payment to employees for services	(1,043,573)	(678,850)	(3,037,701)		(4,760,124)
Cash payment for judgments and claims		(615,097)			(615,097)
Net Cash Provided by Operating Activities	<u>179,478</u>	<u>(196,003)</u>	<u>(619,057)</u>	<u>820,076</u>	<u>184,494</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipt from other funds				(94,380)	(94,380)
Transfers in	75,316		4,250,000		4,325,316
Transfers out	(65,312)	(250,000)		(107,727)	(423,039)
Net Cash Provided by Noncapital Financing Activities	<u>10,004</u>	<u>(250,000)</u>	<u>4,250,000</u>	<u>(202,107)</u>	<u>3,807,897</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease				(238,264)	(238,264)
Capital assets acquisitions				(1,266,841)	(1,266,841)
Proceeds from disposal of capital assets				26,490	26,490
Net Cash Used in Capital and Related Financing Activities				<u>(1,478,615)</u>	<u>(1,478,615)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	(12,123)	113,588		102,828	204,293
Net Cash Provided by Investing Activities	<u>(12,123)</u>	<u>113,588</u>		<u>102,828</u>	<u>204,293</u>
Net Increase (Decrease) in cash and cash equivalents	177,359	(332,415)	3,630,943	(757,818)	2,718,069
Cash and cash equivalents, beginning	1,336,323	2,388,587	1,847,257	1,832,201	7,404,368
Cash and cash equivalents, ending	<u>\$1,513,682</u>	<u>\$2,056,172</u>	<u>\$5,478,200</u>	<u>\$1,074,383</u>	<u>\$10,122,437</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	(\$95,469)	(\$506,300)	(\$608,912)	\$151,776	(\$1,058,905)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	26,560			669,118	695,678
Other non-operating revenue		427,496			427,496
Net change in assets and liabilities:					
Accounts and lease receivables	(9,676)	(427,496)			(437,172)
Prepaid items	(12,778)	20,536			7,758
Accounts payable	258,077	(175,199)	4,662	(818)	86,722
Other payable	129	48,940	16,268		65,337
Accrued insurance losses		416,020			416,020
Compensated absence obligations	12,635		(31,075)		(18,440)
Net Cash Provided by (Used in) Operating Activities	<u>\$179,478</u>	<u>(\$196,003)</u>	<u>(\$619,057)</u>	<u>\$820,076</u>	<u>\$184,494</u>

AGENCY FUND

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

Non-obligated Assessment Districts – To account for the collection of assessments and related repayments of special assessment bonds: the 1989 El Camino Plaza Assessment District Series 89A & 89B and the 1990 Pointe Grand Business Park Assessment District Series 90A.

CITY OF SOUTH SAN FRANCISCO
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2008

	Nonobligated Assessment Districts			
	Balance June 30, 2007	Additions	Deductions	
ASSETS				
Accrued interest	\$14,061	\$11,540	\$14,061	\$11,540
Restricted cash and investments	1,079,815		76,066	1,155,881
Total Assets	<u>\$1,093,876</u>	<u>\$11,540</u>	<u>\$90,127</u>	<u>\$1,167,421</u>
LIABILITIES				
Accounts payable		\$229		\$229
Deferred contributions from property owners	\$1,093,876	1,167,192	\$1,093,876	1,167,192
Total Liabilities	<u>\$1,093,876</u>	<u>\$1,167,192</u>	<u>\$1,093,876</u>	<u>\$1,167,421</u>

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STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value and Estimated Market Value of Taxable Property
2. All Overlapping Property Tax Rates
3. Principal Property Tax Payers
4. Twenty Largest Taxable Property Owners for Merged RDA Project Area
5. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Continuing Disclosure Requirements:
 - a. Revenue Bond Coverage
 - b. Sewer Debt Service Coverage
 - c. Bonded Debt Pledge Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

STATISTICAL SECTION - (Continued)
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Operating Information

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

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

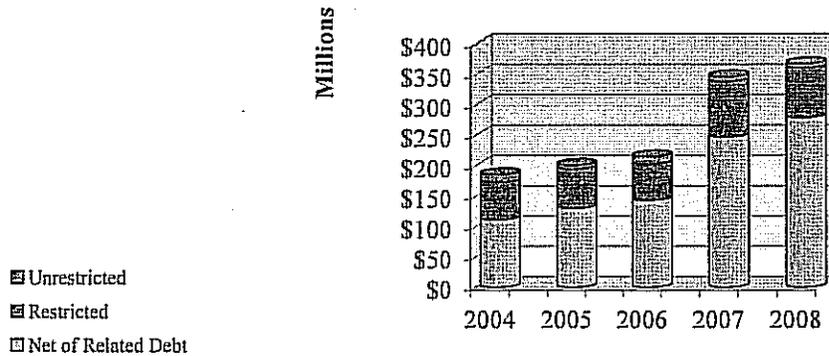
Miscellaneous Information

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

Sources

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

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



	Fiscal Year Ended June 30, 2008				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$88,960,212	\$100,135,849	\$110,328,726	\$212,273,574	\$233,230,681
Restricted	59,937,123	63,029,154	58,015,343	89,194,344	80,346,634
Unrestricted	8,873,832	9,528,256	11,886,141	3,306,910	9,205,150
Total governmental activities net assets	\$157,771,167	\$172,693,259	\$180,230,210	\$304,774,828	\$322,782,465
Business-type activities					
Invested in capital assets, net of related debt	\$21,541,521	\$29,419,584	\$32,352,591	\$34,640,593	\$45,635,119
Restricted	1,935,907	1,935,907	2,059,070	2,806,562	1,480,000
Unrestricted	3,805,406	(3,294,378)	(44,279)	3,951,703	(2,674,600)
Total business-type activities net assets	\$27,282,834	\$28,061,113	\$34,367,382	\$41,398,858	\$44,440,519
Primary government					
Invested in capital assets, net of related debt	\$110,501,733	\$129,555,433	\$142,681,317	\$246,914,167	\$278,865,800
Restricted	61,873,030	64,965,061	60,074,413	92,000,906	81,826,634
Unrestricted	12,679,238	6,233,878	11,841,862	7,258,613	6,530,550
Total primary government net assets	\$185,054,001	\$200,754,372	\$214,597,592	\$346,173,686	\$367,222,984

Source: City of South San Francisco, Department of Finance

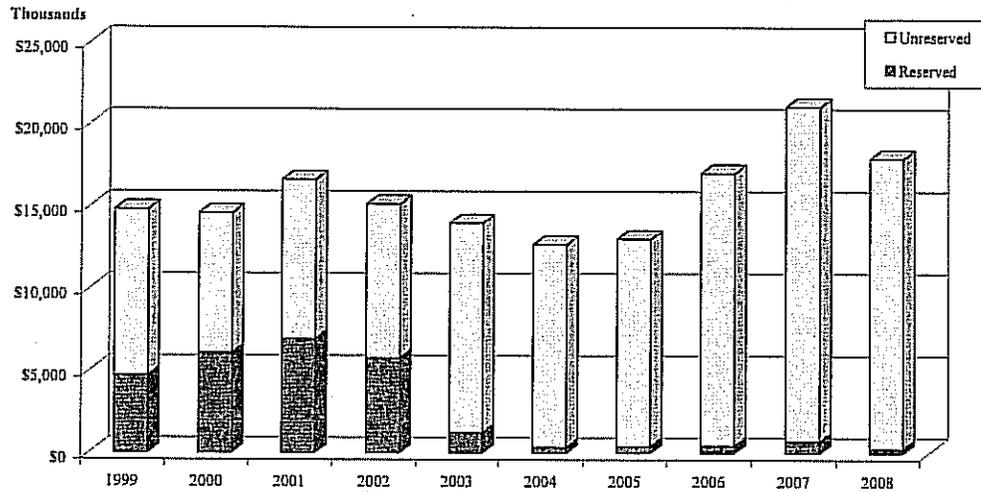
CITY OF SOUTH SAN FRANCISCO
Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

	2004	2005	2006	2007	2008
Expenses					
Governmental Activities:					
General Government	\$6,992,700	\$6,157,772	\$5,825,030	\$6,278,669	\$7,435,350
Fire Department	13,722,509	14,285,287	14,891,017	14,960,270	17,147,670
Police Department	13,944,144	15,543,813	16,582,172	17,951,508	18,959,373
Public Works	2,392,790	7,925,565	10,595,999	13,472,084	16,286,592
Park, Recreation and Maintenance Services	12,159,195	5,744,073	5,163,333	4,989,601	11,233,170
Library	4,662,937	4,628,578	4,104,854	4,432,731	4,719,233
Economic and Community Development	7,515,708	8,451,212	18,431,929	16,158,998	4,712,239
Interest on Long -Term Debt	3,235,435	3,284,503	2,171,325	4,883,053	5,694,097
Total Governmental Activities Expenses	64,625,418	66,020,803	77,765,659	83,126,914	86,187,723
Business-Type Activities:					
Sewer Rental	13,807,258	14,479,633	14,880,113	14,705,709	16,340,344
Parking District	290,314	229,087	303,712	352,629	363,878
Storm Water	401,315	565,827	675,773	683,458	705,099
Total Business-Type Activities Expenses	14,498,887	15,274,547	15,859,598	15,741,796	17,409,321
Total Primary Government Expenses	\$79,124,305	\$81,295,350	\$93,625,257	\$98,868,710	103,597,044
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$2,140,949	\$2,159,550	\$2,093,574	\$2,403,697	\$2,578,384
Fire Department	1,562,388	1,634,048	2,339,139	2,699,426	2,425,673
Police Department	1,861,660	1,613,103	1,539,685	1,765,507	1,685,514
Public Works	175,712	192,960	460,184	164,846	2,973,297
Park, Recreation and Maintenance Services	3,209,976	2,554,380	2,738,378	2,757,513	3,755,368
Library	154,795	172,309	240,238	192,445	233,753
Economic and Community Development	4,225,062	3,406,430	6,039,752	10,041,002	4,483,292
Operating Grants and Contributions	4,818,988	4,139,354	4,789,269	5,719,440	6,840,628
Capital Grants and Contributions	11,628,116	5,914,588	5,468,406	8,433,785	3,113,674
Total Government Activities Program Revenues	29,777,646	21,786,722	25,708,625	34,177,661	28,089,583
Business-Type Activities:					
Charges for Services:					
Sewer Rental	8,820,583	10,784,174	12,116,388	12,568,533	14,112,051
Parking District	312,875	401,131	447,431	449,945	553,317
Storm Water	405,578	401,484	410,175	413,087	421,727
Operating Grants and Contributions	3,524,006	3,606,243	7,185,612	5,709,258	4,951,013
Capital Grants and Contributions	1,581,840	893,318	1,452,115	3,096,728	173,767
Total Business-Type Activities Program Revenue	14,644,882	16,086,350	21,611,721	22,237,551	20,211,875
Total Primary Government Program Revenues	\$44,422,528	\$37,873,072	\$47,320,346	\$56,415,212	48,301,458
Net (Expense)/Revenue					
Governmental Activities	(\$34,847,772)	(\$44,234,081)	(\$52,057,034)	(\$48,949,253)	(\$58,098,140)
Business-Type Activities	145,995	811,803	5,752,123	6,495,755	2,802,554
Total Primary Government Net Expense	(\$34,701,777)	(\$43,422,278)	(\$46,304,911)	(\$42,453,498)	(\$55,295,586)

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

	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes	\$28,798,270	\$30,669,363	\$33,504,624	\$41,469,349	\$44,165,490
Sales Taxes	10,990,867	10,676,202	11,944,496	12,446,921	12,180,885
Transient Occupancy Tax	3,945,974	4,518,293	5,469,708	5,959,034	7,098,284
Other Taxes	4,664,923	5,057,871	5,076,182	5,369,868	6,083,162
Motor Vehicle In-Lieu	2,782,118	2,979,413	4,463,069	4,111,098	267,061
Property taxes in lieu of vehicle license fees				4,206,799	4,608,649
Interest Earnings	660,704	1,855,742	3,627,834	6,924,292	8,994,203
Other	3,771,293	3,332,974	3,170,305	4,551,050	1,417,773
Transfers	6,938	66,315	(474,027)	(176,680)	(169,330)
Special item - Property taxes refund					(8,540,400)
Cumulative effect from change in accounting method			(7,188,206)		
Total Government Activities	55,621,087	59,156,173	59,593,985	81,161,731	76,105,777
Business-Type Activities:					
Interest Earnings	55,196	32,791	80,119	359,041	69,777
Transfers	(6,938)	(66,315)	474,027	(176,680)	169,330
Total Business-Type Activities	48,258	(33,524)	554,146	535,721	239,107
Total Primary Government	\$55,669,345	\$59,122,649	\$60,148,131	\$81,697,452	\$76,344,884
Change in Net Assets					
Governmental Activities	\$20,773,315	\$14,922,092	\$7,536,951	\$32,212,478	\$18,007,637
Business-Type Activities	194,253	778,279	6,306,269	7,031,476	3,041,661
Total Primary Government	\$20,967,568	\$15,700,371	\$13,843,220	\$39,243,954	\$21,049,298

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



	Fiscal Year Ended June 30, 2008									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$4,730,469	\$6,088,118	\$6,943,337	\$5,789,525	\$1,234,937	\$364,447	\$421,700	\$453,567	\$732,903	\$283,435
Unreserved	10,100,783	8,519,234	9,697,808	9,372,791	12,758,028	12,341,191	12,612,724	16,586,724	20,359,471	17,656,101
Total General Fund	\$14,831,246	\$14,607,352	\$16,641,145	\$15,162,316	\$13,992,965	\$12,705,638	\$13,034,424	\$17,040,291	\$21,092,374	\$17,939,536 (a)
All Other Governmental Funds										
Reserved	\$43,062,846	\$40,639,672	\$42,258,973	\$66,992,594	\$62,742,223	\$54,265,765	\$46,097,870	\$79,859,526	\$84,748,754	\$70,279,884
Unreserved, reported in:										
Special revenue funds	1,040,315	4,587,748	7,585,790	7,730,590	4,375,178	9,114,088	10,906,292	13,559,250	17,973,390	20,586,249
Debt service funds						9,186	121,702	126,691	124,003	121,764
Capital project funds	944,058	(1,141,614)	(6,002,159)	(14,377,889)	3,678,565	7,660,327	25,305,608	21,945,889	29,928,573	22,989,070
Total all other governmental funds	\$45,047,219	\$44,085,806	\$43,842,604	\$60,345,295	\$70,795,866	\$71,049,366	\$82,431,412	\$115,491,356	\$132,774,720	\$113,976,967

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

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

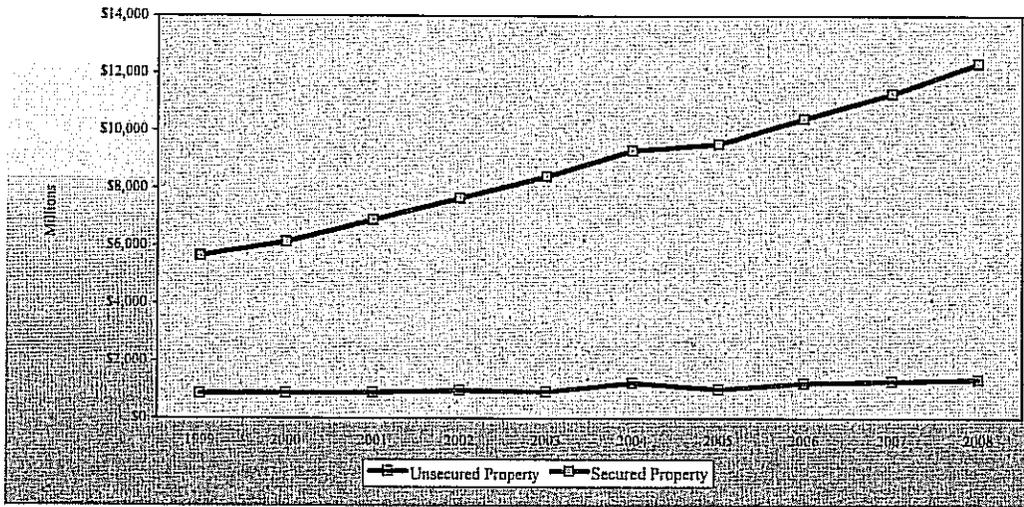
	Fiscal Year Ended June 30, 2008				
	1999	2000	2001	2002	2003
Revenues					
Property Taxes	\$12,435,032	\$14,798,094	\$15,153,405	\$27,006,989	\$26,924,977
Other Taxes	19,689,123	22,460,802	24,844,805	21,523,851	19,291,374
Intergovernmental revenues	12,598,477	12,178,691	8,468,984	13,779,307	16,529,017
Special Assessments	99,015	119,984	66,528	161,471	43,214
Interest and Rents	3,502,660	4,503,502	8,111,976	5,000,690	6,294,552
Licenses and permits	2,960,744	3,526,152	4,151,300	4,177,528	3,933,562
Charges for services	5,069,296	4,723,218	7,791,794	11,590,371	11,091,039
Fines and forfeitures	738,419	883,277	932,545	915,270	907,768
Other	1,239,575	3,395,952	3,022,679	6,182,454	1,474,351
Total Revenues	58,332,341	66,589,672	72,544,016	90,337,931	86,489,854
Expenditures					
Current:					
General government	4,003,984	4,535,663	5,812,209	6,595,273	5,789,321
Fire Department	10,175,757	10,433,628	11,610,379	12,338,436	11,398,309
Police Department	11,111,677	11,481,302	11,937,095	12,246,038	12,604,652
Public works	1,267,531	998,651	10,174,412	19,692,262	23,148,810
Recreation and Community Services	9,552,367	9,764,334	10,841,193	11,166,142	11,242,386
Library	2,450,073	2,824,162	3,371,278	3,828,969	4,151,880
Economic and Community Development	5,262,188	4,405,241	4,553,763	5,005,099	7,185,798
Other	596,267	546,807	664,360	629,612	1,517,998
Capital outlay	23,298,837	25,375,041	9,501,839	903,766	755,651
Debt service:					
Principal repayment	4,680,169	481,080	752,386	1,055,439	1,157,612
Interest and fiscal charges	1,786,978	2,572,611	2,963,348	2,725,146	2,682,359
Total Expenditures	74,185,828	73,418,520	72,182,262	76,186,182	81,634,776
Excess (deficiency) of revenues over (under) expenditures	(15,853,487)	(6,828,848)	361,754	14,151,749	4,855,078
Other Financing Sources (Uses)					
Transfers in	7,867,797	16,324,123	32,950,911	16,815,948	16,886,496
Transfers (out)	(5,958,775)	(16,032,838)	(32,272,073)	(16,228,024)	(17,057,396)
Refunding tax allocation bonds	9,614,978				
Tax allocation bonds issued	27,931,397				
Premium on bonds					
Payments to refunded bond escrow	(9,614,978)				
Other debt proceeds		500,000	750,000	284,188	2,001,962
Sale of capital assets					
Total other financing sources (uses)	29,840,419	791,285	1,428,838	872,112	1,831,062
Net Change in fund balances	\$13,986,932	(\$6,037,563)	\$1,790,592	\$15,023,861	\$6,686,140
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	4.9%

NOTE:
(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for fiscal years subsequent to that date.

Fiscal Year Ended June 30, 2008

2004	2005	2006	2007	2008
\$28,798,270	\$30,669,363	\$33,504,626	\$41,469,349	\$44,165,490
19,227,646	19,804,438	22,157,878	23,505,138	24,313,543
17,187,983	8,067,360	11,495,084	9,103,859	13,219,053
472				
3,330,413	4,882,565	6,807,538	10,691,238	12,318,594
4,039,527	4,286,728	5,342,009	6,729,772	5,716,017
10,186,710	10,340,529	10,533,289	17,083,402	10,792,043
1,061,231	971,050	889,085	1,043,528	1,077,003
1,537,775	1,609,388	2,065,054	5,557,296	1,091,514
85,370,027	80,631,421	92,794,563	115,183,582	112,693,257
4,282,592	4,428,283	4,211,157	4,451,564	5,897,066
13,427,723	13,867,143	14,713,658	14,972,467	16,875,311
13,864,371	15,238,191	16,425,238	18,040,508	18,757,394
20,978,181	16,493,303	16,722,028	15,038,206	14,913,801
11,594,180	5,076,651	4,631,328	4,927,687	10,826,041
4,469,947	4,413,828	4,064,649	4,399,017	4,766,821
6,816,036	8,323,198	18,344,116	15,675,694	13,848,049
2,132,294	1,115,641	1,169,699	633,060	1,023,435
5,724,786	1,688,984	2,429,448	844,744	36,544,741
1,557,174	1,559,200	23,094,686	8,610,556	1,692,296
2,629,544	2,438,467	2,393,177	5,500,469	5,441,036
87,476,828	74,642,889	108,199,184	93,093,972	130,585,991
(2,106,801)	5,988,532	(15,404,621)	22,089,610	(17,892,734)
22,927,167	21,080,897	20,973,246	14,505,346	20,182,014
(23,160,229)	(19,833,372)	(20,890,788)	(14,351,319)	(24,253,621)
		70,675,000		
		2,005,535		
		(13,118,105)		
1,100,926	4,378,275			
205,482	96,500	13,750	13,750	13,750
1,073,346	5,722,300	59,658,638	167,777	(4,057,857)
(\$1,033,455)	\$11,710,832	\$44,254,017	\$22,257,387	(\$21,950,591)
5.0%	6.7%	35.0%	20.0%	9.8%

**CITY OF SOUTH SAN FRANCISCO
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**



Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (n)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
1999	\$2,403,527,838	\$502,086,688	\$1,635,790,980	\$242,965,016	\$4,784,370,522	\$866,790,855	\$5,651,161,377	\$5,651,161,377	0.20599%
2000	2,630,167,079	524,260,421	1,746,240,172	350,676,140	5,251,343,812	877,173,032	6,128,516,844	6,128,516,844	0.21679%
2001	2,915,748,893	750,165,108	1,846,168,942	472,449,902	5,984,532,845	910,307,591	6,894,840,436	6,894,840,436	0.24074%
2002	3,257,637,619	629,404,257	1,940,005,169	853,973,220	6,681,020,265	972,206,231	7,653,226,496	7,653,226,496	0.27525%
2003	3,467,880,775	623,496,816	2,070,006,204	1,319,909,273	7,481,293,068	925,633,109	8,406,926,177	8,406,926,177	0.30254%
2004	3,720,977,032	630,629,338	2,319,546,992	1,388,466,651	8,059,620,013	1,244,331,375	9,303,951,388	9,303,951,388	0.29935%
2005	4,180,939,020	759,135,638	2,605,709,981	968,695,644	8,514,480,283	1,015,822,692	9,530,302,975	9,530,302,975	0.30211%
2006	4,695,615,723	1,015,770,532	3,104,488,020	363,794,750	9,179,669,025	1,232,399,424	10,412,068,449	10,412,068,449	0.30509%
2007	5,088,269,711	1,166,696,622	3,456,741,386	280,811,705	9,992,519,424	1,294,249,195	11,286,768,619	11,286,768,619	0.30977%
2008	5,484,465,766	1,227,775,836	3,934,414,550	324,421,836	10,971,077,988	1,365,179,480	12,336,257,468	12,336,257,468	0.31878%

Source: HdL Coren & Cone, San Mateo County Assessor 2007/08 Combined Tax Rolls (NC609051509) & San Mateo County Auditor

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF SOUTH SAN FRANCISCO
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>City</u>	<u>County (1)</u>	<u>School Districts</u>	<u>Misc. Special Districts</u>	<u>Total</u>
1997	0.001	1.000	0.0001	0.0051 (3)	1.0023 (1,2)
1998	0.000	1.000	0.0271	0.0000	1.0259 (1,4)
1999	0.000	1.000	0.0250	0.0000	1.0241 (1,5)
2000	0.000	1.000	0.0250	0.0000	1.0245 (1,6)
2001	0.000	1.000	0.0241	0.0000	1.0248 (1,7)
2002	0.000	1.000	0.0223	0.0000	1.0224 (1,8)
2003	0.000	1.000	0.0278	0.0000	1.0282 (1,9)
2004	0.000	1.000	0.0262	0.0000	1.0265 (1,10)
2005	0.000	1.000	0.0271	0.0000	1.0291 (1,11)
2006	0.000	1.000	0.0247	0.0000	1.0267 (1,12)
2007	0.000	1.000	0.0379	0.0000	1.0396 (1,13)
2008	0.000	1.000	0.0360	0.0000	1.0386 (1,14)

Notes:

- (1) Like other cities, South San Francisco includes several property tax rate areas with different rates. A mean average is indicated.
- (2) San Bruno School District only.
- (3) Of the 58 tax rate areas in the City, 42 have a tax rate of 1.0012 percent, 12 have a rate of 1.0063 percent, which includes Westborough Water District debt service, and 4 have a rate of 1.0013 percent, which includes either San Bruno Park bonds or Jefferson Union High School bonds.
- (4) Of the 58 tax rate areas in the City, 53 have a tax rate of 1.0271 percent, which includes South San Francisco Unified School District bonds, 4 have a rate of 1.0159, which includes either San Bruno Park bonds or Jefferson Union High School bonds, and one at a tax rate of 1.000 percent.
- (5) Of the 58 tax rate areas in the City, 53 have a tax rate of 1.025 percent, which includes South San Francisco Unified School District bonds, 4 have a rate of 1.0148, which includes Jefferson Union High School bonds, one has a rate of 1.0293, which includes San Bruno Park bonds, and one at a tax rate of 1.000 percent.
- (6) Of the 60 tax rate areas in the City, 55 have a tax rate of 1.025 percent, which includes South San Francisco Unified School District bonds, 3 have a rate of 1.0193, which includes Jefferson Union High School bonds, one has a rate of 1.0325, which includes San Bruno Park bonds, and one at a tax rate of 1.0225 percent, for a single SSFUSD bond.
- (7) Of the 60 tax rate areas in the City, 55 have a tax rate of 1.0241 percent, which includes South San Francisco Unified School District bonds, 3 have a rate of 1.037, which includes Jefferson Union High School bonds, one has a rate of 1.0353, which includes San Bruno Park bonds, and one at a tax rate of 1.0184 percent, for Series 99 SSFUSD bonds.
- (8) Of the 62 tax rate areas in the City, 57 have a tax rate of 1.0223 percent, which includes South San Francisco Unified School District bonds, 3 have a rate of 1.0181, which includes Jefferson Union High School bonds, one has a rate of 1.0434, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0172 percent, for Series 99 SSFUSD bonds.
- (9) Of the 62 tax rate areas in the City, 57 have a tax rate of 1.0278 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0194, which includes Jefferson Union High School bonds, one has a rate of 1.0591, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0234 percent, for Series 99 SSFUSD bonds.
- (10) Of the 63 tax rate areas in the City, 57 have a tax rate of 1.0262 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 4 have a rate of 1.0187, which includes Jefferson Union High School bonds, one has a rate of 1.0514, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0220 percent, for Series 99 SSFUSD bonds.
- (11) Of the 63 tax rate areas in the City, 57 have a tax rate of 1.0271 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0524, which includes Jefferson Union High School bonds, one has a rate of 1.0597, which includes San Bruno Park Elementary and San Mateo High bonds, one at a tax rate of 1.0229 percent, for Series 99 SSFUSD bonds, and one at a tax rate of 1.0459 percent, for Brisbane ESD bonds and Jefferson Union High School bonds.
- (12) Of the 63 tax rate areas in the City, 58 have a tax rate of 1.0247 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0485, which includes Jefferson Union High School bonds, one has a rate of 1.0574, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0450 percent, for Brisbane ESD bonds and Jefferson Union High School bonds.

- (13) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0379 percent, which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have a rate of 1.0612, which includes Jefferson Union School bonds, one has a rate of 1.0664, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of 1.0575 percent, for Brisbane ESD bonds and Jefferson Union High School bonds.
- (14) Of the 68 tax rate areas in the City, 63 have a tax rate of 1.0360 percent which includes South San Francisco Unified School District bonds and San Mateo Jr. College bond, 3 have the rate of 1.0756, which includes Jefferson Union School bonds, one has a rate of 1.0716, which includes San Bruno Park Elementary and San Mateo High bonds, and one at a tax rate of of 1.0596 percent, for Brisbane ESD bonds and Jefferson union High School bonds.

Source: San Mateo County Controllers Office, Schedule of Tax and Valuation of Taxable Property.

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CITY OF SOUTH SAN FRANCISCO
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2007-08		1998-99	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$1,973,718,761	16.0%	\$627,143,517	11.3%
United Airlines Inc	285,671,474	2.3%	275,439,978	5.0%
ARE Technology Center SSF LLC	267,718,890	2.2%		
Slough BTC LLC	225,686,801	1.8%		
Britannia Pointe Grand LP	152,917,525	1.2%	29,635,510	0.5%
Gateway Center LLC	127,628,304	1.0%		
ASN Solaire LLC	91,805,359	0.7%		
Slough SSF LLC	80,291,628	0.7%		
Costco Wholesale Corporation	62,206,621	0.5%		
Britannia Biotech Gateway LP	61,423,670	0.5%		
BNP Leasing Corporation			75,007,956	1.4%
Home Depot Delaware Properties Inc			50,005,500	0.9%
Costco SSF LLC			46,949,147	0.8%
Federal Express			42,648,683	0.8%
Kashiwa Fudosan America Inc			39,404,178	0.7%
Shelton Properties			31,519,487	0.6%
Felcor CSS Holdings LP			28,959,286	0.5%
Subtotal	\$3,329,069,033	27.0%	\$1,246,713,242	22.5%

Total Net Assessed Valuation:
Fiscal Year 2007-2008 \$12,336,257,468
Fiscal Year 1998-1999 \$5,534,271,239

Source: HdL Coren & Cone, San Mateo County Assessor 1998/99 & 2007/08 Net Taxable Value History

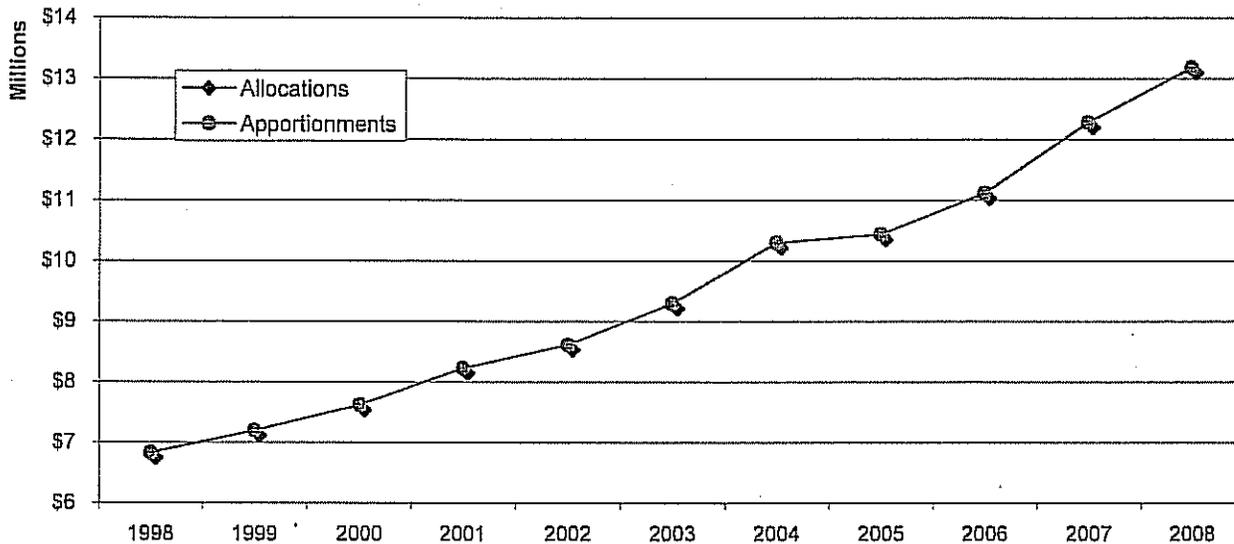
CITY OF SOUTH SAN FRANCISCO
Twenty Largest Taxable Property Owners for Merged RDA Project Area
JUNE 30, 2008

Property Tax Payer	Secured	Unsecured	Total Assessed Value	% of Total AV in Project Area	Land Use
Genentech Inc.	\$337,938,074	\$133,930,934	\$471,869,008	15.2%	Industrial, Office, R&D
Slough BTC LLC	213,131,331		213,131,331	6.8%	Industrial
ARE San Francisco LLC	156,567,664		156,567,664	5.0%	Industrial, Commercial
Britannia Pointe Grand LP	133,736,464		133,736,464	4.3%	Industrial
Gateway Center LLC DE	126,821,590	147,776	126,969,366	4.1%	Commercial
Fairfield South San Francisco	91,805,359		91,805,359	2.9%	Residential
Slough SSF LLC DE	80,291,628		80,291,628	2.6%	Industrial
Costco Wholesale Corp	33,425,022	28,781,599	62,206,621	2.0%	Commercial
Broadway Gateway Fee LLC	55,080,000		55,080,000	1.8%	Commercial
Gateway Boulevard LLC	54,029,409		54,029,409	1.7%	Industrial
BP Gateway Center LLC	52,361,434		52,361,434	1.7%	Commercial
Theravance Inc.		45,120,287	45,120,287	1.4%	Office, R&D
Exelixis Inc.		44,908,366	44,908,366	1.4%	Industrial
Elan Pharmaceuticals Inc.		40,709,660	40,709,660	1.3%	Industrial
Oik Sierra Point LLC	38,750,000		38,750,000	1.2%	Commercial
Felcor CSS Holdings LP	36,616,266		36,616,266	1.2%	Residential
Blue Line Transfer Inc.	34,379,908		34,379,908	1.1%	Industrial
Britannia Biotech Gateway LP	34,299,019		34,299,019	1.1%	Industrial
Amgen SF LLC		30,023,638	30,023,638	1.0%	Industrial
CPRE 1 SSF LLC	29,146,183		29,146,183	0.9%	Office, R&D
Total Top Twenty	1,508,379,351	323,622,260	1,832,001,611	58.9%	
Percent of AV	82.3%	17.7%		58.9%	

(1) Given the nature of the research performed at Genentech, a significant portion of the total assessed value of the Genentech Property is likely equipment. It would appear on the secured roll as that contains the value of personal property/improvements

Source: San Mateo County Assessor, RDA Secured & Unsecured SSF 2008 Tax Rolls

**CITY OF SOUTH SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS**



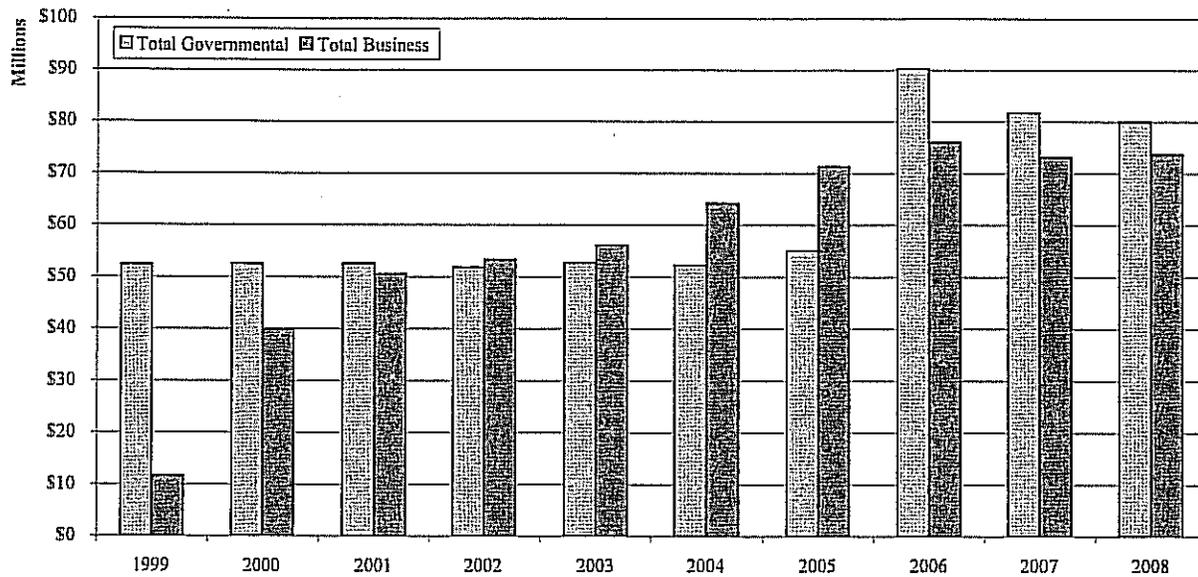
Fiscal Year	Rate (2)	Levies (3)	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
1998	1.00	(4)	\$6,830,718	(4)	\$6,830,718	(4)	0.0%
1999	1.00	(4)	7,197,865	(4)	7,197,865	(4)	0.0%
2000	1.00	(4)	7,621,354	(4)	7,621,354	(4)	0.0%
2001	1.00	(4)	8,228,319	(4)	8,228,319	(4)	0.0%
2002	1.00	(4)	8,614,725	(4)	8,614,725	(4)	0.0%
2003	1.00	(4)	9,300,314	(4)	9,300,314	(4)	0.0%
2004	1.00	(4)	10,296,831	(4)	10,296,831	(4)	0.0%
2005	1.00	(4)	10,438,333	(4)	10,438,333	(4)	0.0%
2006	1.00	(4)	11,112,993	(4)	11,112,993	(4)	0.0%
2007	1.00	(4)	12,281,105	(4)	12,281,105	(4)	0.0%
2008	1.00	(4)	13,177,156	(4)	13,177,156	(4)	0.0%

Notes:

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

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

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



Governmental Activities

Fiscal Year	RDA Tax Allocation Bonds	Lease Revenue Bonds	Certificates of Participation	Special Assessment Debt	Loans	Total
1999	\$43,130,000	\$427,820	\$6,145,000	\$409,000	\$2,270,000	\$52,381,820
2000	42,940,000	405,664	6,040,000	334,000	2,770,000	52,489,664
2001	42,480,000	381,787	5,935,000	231,000	3,523,144	52,550,931
2002	41,700,000	356,057	5,825,000	160,000	3,771,269	51,812,326
2003	40,785,000	328,330	5,710,000	85,000	5,771,962	52,680,292
2004	39,475,000	298,449	5,590,000		6,872,888	52,236,337
2005	38,085,000	266,249	5,465,000		11,239,163	55,055,412
2006	73,495,000	231,549	5,335,000		11,227,163	90,288,712
2007	72,400,000	194,156	5,200,000		3,884,000	81,678,156
2008	71,000,000	153,860	5,060,000		3,772,000	79,985,860

Business-Type Activities

Fiscal Year	Sewer Revenue Bonds	Certificates of Participation	State Water Resources Loans	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
1999		\$1,100,000	\$10,528,250	\$11,628,250	\$64,010,070	2.09%	1,050.41
2000			39,913,088	39,913,088	92,402,752	3.01%	1,516.34
2001			50,540,198	50,540,198	103,091,129	2.80%	1,648.11
2002			53,314,447	53,314,447	105,126,773	3.12%	1,727.98
2003			56,090,490	56,090,490	108,770,782	3.36%	1,791.41
2004			64,195,566	64,195,566	116,431,903	3.62%	1,916.26
2005			71,251,939	71,251,939	126,307,351	NA	2,072.28
2006	\$6,000,000		69,978,799	75,978,799	166,267,511	NA	2,696.48
2007	6,000,000		67,133,165	73,133,165	154,811,321	NA	2,504.07
2008	5,790,000		67,878,194	73,668,194	153,654,054	NA	2,453.99

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

Sources: City of South San Francisco

State of California, Department of Finance (population)

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

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

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2008**

2007-08 Assessed Valuation:	\$12,365,460,359
Redevelopment Incremental Valuation:	(2,636,568,285)
Adjusted Assessed Valuation:	<u>\$9,728,892,074</u>

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2008	% Applicable (1)	City's Share of Debt 6/30/07
San Mateo Community College District	\$650,619,994	8.107%	\$52,745,763
Jefferson Union High School District	73,815,000	1.145	845,182
South San Francisco Unified School District	36,435,170	85.909	31,301,090
Brisbane School District	7,775,437	8.818	685,638
City of Brisbane Marina Boulevard and Lagoon Road Reassessment District	6,080,000	24.216	1,472,333
City of South San Francisco 1915 Act Bonds	1,010,000	100.000	1,010,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$88,060,006

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

San Mateo County General Fund Obligations	\$390,994,816	8.107%	\$31,697,950
San Mateo County Board of Education Certificates of Participation	13,345,000	8.107	1,081,879
San Mateo County Flood Control District Certificates of Participation	24,015,000	56.025	13,454,404
City of South San Francisco Certificates of Participation	2,000,000	85.909	1,718,180
South San Francisco Unified School District Certificates of Participation	5,060,000	100.000	5,060,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$53,012,413

COMBINED TOTAL DEBT \$141,072,419 (2)

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

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

Ratios to 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.71%
---	-------

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$5,060,000)	0.05%
Combined Total Debt	1.45%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$0

Source: California Municipal Statistics, Inc.

510-658-2640

2 day Turn around time started Dec 18 2008

**CITY OF SOUTH SAN FRANCISCO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2008**

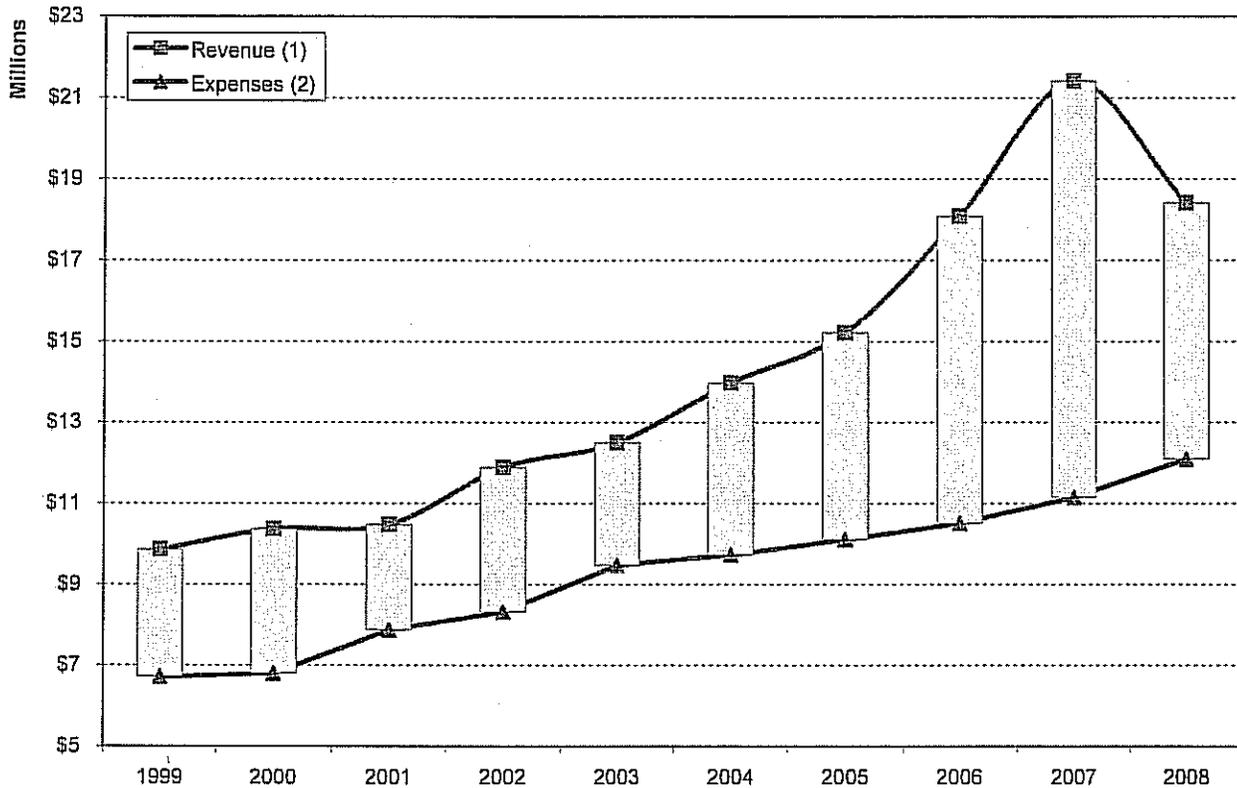
ASSESSED VALUATION:	\$12,522,003,273
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	469,575,123
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$469,575,123

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1999	\$211,918,552	0	\$211,918,552	0.00%
2000	229,819,382	0	229,819,382	0.00%
2001	258,556,516	0	258,556,516	0.00%
2002	286,995,994	0	286,995,994	0.00%
2003	315,259,732	0	315,259,732	0.00%
2004	348,898,177	0	348,898,177	0.00%
2005	357,386,362	0	357,386,362	0.00%
2006	390,455,531	0	390,455,531	0.00%
2007	423,253,823	0	423,253,823	0.00%
2008	469,575,123	0	469,575,123	0.00%

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

Source: HDL Coren & Cone, San Mateo County Assessor - 2007/08 Combined Tax Rolls

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



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (4)			Coverage
				Principal	Interest	Total	
1999	\$9,861,996	\$6,719,296	\$3,142,700				N/A
2000	10,366,881	6,795,700	3,571,181				N/A
2001	10,475,263	7,875,181	2,600,082				N/A
2002	11,886,357	8,314,101	3,572,256				N/A
2003	12,504,872	9,473,780	3,031,092				N/A
2004	13,974,242	9,725,289	4,248,953				N/A
2005	15,222,308	10,101,969	5,120,339				N/A
2006	18,081,987	10,506,394	7,575,593	(3)	156,165	156,165	48.51
2007	21,409,055	11,146,870	10,262,185	(3)	248,914	248,911	41.23
2008	18,418,866	12,096,256	6,322,610	(3)	241,846	241,843	26.14

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

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
Service Charges	\$8,820,583	\$10,784,174 (4)	\$12,116,388 (4)	\$12,568,533 (4)	\$13,455,322
Connection and Other Fees	1,415,813	558,411	603,814	1,664,813	340,945
Interest Income	47,812		46,225	307,051	20,977
Developer Fees	166,027	334,907	848,301	1,431,915	4,027,128
Other Cities' Participation (1)	3,523,976	3,544,816	4,513,484	5,436,743	4,777,947
Total Revenues	\$13,974,211	\$15,222,308	\$18,128,212	\$21,409,055	\$22,622,319
Operating Expenses (2)	\$9,732,225	\$10,154,711	\$10,012,867	\$11,170,190	\$12,219,926
Wastewater System Net Revenues	\$4,241,986	\$5,067,597	\$8,115,345	\$10,238,865	\$10,402,393
Parity Debt Service (3)					
State Water Resources Control Board Loans	\$3,871,841	\$4,192,156	\$4,319,226	\$4,486,205	\$5,421,540
CSCDA Series 2005D Revenue Bonds			156,165	248,914	241,846
Total Parity Debt	\$3,871,841	\$4,192,156	\$4,475,391	\$4,735,119	\$5,663,386
Total Parity Debt Service Coverage	1.10	1.21	1.81	2.16	1.84

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

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

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

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

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

2006 RDA Revenue Bonds

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2004					
2005				0	NA
2006	\$14,482,352	(1)	(1)		
2007	21,181,402	930,000	2,760,969	3,690,969	5.74
2008	21,801,839	1,230,000	3,296,069	4,526,069	4.82

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

1999 RDA Revenue Bonds (Housing)

Funding Source: RDA Gateway and Low Moderate Income Housing tax increment revenues. Gateway bonds defeased in FY 05-06.

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2004	\$8,229,145	\$1,090,000	\$1,384,418	\$2,474,418	3.33
2005	8,066,130	1,160,000	1,359,418	2,499,418	3.23
2006	7,959,687	1,245,000	1,290,695	2,535,695	3.14
2007	3,164,321	165,000	133,170	298,170	10.61
2008	3,881,026	170,000	124,328	294,328	13.19

1999 Certificates of Participation

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2004	\$13,054,933	\$120,000	\$276,918	\$396,918	32.89
2005	13,290,014	125,000	272,358	397,358	33.45
2006	14,482,352	130,000	267,483	397,483	36.44
2007	21,181,402	135,000	262,283	397,283	53.32
2008	21,801,839	140,000	256,748	396,748	54.95

1989 Cal Health Facilities Financing Authority Revenue Bonds

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2004	\$13,054,933	\$29,881	\$20,490	\$50,371	259.18
2005	13,290,014	32,200	18,434	50,634	262.47
2006	14,482,352	34,700	18,040	52,740	274.60
2007	21,181,402	37,393	15,454	52,847	400.81
2008	21,801,839	40,296	10,681	50,977	427.68

RDA All Non-housing (A)

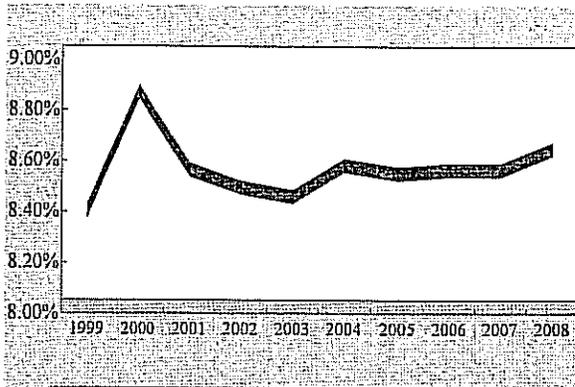
Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2004	\$13,054,933	\$1,094,881	\$1,533,407	\$2,628,288	4.97
2005	13,290,014	1,167,200	1,487,792	2,654,992	5.01
2006	14,482,352	1,254,699	1,439,522	2,694,221	5.38
2007	21,181,402	1,102,393	3,038,706	4,141,099	5.11
2008	21,801,839	1,410,296	3,563,498	4,973,794	4.38

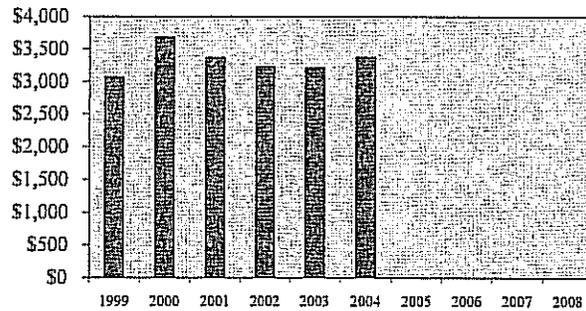
(A) Shows coverage of all non-housing bonds pledged to tax increment.

Source: City of South San Francisco, Department of Finance

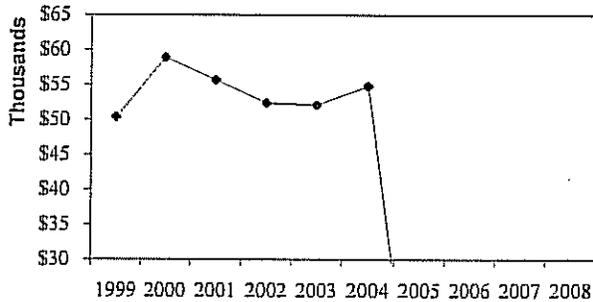
CITY OF SOUTH SAN FRANCISCO
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS



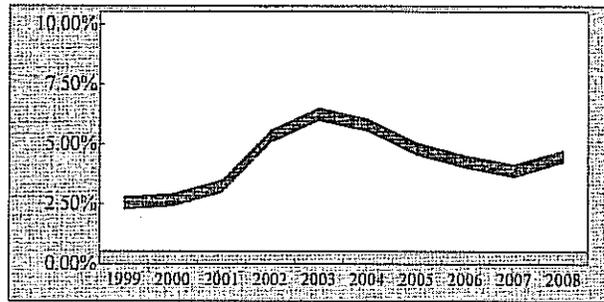
■ City Population as a % of County Population



■ Personal Income (2) (in millions)



—●— Per Capita Personal Income (2)



■ Unemployment Rate (%)

Fiscal Year	City Population (1)	Personal Income (2) (in millions)	Per Capita Personal Income (2)	Average Unemployment Rate (3)	San Mateo County Population	City Population % of County
1999	60,938	\$3,070	\$50,370	2.28%	727,300	8.38%
2000	62,551	3,684	58,900	2.41%	707,161	8.85%
2001	60,838	3,373	55,700	2.98%	712,400	8.54%
2002	60,718	3,234	52,390	5.06%	717,000	8.47%
2003	60,760	3,216	52,100	5.98%	720,630	8.43%
2004	60,951	3,383	54,800	5.53%	712,400	8.56%
2005	61,661	NA	NA	4.55%	723,453	8.52%
2006	61,824	NA	NA	4.02%	724,104	8.54%
2007	62,614	NA	NA	3.63%	733,496	8.54%
2008	63,744	NA	NA	4.24%	739,469	8.62%

Source: (1) State of California, Department of Finance - Demographic Research Unit. The data represents the City's population as of January 1, of each year.
 (2) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce
 (3) Employment Development Department, Labor Market Information Division. Data represents San Mateo county-wide rate only and is not seasonally adjusted.

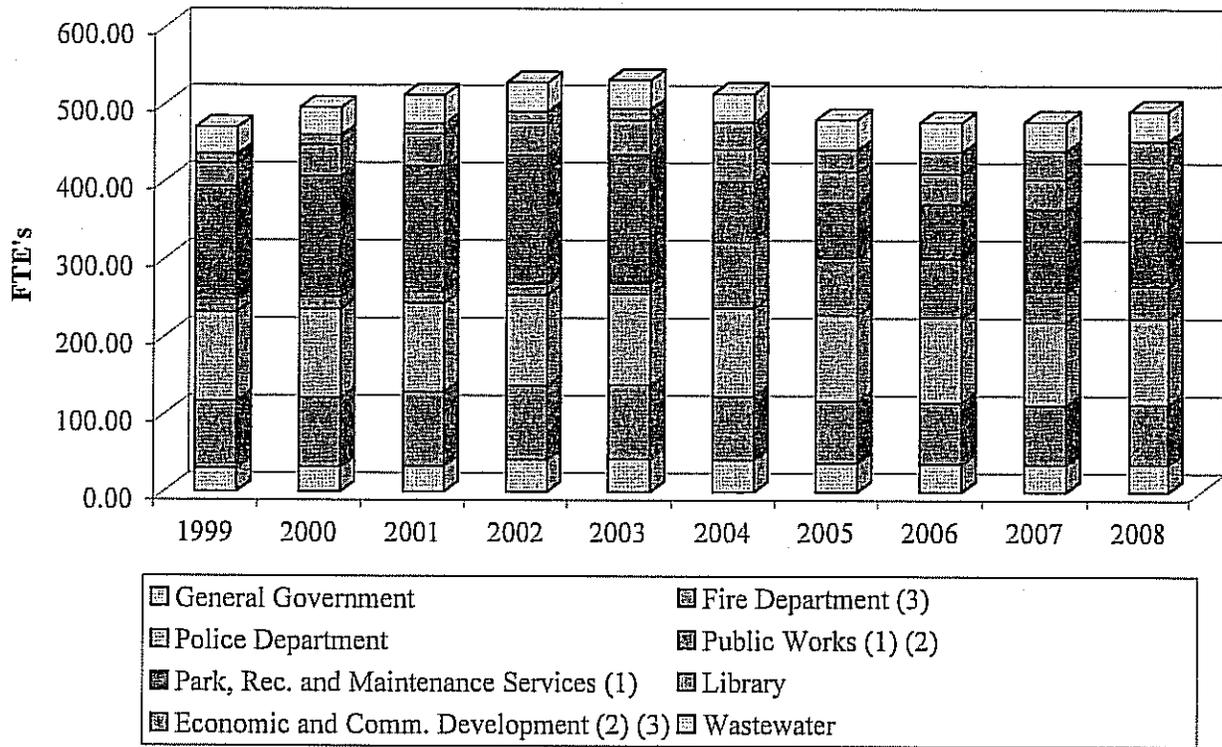
CITY OF SOUTH SAN FRANCISCO
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2007-08</u>		<u>1997-98</u>	
	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>
United Airlines (1)	9,000	14.1%		0.0%
Genentech	9,000	14.1%	3,200	5.3%
Kaiser	1,100	1.7%		0.0%
SSF School District	950	1.5%		0.0%
Costco (2 stores)	798	1.2%		0.0%
United Parcel Service	732	1.1%		0.0%
Amgen	676	1.1%		0.0%
Exelixis	545	0.9%	0	0.0%
Cell Genesys	377	0.6%	0	0.0%
Actuate Corm	350	0.5%	0	0.0%
Elan Pharmaceuticals			225	0.4%
COR Therapeutics			186	0.3%
Aesculap, Inc.			250	0.4%
AXYS Pharmaceuticals			210	0.3%
Sugen, Inc.			201	0.3%
Imatron, Inc.			175	0.3%
Tularik, Inc.			170	0.3%
Fibrogen, Inc.			111	0.2%
Coulter Pharmaceutical			70	0.1%
Subtotal	<u>23,528</u>	<u>36.9%</u>	<u>4,798</u>	<u>7.9%</u>
Total City Day Population	<u>63,744</u>		<u>60,938</u>	

Source: South San Francisco fast facts (2007-08). 1998-99 information not available.

(1) United Airlines is unable to determine the portion of United Airline employees that work in the City Limits of South San Francisco vs County unincorporated area vs area leased by the City and County of San Francisco at the San Francisco International Airport.

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



Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	30.23	31.96	33.20	41.70	42.70	41.30	37.50	36.88	35.48	35.67
Fire Department (3)	86.48	89.23	95.48	95.48	95.48	81.48	79.48	78.48	76.48	77.48
Police Department	114.74	114.74	114.74	116.99	117.45	114.45	111.45	110.45	107.45	110.85
Public Works (1) (2)	16.44	15.48	14.48	14.48	14.48	85.37	74.37	75.37	39.76	42.00
Park, Rec. and Maintenance Services (1)	145.93	155.93	162.08	165.15	164.77	77.47	70.42	70.23	105.49	115.15
Library	29.48	40.20	41.55	43.05	44.89	41.69	40.09	39.15	38.54	38.68
Economic and Comm. Development (2) (3)	12.40	12.40	13.55	14.05	14.75	35.23	28.25	27.75	37.21	33.35
Wastewater	34.36	35.63	36.67	37.67	37.19	37.19	38.75	38.74	37.59	38.59
Total	470.06	495.57	511.75	528.57	531.71	514.18	480.31	477.05	478.00	491.77

Notes:

1. Over the years, oversight of the Park Maintenance Division has changed between Parks and Recreation, where the responsibility lies now and the Public Works Department.
2. Over the years, oversight of the Engineering Division has changed between Public Works, where the responsibility lies now and the Economic and Community Development Department.
3. Over the years, oversight of the Building Inspection Division has changed between the Economic and Community Development, where the responsibility lies now, and the Fire Department.

Source: City of South San Francisco

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

	2004	2005	2006	2007	2008
Function/Program					
Public safety:					
Fire:					
Inspection permit issued	2,191	2,219	1,599	1,185	1,278
Police:					
Police calls for service	29,293	32,659	36,353	30,626	32,100
Law violations:					
Part I crimes	1,997	2,105	NA	1,948	2,165
Physical arrests (adult and juvenile)	1,851	1,910	NA	1,983	1,969
Traffic violations	4,919	4,317	NA	4,597	4,863
Parking violations	8,357	7,659	NA (1)	25,062	22,787
Public works					
Street resurfacing (miles) (Eng Div)	2.32	1.24	2.01	NA	8.50
Potholes repaired (square miles)	NA	NA	NA	NA	0.25
Asphalt used for street repairs (tons)	566	701	NA	NA	463
Culture and recreation:					
Recreation class participants	22,341	23,299	25,675	23,567	24,011
Library:					
Total items borrowed	491,749	475,259	503,000	503,000	686,733
Items in collection	210,187	187,079	212,349	195,820	197,817
Wastewater					
Residential connections	16,940	17,000	16,268	16,274	16,274
Commercial connections	1,419	1,400	1,557	1,405	1,481
Other connections	211	214	168	133	133
Average daily sewage treatment (millions of gallons)	9.55	9.95	10.04	9.00	9.40

Note: N/A denotes information not available.

(1) Total Parking Citations reported is comprised of both handwritten and automated parking citations.

Prior to 2007, the handwritten citations were only reported.

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

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

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

(1) Source: ssf.net/depts/rcs; Director of Rec & Comm Services; Superintendent of parks & Maintenance (M.Bates)

(2) Police patrol units consists of 35 marked/unmarked cars, 6 motorcycles, 1 SWAT and 3 cushman.

Note: Full 10 year of statistical data not available.

CITY OF SOUTH SAN FRANCISCO
Miscellaneous Information
Last Three Fiscal Years

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

	2006	2007	2008
Transient Occupancy Tax Detail			
8% TOT collected	\$4,861,963	\$5,296,919	\$6,309,586
1% Measure I Special Tax	607,745	662,115	788,698
Total TOT Collection	\$5,469,708	\$5,959,034	\$7,098,285
1% Measure I Special Tax Use			
Police	\$121,549	\$132,423	\$157,740
Fire	121,549	132,423	157,740
Library	121,549	132,423	157,740
Parks	121,549	132,423	157,740
Recreation	121,549	132,423	157,740
Total 1% Measure I Special Tax	\$607,745	\$662,115	\$788,698

* Note: Measure I, a one percent supplemental special tax to the already existing 8% general transient occupancy tax (TOT) was approved on Nov. 2, 2004 and took effect January 1, 2005. Special tax was earmarked for use to supplement Police, Fire, Library, and Parks and