



CITY OF BURLINGAME, CA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For fiscal year ending
June 30, 2010

City of Burlingame, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Fiscal Year Ended June 30, 2010**

**Prepared by
City of Burlingame Finance Department**

CITY OF BURLINGAME, CALIFORNIA

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INTRODUCTORY SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010



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

January 28, 2011

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

I am pleased to submit the Comprehensive Annual Financial Report of the City of Burlingame, California for the fiscal year ended June 30, 2010. This financial report contains a complete set of audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB).

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

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

The California Government Code requires an annual audit of the basic financial statements of the city. The accounting firm of Caporicci & Larson, Inc., a subsidiary of Marcum LLP performed the audit for fiscal year 2009-2010. The independent auditors' report on the general purpose financial statements is included in the financial section of this report and states that the city's basic financial statements present fairly, in all material respects, the financial position of the city as of June 30, 2010, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. A single audit was performed this fiscal year for funds received from the America Recovery and Reinvestment Act of 2009.

Government Profile

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

Municipal services include: police and fire protection; public works; community development; parks and recreation; library services; water, sewer, parking, solid waste and storm drainage. General government activities include finance, human resources, legal services and city administration. The city employs 236 full-time equivalent positions. An executive team helps the city manager lead the city organization. It includes 8 department directors, the city attorney and the city clerk.

The Burlingame city limits contain approximately six square miles. The city is located in San Mateo County, on the western shore of the San Francisco Bay approximately 10 miles south of the City of San Francisco. As reported by the California Department of Finance's Demographic Research Unit, the City's population was 29,342 as of January 1, 2010.

The state's finance department also reports that Burlingame has 12,981 housing units within the city limits. Fifty-one percent are owner-occupied. According to the Association of Realtors and Zillow Home Value Index, the November 2010 median price of an average, single-family home in the city was \$1 million, well above the San Mateo County average of \$712,500 and the State average of \$296,830. The median age of city residents is 38 years. Wikipedia.org estimates mean household income at \$118,900. The City issues 5,739 business licenses per year, and ABAG estimates that there are 22,910 jobs in the City.

Budget Process

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

The budget process starts in January. The city prepares a five-year forecast of capital needs and prepares the five-year capital program. Staff prepares a short-term forecast of future expenditures including pay, benefits and other known expenses. The City Council uses the information to set budget strategies that address citizen needs within the resources at hand.

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

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

Long-term financial planning has increased and is becoming a more formal part of financial management services. A five-year budget forecast will be developed to help project future revenues and costs and to help determine current resource allocation decisions. In addition, the city's capital facilities plan will continue to guide the 5-year capital program and budget.

Assessment of Economic Condition

The economic outlook for Burlingame is more stable than in the past two fiscal years. The expectation is for short-term, low-to-moderate revenue growth in the general fund. Sales taxes are expected to increase slightly as evidenced by positive gains in sales tax collections for the second and third quarters of 2010. Transient occupancy tax collections will be bolstered by the recently approved two percent tax rate increase that went into effect January 1, 2010. Property taxes are also expected to grow as the housing market begins to stir.

The main threat continues to be the State of California's budget woes which create great financial uncertainty. Historically the state has preyed on local governments in times of financial duress. Time and time again the state has withheld funds from cities; borrowed their monies; and deferred their payments so that there is no trusting what may happen next. Two important ballot initiatives: Proposition 1A and Proposition 22, which protect local revenues from the state, will greatly help guard the city from future state takeaways. The hope is that the state can resolve their budget problems without raiding city coffers.

Unemployment in Burlingame remains comparatively low. As of December 2010, the State of California Employment Development data showed Burlingame with an unemployment rate of 6%, as compared to 8.3% for San Mateo County and 12.3% for the State of California.

Property Taxes

Burlingame has 8,613 taxable parcels with a secured roll assessed value of \$6.6 billion in FY10. Personal property values contribute an additional \$300 million for a combined tax roll of \$6.9 billion. The total assessed value subject to taxes increased by 3% in FY10. Property tax is currently the city's largest revenue source. It accounts for 33% of general fund revenue in FY10. Property tax receipts grew by 4.4% in FY10, an increase of \$556,000.

Sales and Use Taxes

Burlingame is a highly desirable residential community and upscale commercial location with attractive shopping districts. Numerous national retailers are located in the Burlingame Avenue business district making it competitive with regional shopping malls. In addition, the city is known for its chic restaurants and nightclubs that attract patrons from throughout the entire San Francisco Bay area. The city owns and manages most of the parking spaces located within the shopping districts and works with local merchants to maximize the shopping experience.

Sales and use taxes account for 17% of general fund revenue in FY10. The Burlingame Auto Row has been a mainstay of the city economy for decades. As of June 30, 2010, automobile sales and services accounted for 31% of quarterly sales tax collections followed by restaurants and hotels at 19% of tax collections. General consumer goods produced 19%.

Sales and use taxes have been decreasing since the start of 2008 and dropped 24% in FY10. The second quarter of 2010 (last quarter of the fiscal year) however produced long-awaited revenue growth evidencing a potential resurgence of sales activities.

Burlingame neighbors the Town of Hillsborough, an affluent community that is 100% residential. Burlingame businesses serve the commercial needs of Hillsborough residents, which accounts for the upscale nature of the retail stores. In FY10, annual per capita sales in Burlingame were \$22,731 as compared to \$13,518 for San Mateo County and \$10,464 for the State of California.

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

Tourism and Business Travel

Burlingame's 13 major hotels provide convenient overnight accommodations for business travelers and tourists using San Francisco International Airport (SFO). A total of 3,742 hotel rooms are available for rental. Burlingame hotel occupancy rates increased in FY10 and averaged 70% per month as compared to 68% in FY09. Monthly occupancies average 80% in the first five months of the new fiscal year (FY11).

Transient occupancy taxes (TOT) are the city's second largest revenue source and account for 28% of all general fund revenues. Tax receipts increased by 2% in FY10 and totaled \$10.3 million.

City voters approved an increase in the city's TOT tax from 10% to 12% in November 2009. The tax increase became effective January 1, 2010. The additional 2% increase is expected to generate between \$1.8 and \$2 million in general fund revenues annually.

San Francisco International (SFO) was the 13th busiest airport in the nation for passenger travel in 2007 according to the Federal Aviation Administration. More than half of all Bay area passenger travel occurs at SFO. As of November 2010, SFO reported a 6.5% increase in total passenger volumes over the last 12 month period.

Financial Information

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

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

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

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

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

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

Debt Administration: As of June 30, 2010, the City has \$36.9 million in outstanding general debt obligations. The enterprise funds have an additional outstanding debt totaling \$66.3 million. The city issued storm drainage revenue bonds in July 2010 to fund improvements and refinanced the 2001 Lease Revenue Bonds – Corporation Yard. These transactions will be included in next year’s CAFR. The city’s debt obligations are detailed in the Notes to Basic Financial Statements, 6. Long-Term Debt.

Certificates of Achievement

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

Acknowledgments

Special thanks go to Mary Asturias, Financial Services Manager, who manages the audit and to Amy Bernardo, our Accountant who is a major contributor to this effort. They both devoted long hours to the audit and the annual financial report.

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

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

Respectfully submitted,



Jesús Nava
Finance Director/Treasurer



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Burlingame
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

CITY OF BURLINGAME

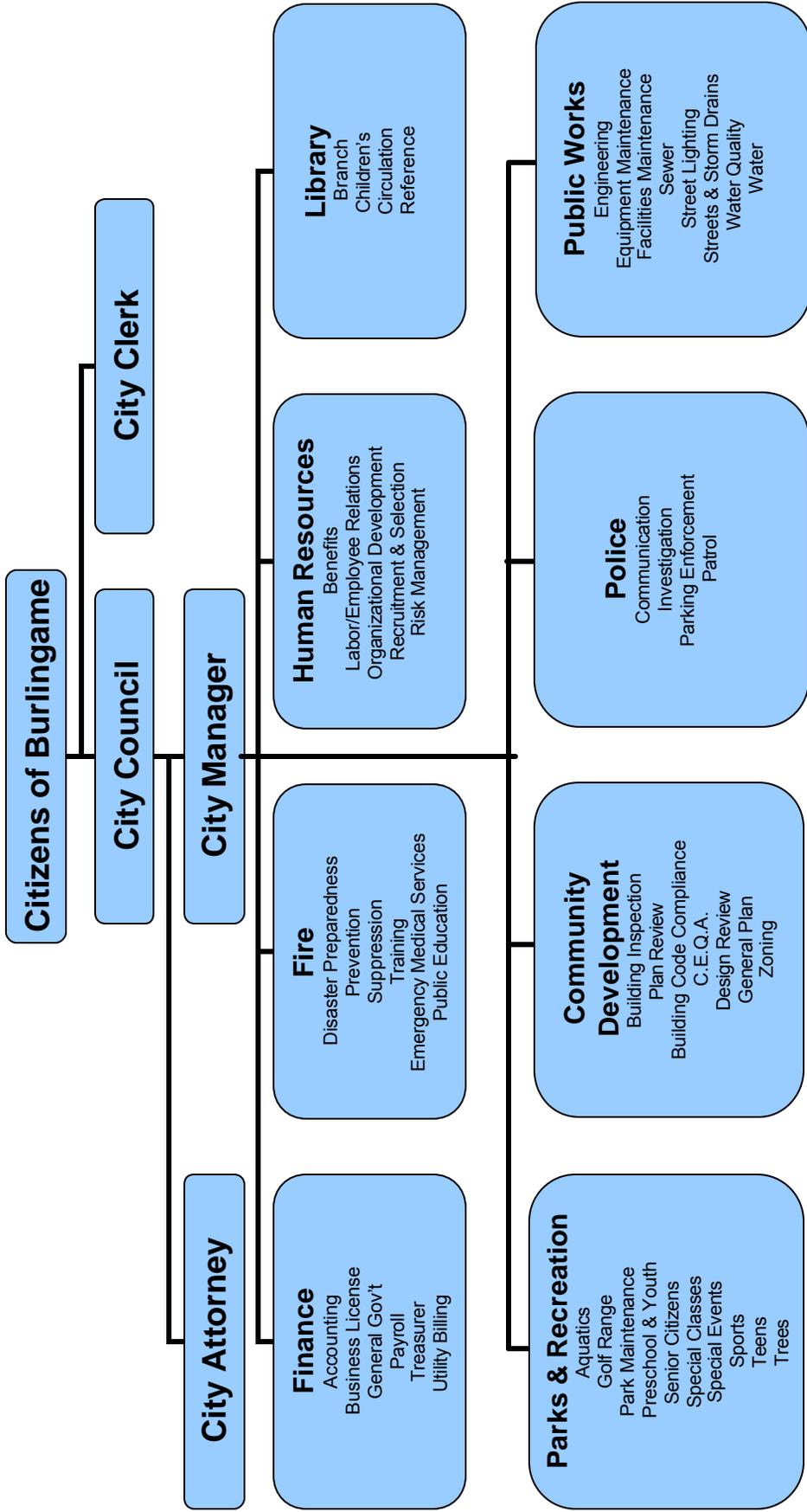
ELECTED OFFICIALS

Mayor Cathy Baylock
Vice MayorTerry Nagel
Council Member Jerry Deal
Council MemberAnn Keighran
Council Member Michael Brownrigg
City Clerk Mary Ellen Kearney

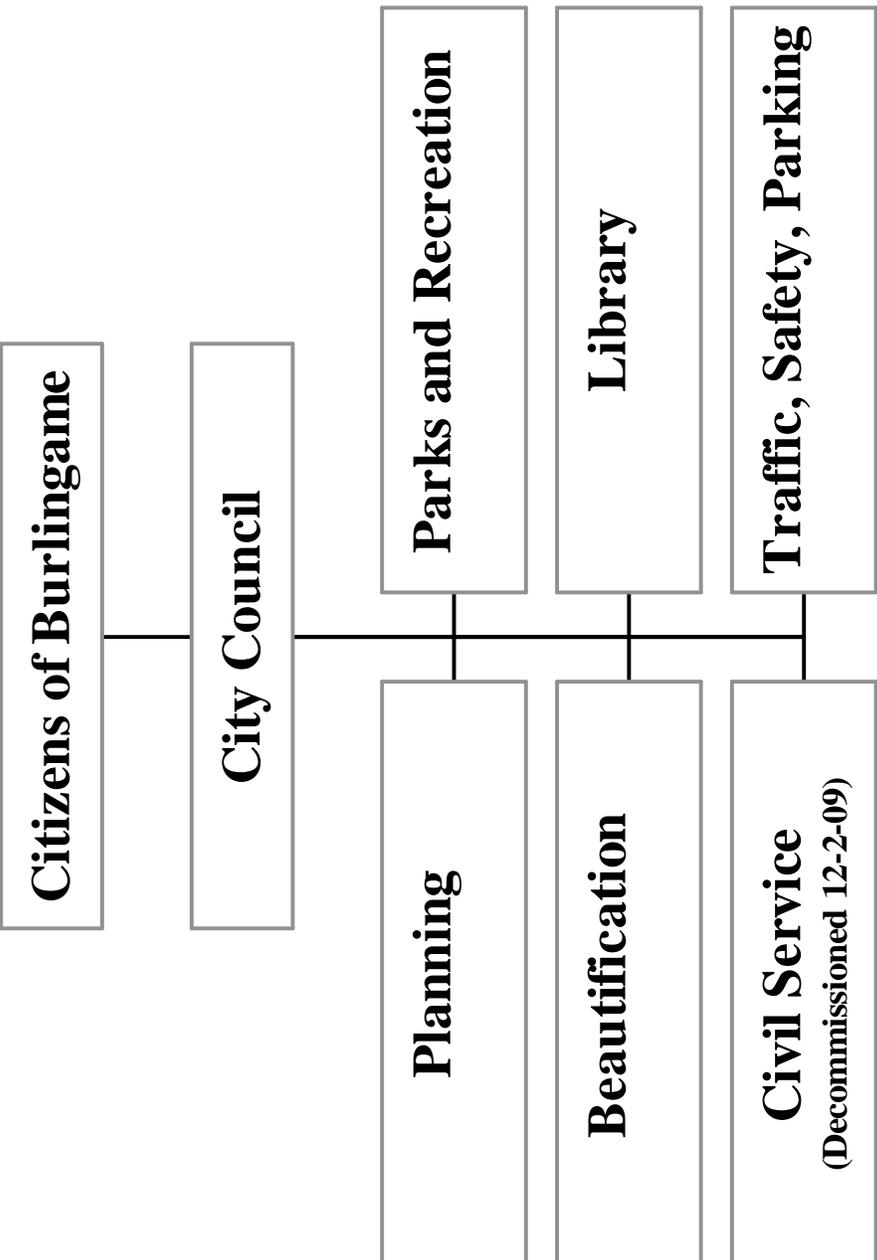
APPOINTED OFFICIALS

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

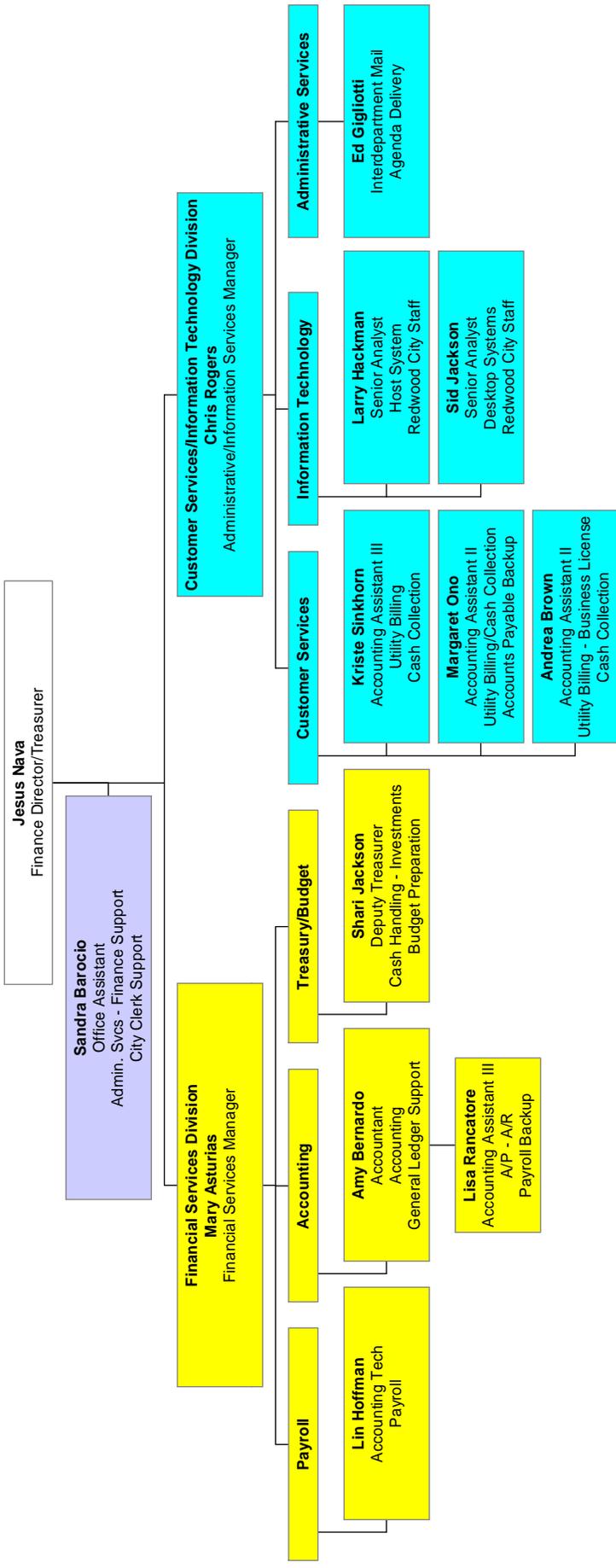
City of Burlingame Organizational Chart



CITY OF BURLINGAME ADVISORY COMMISSIONS



City of Burlingame Finance Department



CITY OF BURLINGAME ORGANIZATIONAL COMPASS

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

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

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

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

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

ONE ORGANIZATION THAT FOSTERS POSITIVE RELATIONSHIPS AND TEAMWORK BY:

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

POSITIVE LEADERSHIP THAT IS NURTURING AND FORWARD-THINKING BY:

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

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

FINANCIAL SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlingame, California (City), as of and for the year ended June 30, 2010, 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 conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City's as of June 30, 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of City Council
of the City of Burlingame
Burlingame, California
Page 2

The Management Discussion and Analysis and the Required Supplementary Information on pages 3 to 21 and pages 79 to 83, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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 the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section, Supplementary Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information 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 and Statistical Sections 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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 28, 2011

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

This is Management's Discussion and Analysis of financial activities for the fiscal year ended June 30, 2010. This information should be read together with the transmittal letter, financial statements and notes to the financial statements to better understand the city's financial position.

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

Financial Highlights for Fiscal Year 2009 - 2010 (ending June 30)

- City assets exceed liabilities by \$155.8 million, same amount as prior year.
- Net assets increased a minute 0.09% as compared to a decrease of -1.2% in prior year.
- OPEB liability increased from \$3.3 million to \$6 million as recorded on Statement of Net Assets. The city continues to fund the annual costs of retiree health insurance premiums in cash.
- General fund revenues decreased \$3.5 million in FY10, a drop of -8.6%, as compared to a \$3.2 million decrease (-7.4%) in FY09. The loss in revenue was mostly due to sales and use taxes.
- City voters approved an increase in the transient occupancy tax rate from 10% to 12%.
- General fund expenditure reductions totaling \$1.7 million in FY10 were sufficient to meet the decline in revenue. Approximately \$500,000 in undesignated general fund balance covered the remaining expenditures that were needed to maintain important, minimum service levels in police and fire.
- The general fund ending balance decreased from \$7.3 million to \$6.9 million. Of this amount, \$6.8 million is designated as special purpose reserves by the city council.
- The general fund ending balance of \$6.9 million, represents 19% of general fund operating expenditure or 70 days of operating cash.
- The city council adopted storm drainage fund policies to govern the use of voter approved storm drainage revenue, debt and reserves.

Overview of the Financial Statements

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

Government-Wide Statements

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

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Required Supplemental Information

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

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Government-Wide Financial Analysis

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

Analysis of Net Assets

The city had total net assets of \$155.8 million as of June 30, 2010. Net assets were unchanged from prior year. Assets as of the end of June 30, 2010 were \$288 million, no change from prior year. A \$1.1 million increase in current assets was offset by a \$1.2 million decrease in capital assets. Liabilities also were unchanged at \$132 million. Liabilities decreased a slight 0.1%.

The largest portion of the city's net assets (77%) is invested in capital assets totaling \$119.8 million. Capital assets are the aggregate value of land, buildings and improvements that are used to provide services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The city's capital assets cannot be sold and used to liquidate liabilities. The remaining \$36 million in net assets are a combination of cash and investments, restricted and unrestricted. A portion of these assets, \$3.5 million, is restricted for debt service, street repair and maintenance and public safety expenditures. Unrestricted net assets total \$32.44 million, an increase of \$3 million or 10% from prior year. Revenue from the new, voter-approved storm drainage fee (\$2.4 million) accounted for most of the increase in unrestricted net assets. The storm drain fee revenue is designated for improvements to the storm drain system.

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

City of Burlingame's
Comparative Statement of Net Assets
July 1, 2009 to June 30, 2010
(Amounts In Millions)

	Governmental Activities		Business-Type Activities		Totals		Difference	Total % Change
	2009	2010	2009	2010	2009	2010		
Assets:								
Current and other assets	\$61.94	\$66.17	\$37.74	\$34.64	\$99.68	\$100.81	\$1.12	1.1%
Capital assets	<u>\$100.98</u>	<u>\$98.51</u>	<u>\$87.51</u>	<u>\$88.76</u>	<u>\$188.49</u>	<u>\$187.27</u>	<u>-\$1.22</u>	<u>-0.6%</u>
Total assets:	\$162.92	\$164.67	\$125.25	\$123.40	\$288.17	\$288.07	-\$0.10	0.0%
Liabilities:								
Current liabilities	\$10.07	\$10.69	\$5.65	\$6.22	\$15.71	\$16.91	\$1.20	7.6%
Other liabilities	\$0.78	\$0.61	\$0.78	\$0.73	\$1.56	\$1.34	-\$0.22	-14.0%
Long term liabilities	<u>\$46.52</u>	<u>\$47.62</u>	<u>\$68.70</u>	<u>\$66.43</u>	<u>\$115.22</u>	<u>\$114.05</u>	<u>-\$1.17</u>	<u>-1.0%</u>
Total liabilities:	\$57.37	\$58.92	\$75.12	\$73.38	\$132.49	\$132.30	-\$0.19	-0.1%
Net assets:								
Invested in capital assets, net of related debt	\$90.67	\$89.05	\$32.01	\$30.76	\$122.68	\$119.81	-\$2.87	-2.3%
Restricted	\$3.58	\$3.51	\$0.00	\$0.00	\$3.58	\$3.51	-\$0.06	-1.7%
Unrestricted	<u>\$11.31</u>	<u>\$13.18</u>	<u>\$18.12</u>	<u>\$19.26</u>	<u>\$29.42</u>	<u>\$32.44</u>	<u>\$3.02</u>	<u>10.2%</u>
Total net assets:	<u>\$105.55</u>	<u>\$105.75</u>	<u>\$50.13</u>	<u>\$50.02</u>	<u>\$155.68</u>	<u>\$155.77</u>	<u>\$0.09</u>	<u>0.1%</u>

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

City of Burlingame
Statement of Activities and Changes in Net Assets
June 30, 2010

	Governmental Activities		Business-Type Activities		Total		% Change
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	
Revenues:							
Program revenues:							
Charges for Services	\$5.76	\$4.82	\$28.27	\$27.18	\$34.03	\$32.00	-6.0%
Operating grants and contributions	\$2.59	\$2.04	\$0.00	\$0.00	\$2.59	\$2.04	-21.3%
Capital grants and contributions	\$0.92	\$3.41	\$0.54	\$0.02	\$1.45	\$3.43	136.0%
General revenues:							
Property taxes	\$12.80	\$13.35	\$0.00	\$0.00	\$12.80	\$13.35	4.3%
Sales taxes	\$8.25	\$6.28	\$0.00	\$0.00	\$8.25	\$6.28	-23.9%
Transient Occupancy taxes	\$10.15	\$10.34	\$0.00	\$0.00	\$10.15	\$10.34	1.8%
Franchise Tax - unrestricted	\$0.97	\$0.99	\$0.61	\$0.73	\$1.58	\$1.73	9.4%
Business License tax	\$0.81	\$0.87	\$0.00	\$0.00	\$0.81	\$0.87	0.0%
Interest and Investment Income	\$0.90	\$0.62	\$0.00	\$0.00	\$0.90	\$0.62	-31.0%
Intergovernmental taxes	<u>\$0.31</u>	<u>\$0.40</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.31</u>	<u>\$0.40</u>	<u>28.7%</u>
Total revenues:	<u>\$43.47</u>	<u>\$43.13</u>	<u>\$29.42</u>	<u>\$27.93</u>	<u>\$72.89</u>	<u>\$71.06</u>	<u>-2.6%</u>
Expenses:							
General Government	\$5.49	\$5.35	\$0.00	\$0.00	\$5.49	\$5.35	-2.5%
Public Safety	\$21.15	\$21.05	\$0.00	\$0.00	\$21.15	\$21.05	-0.5%
Public Works	\$8.07	\$8.45	\$0.00	\$0.00	\$8.07	\$8.45	4.7%
City Planning	\$3.26	\$2.32	\$0.00	\$0.00	\$3.26	\$2.32	-29.0%
Parks, Recreation and Library	\$10.87	\$9.19	\$0.00	\$0.00	\$10.87	\$9.19	-15.4%
Shuttle Operations	\$0.32	\$0.13	\$0.00	\$0.00	\$0.32	\$0.13	-59.1%
Interest on Long-term Debt	\$2.09	\$1.88	\$0.00	\$0.00	\$2.09	\$1.88	-10.4%
Water	\$0.00	\$0.00	\$9.32	\$9.37	\$9.32	\$9.37	0.6%
Sewer Service	\$0.00	\$0.00	\$10.44	\$10.17	\$10.44	\$10.17	-2.6%
Waste Management	\$0.00	\$0.00	\$1.22	\$0.69	\$1.22	\$0.69	-43.6%
Parking	\$0.00	\$0.00	\$1.35	\$1.30	\$1.35	\$1.30	-4.1%
Building	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1.18</u>	<u>\$1.07</u>	<u>\$1.18</u>	<u>\$1.07</u>	<u>-9.3%</u>
Total expenses:	<u>\$51.26</u>	<u>\$48.37</u>	<u>\$23.51</u>	<u>\$22.60</u>	<u>\$74.77</u>	<u>\$70.97</u>	<u>-5.1%</u>
Increase/(decrease) in net assets							
before transfers	-\$7.79	-\$5.25	\$5.90	\$5.33	-\$1.89	\$0.09	-104.7%
Capital Assets Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	n/a
Transfers	<u>\$0.98</u>	<u>\$5.45</u>	<u>-\$0.98</u>	<u>-\$5.45</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>n/a</u>
Change In Net Assets	<u>-\$6.81</u>	<u>\$0.20</u>	<u>\$4.92</u>	<u>-\$0.11</u>	<u>-\$1.89</u>	<u>\$0.09</u>	<u>-104.7%</u>
Net assets - beginning	<u>\$112.36</u>	<u>\$105.55</u>	<u>\$45.21</u>	<u>\$50.13</u>	<u>\$157.57</u>	<u>\$155.68</u>	<u>-1.2%</u>
Net assets - ending	<u>\$105.55</u>	<u>\$105.75</u>	<u>\$50.13</u>	<u>\$50.02</u>	<u>\$155.68</u>	<u>\$155.77</u>	<u>0.1%</u>

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Governmental Activities

Governmental net assets totaled \$105.75 and remained unchanged from FY09 except for a very small increase of \$200,000. Governmental assets grew by \$1.8 million mostly due to an increase in cash from the storm drainage fee that was implemented in FY10. The voters approved the new fee in May 2009 and the first annual charge was included in the property tax bills for fiscal year 2009-1010. A total of \$2.4 million was collected as was originally projected. The funds were earmarked by the voters for improvements to the storm drainage system. The storm drain fee will sunset in 30 years.

The storm drainage fund was added as a special revenue fund in FY10. The voter approved initiative requires that the funds be accounted for separately given their intended purpose. It is not a major fund and is combined with other small funds under the heading of Non-major Governmental Funds in the government-wide and fund financial statements. A separate accounting of the storm drainage fund can be found in the Combining Statements for Non-major Governmental Funds located in the Required Supplementary Information section of the CAFR.

Governmental revenues totaled \$43.13 million in FY10, a slight decrease of \$0.3 million or 0.8% from prior year. Noteworthy revenues include a \$2.4 million increase in capital grants and contributions as a result of the storm drainage fee. Property tax revenue also produced \$0.5 million more than prior year attesting to the strength of the Burlingame tax base. Initially, the County tax assessor indicated that property values were to decrease due to record requests for property reappraisals. But in the end the city saw a small increase of 3.03 in the value of the assessed tax roll.

In addition, the city also suffered a one time loss of \$1.14 million in property tax revenue in FY10 because the State of California borrowed \$1.1 million in property tax revenue to help reduce the State deficit. The taking is considered a state loan under Proposition 1A (California Constitutional Amendment) and is to be repaid with interest in July 2013. The governmental balance sheet shows that amount as deferred revenue because those funds are currently unavailable to provide services. The repayment amount will be added to the city's general fund reserves when the loan is repaid by the State because reserves were used to cover expenses that were considered too important to reduce in FY10.

On the negative side, the city's sales and use taxes plummeted \$2 million or 24% from prior year collections. Serious problems within the national auto industry played havoc on auto sales in Burlingame. Historically, auto sales have accounted for about 45% of annual sales tax receipts. The bankruptcy of General Motors and other car manufacturers resulted in the redistribution of car dealerships nationwide and threatened the existence of several Burlingame dealerships. The city was proactive in helping save the General Motors dealerships in Burlingame by providing financial information that was presented to the federal mediators reviewing the General Motor dealership grievances. The mediators ruled in favor of keeping the Burlingame dealerships avoiding a permanent decline in sales tax revenues.

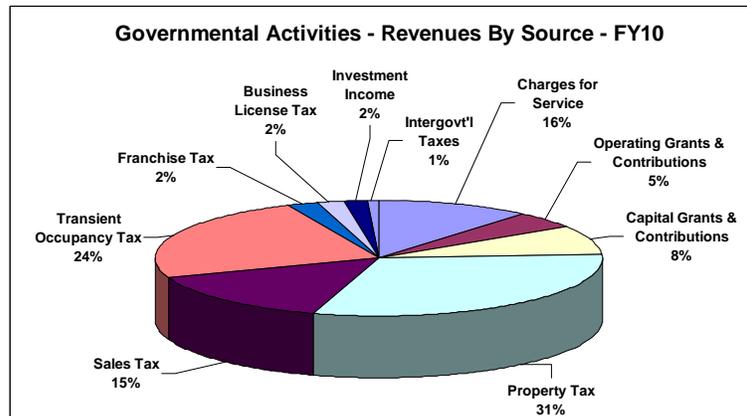
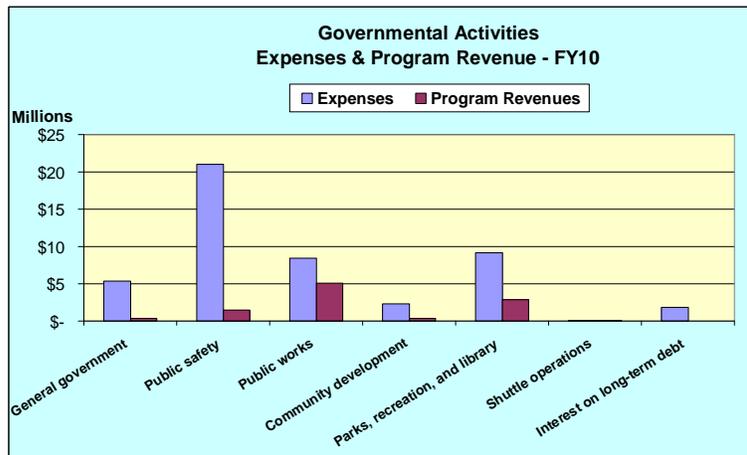
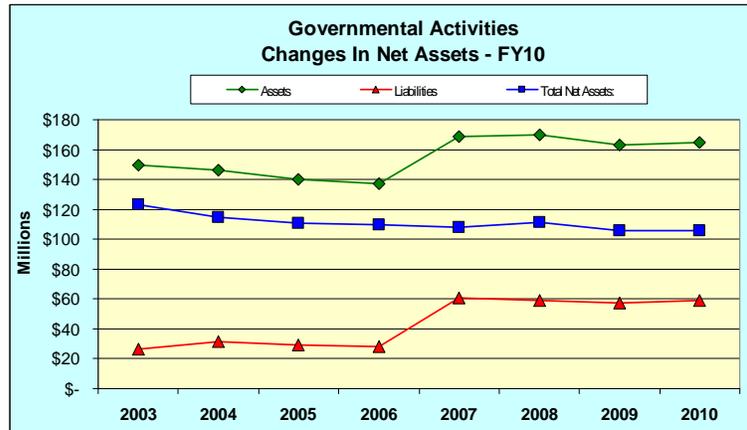
Charges for services also dropped by \$0.9 million or 16.4%.

Governmental expenses totaled \$48.4 million in FY10, a decrease of \$2.9 million from FY09 expenses of \$51.3 million. Decreases in operating budgets and the postponement of general fund financed capital improvements are the main reasons for the decrease in expenses. The majority of governmental expenses are financed from city taxes. Program revenues collected by the governmental activities totaled \$10.3 million covering 21% of expenses. The remaining 79% of governmental expenses were financed from taxes.

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010



CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

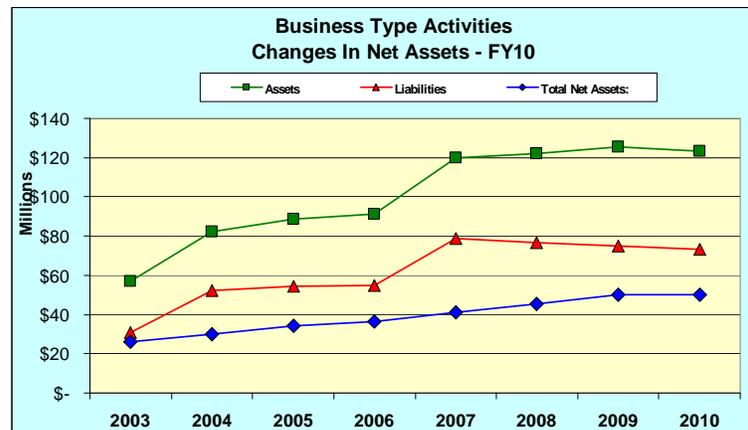
Business-Type Activities

Net assets in the business-type activities remained relatively unchanged from FY09 at \$50 million. There was a very small decrease of \$113,897 or -0.2% in net assets. In FY10, the enterprise funds produced total revenue of \$27.9 million a decrease of \$1.5 million or 5% from FY09 revenues of \$29.4 million. Charges for service represented 97% of all business-type revenue and totaled \$27.2 million at the end of the fiscal year. The remaining 3% in business-type revenue comes from the city's solid waste franchise fee, which is used to cover certain solid waste expenses. A drop in building fund revenues of \$0.9 million accounted for most of the decrease in business-type revenue. The city established the building enterprise fund in FY09 with the intent of making that operation self-sustaining. The revenue recorded in FY09 included one-time building fund deposits had been forfeited by city clients and that accumulated over a number of years.

Business-type expenses totaled \$22.6 million in FY10 and included operating expenses of \$20.7 million and debt service interest of \$1.9 million. Expenses decreased by \$0.9 million from FY09 expenses of \$23.5 million, a decrease of -3.9% from prior year. Decreases in the solid waste expenses of \$0.5 million followed together with a decrease of \$0.3 million in sewer expenses accounted for most of the reduction in expenses.

The city is in the process of reviewing its liabilities from the old landfill. The State of California is also working with the city to develop financial assurances for continued maintenance and repairs at the old landfill, especially if a major repair is needed. Future CAFRs will include a statement of the city's financial assurance for its landfill.

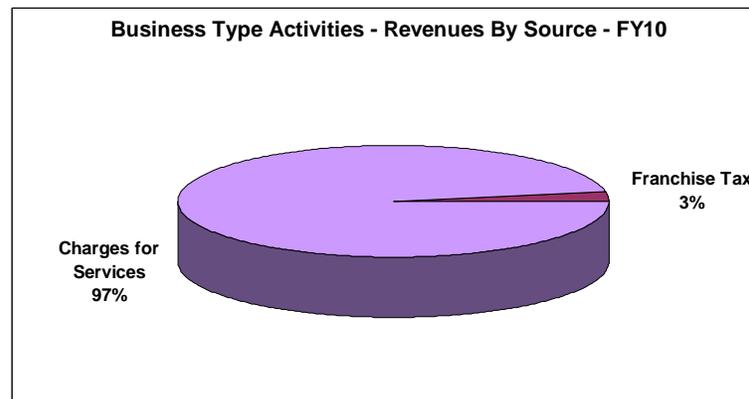
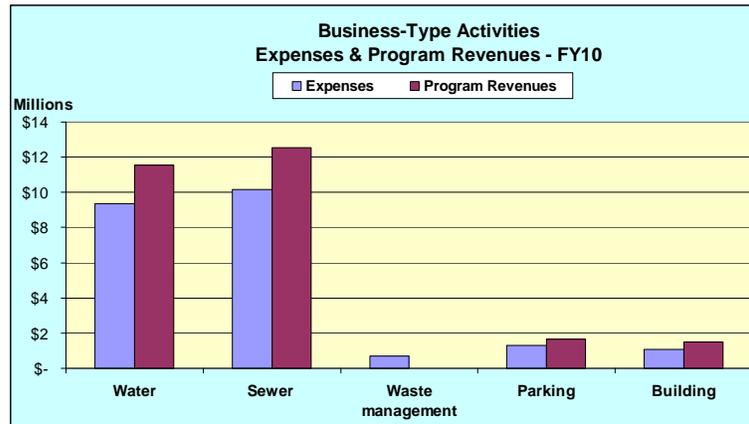
Business-type revenues exceeded expenses by \$5.3 million. Unlike the governmental activities, program revenues cover total expenses in the business-type activities. The city is able to adjust water, sewer, solid waste and parking rates to cover all expenses whether the liabilities are current or future.



CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010



Financial Analysis of the City's Funds

Governmental Funds

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

General Fund

The General fund is the city's main operating fund. Revenues and expenditures are monitored year-round to maintain a balanced budget. General fund revenues were \$36.7 million in FY10 a decrease of \$3.5 million or -8.6% from the \$40.2 million collected in FY09. Expenditures totaled \$35.8 a \$2.2 million reduction in costs from the \$38 million expended in FY09. Revenues were sufficient to cover all operating expenditures. Revenues minus operating costs were \$0.9 million. General fund transfers to and from other city funds resulted in a revenue deficiency of -\$1.4 million requiring the use of \$0.5 million in general fund ending balance. The general fund transferred \$3.4 million to the debt service fund to pay for governmental debt and \$0.48 million to the capital projects fund to pay for project expenditures. Detailed notes on inter-fund transfers can be found in Section 11 of the Notes to Basic Financial Statements.

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

As stated earlier, the state borrowed \$1.1 million in city property tax revenue to balance the FY10 state budget. This mandatory city loan to the state helped create the revenue deficiency of -\$1.4 million that required the use of city reserves. Therefore, the revenue received as repayment from the state in July of 2013 has been earmarked to replenish the general fund reserves.

General fund balance as of June 30, 2010 was \$6.8 million a decrease of \$0.5 million from the \$7.3 million fund balance in FY09. Of this amount, \$0.6 million is reserved and \$6.2 is unreserved. The majority of the reserved amount (\$439,936) represents a general fund loan to the sewer fund for the construction of a methane gas electrical co-generation plant. The sewer fund makes annual debt payments back to the general fund. This loan amount is not available for spending until repaid by the sewer fund. Therefore it is shown as part of reserved fund balance. However, the city considers the sum part of the general fund's designated reserves. The entire unreserved portion of fund balance is designated by Council for specific operating contingency reserves. The reserves are as follows:

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

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

The CalPERS Reserve is available to buffer the city against dramatic increases in CalPERS retirement contribution rates for employers due to CalPERS investment portfolio losses or statutory changes.

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

The council reserves the right to change the amounts of each contingency reserve and to appropriate any and all designated reserve funds it deems necessary to continue the operations of the city. Historically the council has been reluctant to expend any reserve amounts as indicated by the chart. Decisions to use reserve funds has been limited to preserving important city services during periods of revenue losses.

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

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Economic Stability Reserve	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Catastrophic Reserve	200,000	2,000,000	2,000,000	2,000,000	2,000,000
CalPERS Reserve	2,800,000	2,800,000	2,800,000	2,800,000	2,300,000
Contingency Reserve	500,000	500,000	500,000	400,000	400,000
Total Designated Reserves:	<u>\$ 5,500,000</u>	<u>\$ 7,300,000</u>	<u>\$ 7,300,000</u>	<u>\$ 7,200,000</u>	<u>\$ 6,700,000</u>

CITY OF BURLINGAME, CALIFORNIA

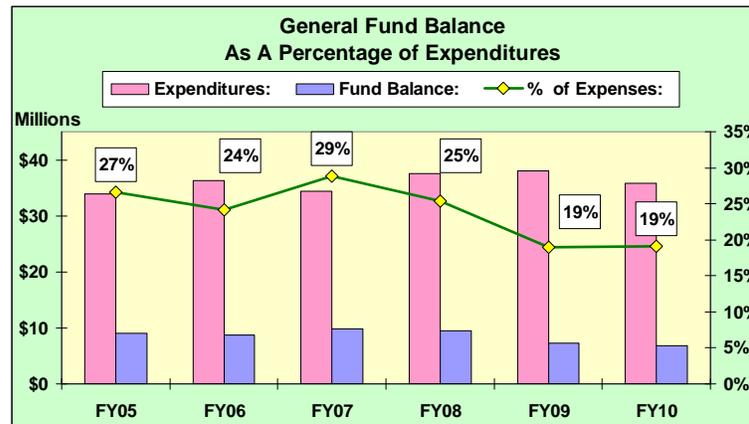
Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

As a measure of the general fund's liquidity, it is useful to compare its fund balance to annual operating expenditures. As of June 30, 2010, the fund balance of \$6.8 million represents 19% of general fund operating expenditures of \$35.8 million.

General Fund Balance As A Percentage of Operating Expenditures

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



Capital Projects Fund

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

The capital projects fund had revenue of \$0.9 million, most of it from grants. Projects were funded mainly by the \$10.1 million in transfers from other funds. In FY10, the general fund contributed \$0.5 million; storm drainage paid \$0.5 million; Measure A and gas tax provided \$1.4 million; the water fund \$4.6 million and the sewer fund \$3.1 million for the construction of projects.

Capital project expenditures totaled \$9 million in FY10, a decrease of \$5.8 million from expenditures of \$14.8 million in FY09. The Capital Projects fund balance at the end of the fiscal year was \$3.5 a \$1 million increase from prior year. The entire fund balance is reserved for the construction of capital projects.

The neighborhood storm drainage improvements commenced in FY10 as promised to the voters. The storm drainage fee generated \$2.4 million in revenue in FY10 as predicted. The funds are dedicated to debt service on the use of storm drainage revenue bonds and to pay for improvements in cash. The city was in the final stages of the sale of the first series of Storm Drainage Revenue Bonds at the end of the fiscal year. A total of \$9.8 million was issued in July 2010.

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Debt Service Fund

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

General government debt payments totaled \$4.1 million in FY10. Transfers from the general fund finance the majority of the debt expenditures. The general fund contributed \$3.4 million. Water and sewer funds contributed \$373,655 each as their share of the annual debt service on the 2006 Pension Obligation bonds. Debt service expenditures represent principal payments, interest charges and fiscal agent fees on all existing governmental debt.

As of June 30, 2010, the balance of governmental debt was \$36.9 million, a decrease of \$2.2 million from the prior year balance of \$39.2 million. There are no plans to add to governmental debt with the exception of storm drainage revenue bonds which have their own voter-approved pledge of revenue - the storm drainage fee. Issuance of storm drainage revenue bonds will not affect general fund revenues.

Governmental debt as of June 30, 2010 consists of:

- 2001 Lease Revenue Bonds - Corporation Yard Reconstruction (Burlingame Finance Authority)
- 2004 Lease Revenue Refunding Bonds - Main Library Reconstruction (Burlingame Finance Authority)
- 2006 Pension Obligation Bonds - Taxable (City of Burlingame)

There are plans to review the 2001 Lease Revenue Bonds for a potential refunding of debt given the historic low municipal bond rates. A refunding will occur only if significant savings can be achieved.

A more detailed description of the city's outstanding debt and the long-term obligations associated with each issue can be found in the Notes to Basic Financial Statements, 6. Long-Term Debt.

Proprietary Funds

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

Water Fund

The water fund continues to maintain a strong financial position. Ending net assets decreased for the first time in six years mostly due to a drop in water revenues. Net assets decreased by \$0.6 million or -3.7%. Unrestricted net assets totaled \$13.3 million an increase of \$1.4 million from prior year unrestricted net assets of \$11.9 million. The Water fund's unrestricted net assets include an operating reserve of 25% of annual operating expenses (\$2.5 million); a capital facilities reserve (\$3 million) and water rate stabilization reserve (\$1 million).

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Water Fund Ending Net Assets

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

Water revenues were down in FY10 by \$0.6 million or -5% reflecting a reduction in water consumption most likely due to price sensitivity to historic annual rate increases. A 7.3% rate increase went into effect on March 3, 2010 for all customer classes. The prior rate increase was enacted July 1, 2008.

Water Fund Revenues

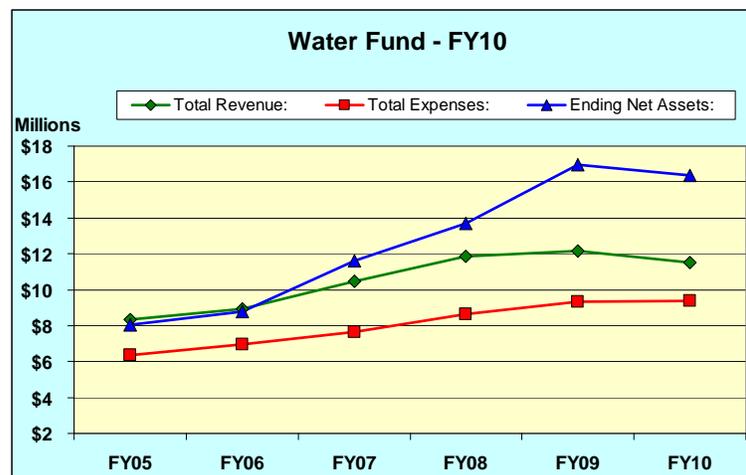
	FY05	FY06	FY07	FY08	FY09	FY10
Total Revenue:	\$ 8,338,791	\$ 8,923,065	\$ 10,484,229	\$ 11,844,935	\$ 12,144,608	\$ 11,535,286
Dollar Change:	\$ 1,079,799	\$ 584,274	\$ 1,561,164	\$ 1,360,706	\$ 299,673	\$ (609,322)
Percentage Change:	14.88%	7.01%	17.50%	12.98%	2.53%	-5.02%

Water fund expenses include both operating expenses and interest expense on debt. Water expenses increased a mere 0.6% from prior year.

Water Fund Expenditures

	FY05	FY06	FY07	FY08	FY09	FY10
Total Expenses:	\$ 6,363,058	\$ 6,934,283	\$ 7,628,747	\$ 8,662,288	\$ 9,315,130	\$ 9,370,055
Dollar Change:	\$ 407,906	\$ 571,225	\$ 694,464	\$ 1,033,541	\$ 652,842	\$ 54,925
Percentage Change:	6.85%	8.98%	10.01%	13.55%	7.54%	0.59%

The Water fund will finance future capital improvements in cash. The current plan is to construct approximately \$3 million in water improvements annually. At the end of the fiscal year, the Water fund still had funds on hand for capital improvements from the 2007 revenue bond sale.



CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Sewer Fund

The Sewer Fund's financial position is stable. Net assets continue to grow consistently. Net assets totaled \$25.6 million, a small incremental growth of 1%. The largest portion on net assets, \$20.7 million or 81% is invested in capital assets, net of related debt. The remaining \$4.8 million (19% of net assets) is unrestricted. Unrestricted assets decreased by \$0.6 million or 10.5% from prior year. The Sewer fund also has an operating reserve of 25% of annual operating expenses (\$2.8 million) and continues to build up a capital facilities reserve (\$2 million) to finance future capital improvements.

Sewer Fund Ending Net Assets

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Ending Net Assets:	\$ 20,668,589	\$ 21,583,862	\$ 22,971,774	\$ 24,234,647	\$ 25,313,300	\$ 25,570,147
Dollar Change:	\$ 3,229,598	\$ 915,273	\$ 1,387,912	\$ 1,262,873	\$ 1,078,653	\$ 256,847
Percentage Change:	18.52%	4.43%	6.43%	5.50%	4.45%	1.01%

Sewer fund revenue declined in FY10 by a very small amount, less than 1%. A 14% rate increase went into effect on March 3, 2010 for all customer classes. The prior rate increase was enacted July 1, 2008.

Sewer Fund Revenues

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

Sewer fund expenses decreased by \$0.3 million in FY10 and totaled \$10.1 million. Operating expenses were slightly down by \$93,290 or 1%. No major expenditure issues to report.

Sewer Fund Expenses

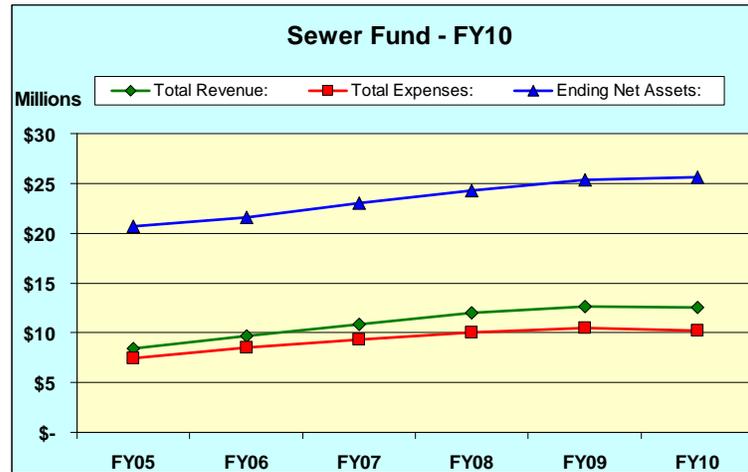
	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Total Expenses:	\$ 7,388,761	\$ 8,486,404	\$ 9,323,220	\$ 10,011,428	\$ 10,441,785	\$ 10,170,433
Dollar Change:	\$ (1,274,797)	\$ 1,097,643	\$ 836,816	\$ 688,208	\$ 430,357	\$ (271,352)
Percentage Change:	-14.71%	14.86%	9.86%	7.38%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

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

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010



Parking Fund

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

Parking fund net assets remain unchanged from prior years. Net assets total \$7.7 million. The vast majority \$7 million (91%) is invested in capital assets.

Parking Fund Ending Net Assets

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

Parking revenue increased less than 0.4%, indicating that the city parking lots continue to be used regardless of the decline in business activities in the city's business districts. Parking rates and the resulting revenue have remained the same amount for six years. The city will consider an increase in parking rates in FY11 or FY12.

Parking Fund Revenues

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

Parking fund expenses decreased by 4% and totaled \$1.3 million in FY10. The parking fund also made the seventh of 10 payments to the general fund for past capital improvements to the Broadway Avenue Business District. This is the third consecutive year where there will be no transfer to the capital projects fund given the lack of available funding.

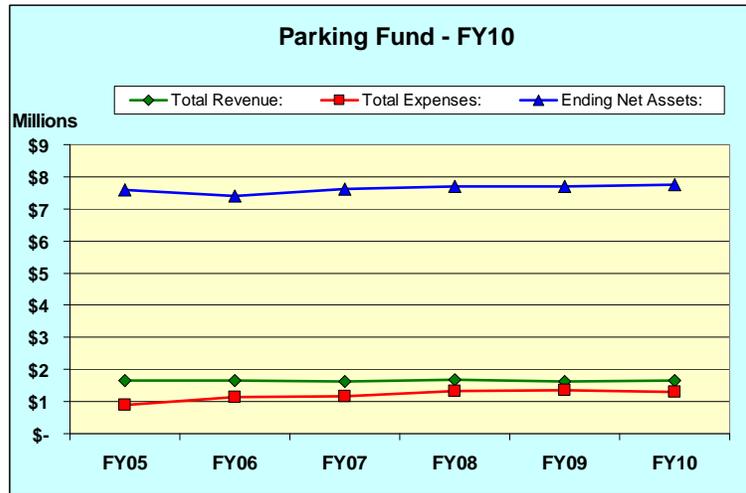
CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Parking Fund Expenditures

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



Fiduciary Funds

There are no significant activities to report.

General Fund Budgetary Highlights

The final General fund budget differs slightly from the original budget that was adopted. Detailed information on variances can be found in the Budgetary Comparison Schedule - General Fund.

The FY10 adopted general fund budget anticipated a second year of declining revenues. Budgeted revenues for the fiscal year were \$40.6 million. Final collections totaled \$36.7 million, a decrease of \$3.9 million or -9.6% from budget. When compared to actual collections in FY09, revenues were down \$3.4 million or -8.6%.

General Fund Revenue

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

Declines in general fund revenue were due to the following:

- Sales and Use taxes fell \$1.9 million or -24%.
- Investment income was down by \$277,713 or -31%.
- Charges for services were down \$942,427 or -16%.

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Some increases in general fund revenues did occur. They included:

- Property taxes increased by \$556,241 or 4.4%.
- Transient occupancy taxes increased by \$186,574 or 2% (due to the 2% increase in the tax rate)
- Business license taxes increased by \$56,321 or 7% (due to compliance audit)

General fund revenues are expected to stabilize over the next fiscal year and possibly realize some gains. As mentioned before the voters approved an increase in the transient occupancy tax rate from 10% to 12%. Therefore, there should be some significant gains in TOT taxes in the short-term.

The FY10 adopted general fund budget projected expenditures of \$37.8 million. Final expenditures totaled \$35.8 million for a budgetary savings of \$2 million or 5.3%. City management staff identified \$2.3 million in operating reductions and reapportionments that were implemented to achieve savings. They included:

- ✓ Operating department budget savings: \$500,000
- ✓ Repayment of general fund loan by risk management fund: \$500,000
- ✓ Reapportionment of corporation yard lease payments: \$190,000
- ✓ Transfer of landfill closure costs to solid waste rates: \$100,000
- ✓ Deferral of general fund capital improvement projects: \$1,000,000

General Fund Operating Expenditures

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

Capital Assets and Debt Administration

Capital Assets

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

The City has 84 miles of paved streets with a targeted Pavement Condition Index (PCI) of 65 out of 100 points, with 100 being a new street. The 2008 Pavement Management Program Update gives the city an average PCI of 72 with a grade of "Good." The PCI score suggests that some city streets are due for preventive maintenance. Total deferred maintenance as of June 30, 2010 is \$5.2 million, an increase of \$1.1 million from the \$4.1 million reported in FY09. Additional information is found in the CAFR's Required Supplementary Information, Section 2, Modified Approach for the City's Infrastructure.

As reported in the *Statement of Net Assets*, capital assets for the governmental and business-type activities totaled \$187.27 million on June 30, 2010 (net of depreciation). Capital assets decreased by less than 1% from FY09. The investments in capital assets are: land; construction in progress; buildings; improvements; machinery and equipment; park facilities; roads; streets; and bridges.

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Capital Assets, Net of Accumulated Depreciation

June 30, 2010

(Amounts In Millions)

	Governmental Activities			Business-Type Activities			Total		
	2009	2010	% Change	2009	2010	% Change	2009	2010	% Change
Land and other assets not being depreciated	\$43.53	\$43.34	-0.5%	\$6.36	\$10.03	57.8%	\$49.89	\$53.37	7.0%
Facilities, infrastructure and equipment	\$57.44	\$55.17	-4.0%	\$81.16	\$78.72	-3.0%	\$138.60	\$133.89	-3.4%
Total:	\$100.98	\$98.51	-2.4%	\$87.51	\$88.76	1.4%	\$188.49	\$187.27	-0.6%

All depreciable capital assets were depreciated from their acquisition date to the end of the current fiscal year for the government-wide statement presentation. Governmental fund financial statements record capital asset purchases as expenditures in the year. Ongoing projects are accounted for as "construction in progress." Additional information about capital assets is found in Note 3 to the financial statements.

Long-Term Obligations

As of June 30, 2010, the city had total long-term obligations of \$117 million, a decrease of -4% from prior year. Lease revenue bonds represent the largest portion (83%) of long term obligations. Therefore obligations continue to decrease as long-term debt is paid off in both the governmental and business-type activities. Landfill closure liabilities continue to increase. The increase in FY10 was \$210,000 or 8.8%. This follows an increase of \$600,000 or 32.8% in FY09. The costs of monitoring and maintaining the former landfill are recovered through a portion of the solid waste rates charged to city customers.

Outstanding Long-Term Obligations

June 30, 2010

(Amounts In Millions)

	Governmental Activities			Business-Type Activities			Total		
	2009	2010	% Change	2009	2010	% Change	2009	2010	% Change
Lease Revenue Bonds	\$36.87	\$34.43	-6.0%	\$65.86	\$62.72	-4.8%	\$102.73	\$97.15	-5.4%
Bonds Due Within One Year	\$2.34	\$2.55	8.5%	\$3.48	\$3.61	3.7%	\$5.82	\$6.16	5.9%
Claims and Litigation	\$6.34	\$6.64	1.5%	\$0.00	\$0.00	n/a	\$6.34	\$6.64	4.7%
Landfill Closure	\$0.00	\$0.00	n/a	\$2.36	\$2.57	8.8%	\$2.36	\$2.57	8.8%
Compensated Absences	\$4.31	\$4.04	-3.6%	\$0.45	\$0.47	6.5%	\$4.76	\$4.51	-5.1%
Total:	\$49.86	\$47.66	-4.3%	\$72.15	\$69.37	-3.6%	\$122.01	\$117.03	-3.9%

Debt Administration

The city has a AA underlying general obligation rating and a AA+ rating for its water and wastewater debt as issued by Standard and Poor's Rating Agency. Both ratings have been reaffirmed. The Burlingame Finance Authority has six outstanding bond issues. The city has a 20-year loan with the State of California Water Resources Control Board for improvements to the wastewater treatment plant and a taxable bond issue for pension obligations. Total long-term debt as of June 30, 2010 was \$103.3 million, a decrease of \$5.2 million from FY 09.

CITY OF BURLINGAME, CALIFORNIA

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

A long-term financial plan for the storm drainage fund was prepared in anticipation of the city's first issuance of storm drainage revenue bonds. The bonds were issued in July 2010. The city also anticipated refunding the 2001 Corporation Yard Lease Revenue Bonds. The refunding occurred in September 2010.

Burlingame Financing Authority Debt

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Governmental Debt:	13,613,386	12,792,946	43927097	41,362,068	39,206,629	36,977,024
Business-Type Debt:	<u>51,010,014</u>	<u>51,352,675</u>	<u>75461019</u>	<u>72,693,189</u>	<u>69,338,107</u>	<u>66,325,722</u>
Total:	\$ 64,623,400	\$ 64,145,621	\$ 119,388,116	\$ 114,055,257	\$ 108,544,736	\$ 103,302,746

The city has no general obligation debt. As of June 30, 2009, the city's G.O. debt limit is \$261 million, 15% of total assessed valuation subject to taxation. Additional information pertaining to the city's outstanding long-term debt can be found in Note 6 of the Notes to the Financial Statements and in the Statistical Section under "Legal Debt Margin Information."

Economic Factors and Next Year's Budget and Rates

The following factors were taken into consideration in preparing the FY 10-11 budget.

Revenue Projections: Revenue is expected to grow by 5% given the increase in the transient occupancy tax rate and the reformulation of the State's "triple-flip" sale tax compensation payment.

Expenditures: General fund operating expenditures were reduced by 6% or \$2.4 million. 14 positions were eliminated from the new budget, the majority of them vacant.

Employee Costs: Most employee labor groups suspended a salary adjustment in FY09-10.

General Fund Capital Improvements: Council earmarked \$1.8 million for capital improvements.

Water & Sewer Rate Adjustments: Water and sewer rate adjustments to be implemented January 2011.

Solid Waste Rate Adjustments: To be implemented in February 2011.

Requests for Information

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

**Burlingame Finance Department
501 Primrose Road
Burlingame, CA 94010-3997605-558-7222**



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010

CITY OF BURLINGAME, CALIFORNIA
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 28,627,118	\$ 23,211,498	\$ 51,838,616
Receivables (net of uncollectible amounts of \$50,259 for business-type activities):			
Accounts	5,024,593	-	5,024,593
Due from consumers	-	3,692,336	3,692,336
Due from other governments	-	664,679	664,679
Interest receivable	-	-	-
Inventory	58,028	-	58,028
Prepaid items and deposits	4,752	-	4,752
Cash and investments, restricted	584,965	8,327,916	8,912,881
Internal balance	2,238,178	(2,238,178)	-
Net Pension Asset	29,118,040	-	29,118,040
Unamortized bond issuance cost	509,329	981,765	1,491,094
Capital assets:			
Land and other assets not being depreciated	43,337,585	10,032,564	53,370,149
Facilities, infrastructure, and equipment, net of depreciation	55,170,240	78,724,625	133,894,865
Total assets	164,672,828	123,397,205	288,070,033
LIABILITIES			
Accounts payable	2,542,454	1,254,338	3,796,792
Retentions payable	666,085	-	666,085
Accrued payroll	1,289,545	-	1,289,545
Accrued interest	206,857	902,375	1,109,232
Deposits	523,762	713,386	1,237,148
Unearned revenue	87,515	15,009	102,524
Deferred Revenue	-	-	-
Claims and judgments:			
Due in one year	1,547,835	-	1,547,835
Due in more than one year	5,092,165	-	5,092,165
Compensated absences:			
Due in one year	1,888,158	287,309	2,175,467
Due in more than one year	2,152,593	186,739	2,339,332
Landfill closure and post closure costs:			
Due in one year	-	170,875	170,875
Due in more than one year	-	2,400,113	2,400,113
Net OPEB obligation due in more than one year	5,949,545	1,122,044	7,071,589
Long-term debt			
Due in one year	2,550,439	3,607,111	6,157,550
Due in more than one year	34,426,585	62,718,611	97,145,196
Total liabilities	58,923,538	73,377,910	132,301,448
NET ASSETS			
Invested in capital assets, net of related debt	89,053,983	30,759,383	119,813,366
Restricted for:			
Debt service	986,602	-	986,602
Street repair and maintenance	2,458,199	-	2,458,199
Public safety	70,073	-	70,073
Total restricted net assets	3,514,874	-	3,514,874
Unrestricted	13,180,433	19,259,912	32,440,345
Total net assets	\$ 105,749,290	\$ 50,019,295	\$ 155,768,585

See accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
Statement of Activities
For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 5,354,010	\$ 350,216	\$ 57,571	\$ -	\$ 407,787
Public safety	21,049,835	1,178,477	311,608	-	1,490,085
Public works	8,453,548	314,317	1,439,035	3,325,318	5,078,670
Community development	2,318,065	335,846	-	-	335,846
Parks, recreation, and library	9,191,097	2,643,340	130,731	82,017	2,856,088
Shuttle operations	129,830	-	100,640	-	100,640
Interest on long-term debt	1,875,628	-	-	-	-
Total governmental activities	48,372,013	4,822,196	2,039,585	3,407,335	10,269,116
Business-type activities:					
Water	9,370,055	11,515,884	-	19,402	11,535,286
Sewer	10,170,433	12,534,507	-	3,997	12,538,504
Waste management	687,102	293,843	-	-	293,843
Parking	1,298,059	1,645,227	-	-	1,645,227
Building	1,074,527	1,478,715	-	-	1,478,715
Total business-type activities	22,600,176	27,468,176	-	23,399	27,491,575
Total governmental	\$ 70,972,189	\$ 32,290,372	\$ 2,039,585	\$ 3,430,734	\$ 37,760,691

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Transient occupancy tax
- Franchise tax, unrestricted
- Business license tax
- Intergovernmental taxes, unrestricted
- Total taxes

Unrestricted investment income

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at ending of year

See accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,946,223)	\$ -	\$ (4,946,223)
(19,559,750)	-	(19,559,750)
(3,374,878)	-	(3,374,878)
(1,982,219)	-	(1,982,219)
(6,335,009)	-	(6,335,009)
(29,190)	-	(29,190)
(1,875,628)	-	(1,875,628)
(38,102,897)	-	(38,102,897)
-	2,165,231	2,165,231
-	2,368,071	2,368,071
-	(393,259)	(393,259)
-	347,168	347,168
-	404,188	404,188
-	4,891,399	4,891,399
(38,102,897)	4,891,399	(33,211,498)
13,354,639	-	13,354,639
6,276,152	-	6,276,152
10,341,567	-	10,341,567
993,864	442,037	1,435,901
869,281	-	869,281
403,319	-	403,319
32,238,822	442,037	32,680,859
618,888	-	618,888
5,447,333	(5,447,333)	-
38,305,043	(5,005,296)	33,299,747
202,146	(113,897)	88,249
105,547,144	50,133,192	155,680,336
\$ 105,749,290	\$ 50,019,295	\$ 155,768,585



COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2010

Governmental Fund Financial Statements

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

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

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

CITY OF BURLINGAME, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 7,324,257	\$ 401,637	\$ 4,410,609	\$ 5,158,115	\$ 17,294,618
Receivables (net of allowance for collectibles)	3,984,584	-	620,000	232,021	4,836,605
Advance to other funds	439,936	-	-	-	439,936
Prepaid expenditures	4,752	-	-	-	4,752
Cash and investments, restricted	-	584,965	-	-	584,965
Total assets	\$ 11,753,529	\$ 986,602	\$ 5,030,609	\$ 5,390,136	\$ 23,160,876
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,373,707	\$ -	\$ 837,078	\$ 140,537	\$ 2,351,322
Retentions payable	-	-	666,085	-	666,085
Accrued payroll	1,289,545	-	-	-	1,289,545
Deposits	523,762	-	-	-	523,762
Advance from other funds	478,146	-	-	-	478,146
Unearned revenue	87,515	-	-	-	87,515
Deferred revenue	1,145,268	-	-	-	1,145,268
Total liabilities	4,897,943	-	1,503,163	140,537	6,541,643
Fund Balances:					
Reserved for:					
Street repair and maintenance	-	-	-	2,458,199	2,458,199
Storm Drainage repair and maintenance	-	-	-	1,977,436	1,977,436
Safety expenditures	-	-	-	70,073	70,073
Pre-paid expenditures	4,752	-	-	-	4,752
Debt service	-	986,602	-	-	986,602
Capital improvements	-	-	946,485	-	946,485
Encumbrances	135,010	-	2,580,961	5,346	2,721,317
Due to San Mateo County	-	-	-	-	-
Advances to other funds	439,936	-	-	-	439,936
Unreserved:					
Designated for reserves	6,275,888	-	-	-	6,275,888
Undesignated, reported in:					
General fund	-	-	-	-	-
Special revenue	-	-	-	738,545	738,545
Total fund balances	6,855,586	986,602	3,527,446	5,249,599	16,619,233
Total liabilities and fund balances	\$ 11,753,529	\$ 986,602	\$ 5,030,609	\$ 5,390,136	\$ 23,160,876

See Accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Fund balance - total governmental funds \$ 16,619,233

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

CAPITAL ASSETS

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 96,502,315

DEFERRED REVENUE

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

LONG TERM ASSETS AND LIABILITIES

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

Compensated absences (3,923,996)

Long-term debt (36,977,024)

Net OPEB obligation (5,949,545)

Costs of debt issuance is not recognized in the funds, but rather is recognized as other financing uses when used. 509,329

The proceeds of the pension obligation bonds were used to pre-pay the city's unfunded PERS actuarial liability. This prepayment is not reported in the funds but recorded in the statement of net assets as a net pension asset. 29,118,040

Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. (206,857)

ALLOCATION OF INTERNAL SERVICES FUND NET ASSETS

Internal service funds are used by management to charge the costs of fleet management, building maintenance, information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statements of net assets. 8,912,527

Net assets of governmental activities \$ 105,749,290

CITY OF BURLINGAME, CALIFORNIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 12,209,371	\$ -	\$ -	\$ -	\$ 12,209,371
Sales and use taxes	6,276,152	-	-	-	6,276,152
Transient occupancy taxes	10,341,567	-	-	-	10,341,567
Other taxes	2,158,881	-	-	-	2,158,881
Licenses and permits	92,371	-	-	-	92,371
Fines, forfeitures, and penalties	404,137	-	-	63,020	467,157
Investment income	618,888	-	-	75,689	694,577
Motor vehicle in lieu tax	107,583	-	-	-	107,583
Intergovernmental	173,553	-	-	1,332,516	1,506,069
Charges for services	3,954,470	-	-	-	3,954,470
Grant revenue	111,200	-	853,849	181,029	1,146,078
Other revenue	277,562	-	70,573	2,642,108	2,990,243
Total revenues	36,725,735	-	924,422	4,294,362	41,944,519
EXPENDITURES:					
Current:					
General government	4,735,737	-	72,722	33,487	4,841,946
Public safety	18,695,870	-	-	134,254	18,830,124
Public works	3,142,797	-	3,961,234	127,371	7,231,402
Community development	779,145	-	1,188	-	780,333
Parks, recreation, and library	8,435,673	-	41,359	22,911	8,499,943
Shuttle operations	-	-	-	129,830	129,830
Capital outlay	27,955	-	4,954,222	46,865	5,029,042
Debt service:					
Principal retirement	-	2,211,667	-	-	2,211,667
Interest and fiscal charges	-	1,921,423	-	-	1,921,423
Total expenditures	35,817,177	4,133,090	9,030,725	494,718	49,475,710
REVENUES OVER (UNDER) EXPENDITURES	908,558	(4,133,090)	(8,106,303)	3,799,644	(7,531,191)
OTHER FINANCING SOURCES (USES):					
Transfers in	2,491,031	4,133,090	10,143,718	29,403	16,797,242
Transfer out	(3,889,574)	-	(982,011)	(1,989,092)	(6,860,677)
Total other financing (uses) sources	(1,398,543)	4,133,090	9,161,707	(1,959,689)	9,936,565
Net change in fund balances	(489,985)	-	1,055,404	1,839,955	2,405,374
FUND BALANCES:					
Beginning of year	7,345,571	986,602	2,472,042	3,409,644	14,213,859
End of year	\$ 6,855,586	\$ 986,602	\$ 3,527,446	\$ 5,249,599	\$ 16,619,233

See accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2010

Net change in fund balances – total governmental funds \$ 2,405,374

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are added back to fund balance 1,039,810

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is deducted from the fund balance. (3,265,878)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Accrued interest calculated on bonds payable 47,259
 Amortization of bond premium 17,939
 Amortization of net pension asset (581,820)
 Amortization of debt issuance costs (19,403)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets:
 Principal payments 2,211,667

ACCRUAL OF NON-CURRENT ITEMS

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

This change reflects a decrease in compensated absences that occurred during the year. 269,240
 The net OPEB obligation expense (3,134,281)

Some revenues in the statement of activities do not provide current financial resources are not reported as revenues in governmental funds

Deferred revenue - State Prop 1A loan 1,145,268

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in net assets - All Internal Service Funds 66,971

Change in net assets of governmental activities \$ 202,146

See accompanying Notes to the Basic Financial Statements



COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2010

Proprietary Fund Financial Statements

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

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

The *Waste Management Fund* was established to account for postclosure costs of the Airport Boulevard landfill, as required by Governmental Accounting Standards Board Statement No. 18. These costs are financed by a transfer of 32% of refuse franchise tax revenue to this fund.

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

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

CITY OF BURLINGAME, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
ASSETS			
Current assets:			
Cash and investments	\$ 12,836,978	\$ 5,634,199	\$ 1,456,423
Receivables (net of uncollectible amounts of \$50,259):			
Due from consumers	1,588,206	1,917,664	186,466
Due from other governments	-	655,519	-
Interest receivable	-	-	-
Inventory	-	-	-
Total current assets	<u>14,425,184</u>	<u>8,207,382</u>	<u>1,642,889</u>
Noncurrent assets:			
Cash and investments, restricted	5,494,452	2,833,464	-
Advances to other funds	-	-	-
Capital assets:			
Land and other assets not being depreciated	2,918,464	1,362,252	-
Facilities, infrastructure, and equipment, net of depreciation	25,796,433	51,633,009	6,829
Unamortized bond issuance cost	599,198	382,567	-
Total noncurrent assets	<u>34,808,547</u>	<u>56,211,292</u>	<u>6,829</u>
Total assets	<u>49,233,731</u>	<u>64,418,674</u>	<u>1,649,718</u>
LIABILITIES			
Current liabilities:			
Accounts payable	711,742	406,041	8,192
Accrued interest	372,952	529,423	-
Deposits	12,950	-	-
Unearned revenue	15,009	-	-
Claims and litigation due in one year	-	-	-
Bonds payable due in one year	1,145,121	2,461,990	-
Compensated absences due in one year	109,069	100,415	5,681
Landfill closure and post closure liability	-	-	170,875
Total current liabilities	<u>2,366,843</u>	<u>3,497,869</u>	<u>184,748</u>
Noncurrent liabilities:			
Advances from other funds	-	2,238,178	-
Bonds payable	30,040,849	32,677,762	-
Landfill closure and post closure liability	-	-	2,400,113
OPEB obligation payable	386,754	365,266	27,846
Claims and litigation	-	-	-
Compensated absences	97,319	69,452	1,000
Total noncurrent liabilities	<u>30,524,922</u>	<u>35,350,658</u>	<u>2,428,959</u>
Total liabilities	<u>32,891,765</u>	<u>38,848,527</u>	<u>2,613,707</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	3,023,379	20,688,973	6,829
Unrestricted assets (deficit)	13,318,587	4,881,174	(970,818)
Total net assets (deficit)	<u>\$ 16,341,966</u>	<u>\$ 25,570,147</u>	<u>\$ (963,989)</u>

See accompanying Notes to the Basic Financial Statements

Enterprise Funds			Governmental Activities- Internal Service Funds
Parking Fund	Building Fund	Total	
\$ 923,212	\$ 2,360,686	\$ 23,211,498	\$ 11,332,500
-	-	3,692,336	-
9,160	-	664,679	187,988
-	-	-	-
-	-	-	58,028
932,372	2,360,686	27,568,513	11,578,516
-	-	8,327,916	-
-	-	-	2,276,388
5,751,848	-	10,032,564	-
1,288,354	-	78,724,625	2,005,510
-	-	981,765	-
7,040,202	-	98,066,870	4,281,898
7,972,574	2,360,686	125,635,383	15,860,414
5,260	123,103	1,254,338	191,132
-	-	902,375	-
-	700,436	713,386	-
-	-	15,009	-
-	-	-	1,547,835
-	-	3,607,111	-
27,196	44,948	287,309	57,774
-	-	170,875	-
32,456	868,487	6,950,403	1,796,741
-	-	2,238,178	-
-	-	62,718,611	-
-	-	2,400,113	-
181,663	160,515	1,122,044	-
-	-	-	5,092,165
13,069	5,899	186,739	58,981
194,732	166,414	68,665,685	5,151,146
227,188	1,034,901	75,616,088	6,947,887
7,040,202	-	30,759,383	2,005,510
705,184	1,325,785	19,259,912	6,907,017
\$ 7,745,386	\$ 1,325,785	\$ 50,019,295	\$ 8,912,527

CITY OF BURLINGAME, CALIFORNIA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
OPERATING REVENUES:			
Water sales	\$ 11,339,888	\$ -	\$ -
Sewer service charges:			
Burlingame users	-	10,974,063	-
Other agencies	-	1,424,057	-
Special surcharges	142,473	7,155	-
Parking fee	-	-	-
Charges for services	-	-	-
Other revenue	33,523	129,232	293,843
Franchise tax	-	-	442,037
Total operating revenues	11,515,884	12,534,507	735,880
OPERATING EXPENSES:			
Salaries and benefits	2,029,663	1,947,559	249,884
Supplies and services	448,588	232,026	9,658
Water purchase	3,168,581	-	-
Contractual services	628,399	3,473,475	86,245
Communication and utilities	293,434	48,106	270
Maintenance	138,243	315,762	231,609
Depreciation and amortization	1,623,894	2,572,280	3,086
Insurance claims and expenses	167,212	562,022	106,350
Total operating expenses	8,498,014	9,151,230	687,102
Operating income (loss)	3,017,870	3,383,277	48,778
NONOPERATING REVENUES (EXPENSES):			
Investment income	19,402	3,997	-
Interest expense	(872,041)	(1,019,203)	-
Net nonoperating revenues (expenses)	(852,639)	(1,015,206)	-
Income (loss) before transfers	2,165,231	2,368,071	48,778
Contributions of capital assets from capital project fund	2,398,676	1,590,556	-
Transfers out	(5,194,785)	(3,701,780)	-
Change in net assets	(630,878)	256,847	48,778
NET ASSETS:			
Beginning of year	16,972,844	25,313,300	(1,012,767)
End of year	\$ 16,341,966	\$ 25,570,147	\$ (963,989)

See accompanying Notes to the Basic Financial Statements

Enterprise Funds			Governmental Activities- Internal Service Funds
Parking Fund	Building Fund	Total	
\$ -	\$ -	\$ 11,339,888	\$ -
-	-	10,974,063	-
-	-	1,424,057	-
-	-	149,628	-
1,645,227	-	1,645,227	-
-	1,478,715	1,478,715	5,648,816
-	-	456,598	13,172
-	-	442,037	-
<u>1,645,227</u>	<u>1,478,715</u>	<u>27,910,213</u>	<u>5,661,988</u>
889,964	690,688	5,807,758	940,210
69,535	28,940	788,747	192,346
-	-	3,168,581	-
52,502	201,265	4,441,886	1,596,936
21,278	4,557	367,645	110,547
68,650	101,322	855,586	265,163
45,187	-	4,244,447	550,531
150,943	47,755	1,034,282	1,628,790
<u>1,298,059</u>	<u>1,074,527</u>	<u>20,708,932</u>	<u>5,284,523</u>
<u>347,168</u>	<u>404,188</u>	<u>7,201,281</u>	<u>377,465</u>
-	-	23,399	189,506
-	-	(1,891,244)	-
-	-	(1,867,845)	189,506
347,168	404,188	5,333,436	566,971
-	-	3,989,232	-
(290,000)	(250,000)	(9,436,565)	(500,000)
57,168	154,188	(113,897)	66,971
<u>7,688,218</u>	<u>1,171,597</u>	<u>50,133,192</u>	<u>8,845,556</u>
<u>\$ 7,745,386</u>	<u>\$ 1,325,785</u>	<u>\$ 50,019,295</u>	<u>\$ 8,912,527</u>

CITY OF BURLINGAME, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from consumers	\$ 11,736,300	\$ 11,232,855	\$ 549,414
Receipts from other governments	-	1,290,362	-
Receipts from other funds	-	-	-
Payments to suppliers	(4,811,994)	(4,739,050)	(235,241)
Payment to employees for services	(1,800,116)	(1,728,877)	(244,172)
	-	-	-
Net cash provided by (used in) operating activities	5,124,190	6,055,290	70,001
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(5,194,785)	(3,701,780)	-
Net cash provided by (used in) noncapital financing activities	(5,194,785)	(3,701,780)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	-	-
Loan from other financial sources	-	(317,821)	-
Principal paid on long-term debt	(1,166,667)	(2,524,509)	-
Interest paid on long-term debt	(1,597,737)	(967,415)	-
Net cash provided by (used in) capital and related financing activities	(2,764,404)	(3,809,745)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	19,402	-	-
Net cash provided by (used in) investing activities	19,402	-	-
Net increase (decrease) in cash and equivalents	(2,815,597)	(1,456,235)	70,001
CASH AND CASH EQUIVALENTS:			
Beginning of year	21,147,027	9,923,898	1,386,422
End of year	<u>\$ 18,331,430</u>	<u>\$ 8,467,663</u>	<u>\$ 1,456,423</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 3,017,870	\$ 3,383,277	\$ 48,778
Adjustments for noncash activities:			
Depreciation and amortization	1,845,070	2,393,518	3,086
Changes in assets and liabilities:			
Receivables	42,809	(256,100)	(186,466)
Deposits	(737)	-	-
Accounts payable/claims and litigation	32,463	367,455	(8,242)
Landfill closure liability	-	-	207,133
OPEB obligation payable	208,701	192,911	27,846
Compensated absences	(20,846)	(25,771)	(22,134)
Unearned revenue	(1,140)	-	-
Total adjustments	2,106,320	2,672,013	21,223
Net cash provided by (used in) operating activities	\$ 5,124,190	\$ 6,055,290	\$ 70,001
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:			
Cash and investments - current	\$ 12,836,978	\$ 5,634,199	\$ 1,456,423
Cash and investments, restricted	5,494,452	2,833,464	-
Cash and cash equivalents on statement of cash flows	\$ 18,331,430	\$ 8,467,663	\$ 1,456,423
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Contributions of capital assets from capital project funds	<u>\$ 2,398,676</u>	<u>\$ 3,746,158</u>	<u>\$ 1,590,556</u>
See accompanying Notes to the Basic Financial Statements	-	-	-

Enterprise Funds			Governmental
Parking Fund	Building Fund	Total	Activities- Internal Service Funds
\$ 1,642,227	\$ 1,433,533	\$ 26,594,329	\$ -
-	-	1,290,362	-
-	-	-	5,783,660
(381,657)	(276,367)	(10,444,309)	(1,576,249)
(789,411)	(609,085)	(5,171,661)	(944,052)
			(1,822,917)
<u>471,159</u>	<u>548,081</u>	<u>12,268,721</u>	<u>1,440,442</u>
<u>(290,000)</u>	<u>(250,000)</u>	<u>(9,436,565)</u>	<u>(500,000)</u>
<u>(290,000)</u>	<u>(250,000)</u>	<u>(9,436,565)</u>	<u>940,442</u>
-	-	-	(308,454)
-	-	(317,821)	-
-	-	(3,691,176)	-
-	-	(2,565,152)	-
-	-	<u>(6,574,149)</u>	<u>(308,454)</u>
-	-	19,402	189,506
-	-	19,402	189,506
181,159	298,081	(3,722,591)	821,494
742,053	2,062,605	35,262,005	10,510,548
<u>\$ 923,212</u>	<u>\$ 2,360,686</u>	<u>\$ 31,539,414</u>	<u>\$ 11,332,042</u>
\$ 347,168	\$ 404,188	\$ 7,201,281	\$ 377,465
45,187	-	4,286,861	550,531
(3,000)	-	(402,757)	136,476
-	(45,181)	(45,918)	(14,803)
(18,748)	107,472	480,400	394,616
-	-	207,133	-
96,044	81,806	607,308	-
4,508	(204)	(64,447)	(3,843)
-	-	(1,140)	-
<u>123,991</u>	<u>143,893</u>	<u>5,067,440</u>	<u>1,062,977</u>
<u>\$ 471,159</u>	<u>\$ 548,081</u>	<u>\$ 12,268,721</u>	<u>\$ 1,440,442</u>
\$ 923,212	\$ 2,360,686	\$ 23,211,498	\$ 11,332,500
-	-	8,327,916	-
<u>\$ 923,212</u>	<u>\$ 2,360,686</u>	<u>\$ 31,539,414</u>	<u>\$ 11,332,500</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,735,390</u>	<u>\$ -</u>

CITY OF BURLINGAME, CALIFORNIA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds
ASSETS	
Cash and investments	\$ 420,976
Accounts Receivable	25,329
Total assets	\$ 446,305
LIABILITIES	
Accounts payable	\$ 77,455
Deposits	328,640
Due to other governments	40,210
Total liabilities	\$ 446,305

See accompanying Notes to the Basic Financial Statements

CITY OF BURLINGAME, CALIFORNIA
Index to the Notes to Basic Financial Statements
For the year ended June 30, 2010

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CITY OF BURLINGAME, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The City of Burlingame (the City) was incorporated in 1908 as a California general law city. Burlingame is a full-service city providing all municipal services, including police, fire, library, parks, recreation, street and storm drain maintenance, and water and sewage treatment. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City as the primary government. For financial reporting purposes, the City's financial statements include all funds, boards and commissions, and authorities that are controlled by or are dependent on the City's legislative branch, the City Council. Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt, or the City's obligation to fund any deficits that may occur.

Burlingame Financing Authority

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

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

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

Burlingame Redevelopment Agency

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are taxpayer-assessed tax revenues (property taxes, sales taxes, transient occupancy taxes, franchise taxes, etc.), certain grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

Proprietary Fund Financial Statements

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

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are accounted for using the accrual basis of accounting.

Major Funds

The City reports the following major governmental funds:

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

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

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

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

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

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

The *Waste Management Fund* is used to account for the landfill closure costs and post closure monitoring services.

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

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Additionally, the City reports the following fund types:

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

The *Agency Funds* are used to account for the resources held by the City in a custodial capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

The City maintains agency funds for the library trustees, the State of California for seismic fees, Hotel and Broadway BID fees, CCFD specialized training and EMS training fund, the elementary and high school districts and unclaimed property from the police department.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. Cash, Cash Equivalents and Investments

Cash of the respective funds is pooled and invested principally in U.S. Treasury and agency securities and short-term investments such as the State of California Local Agency Investment Fund (LAIF) and the San Mateo County Investment Pool. Interest income from investment of pooled cash is allocated to the funds based on monthly cash balances.

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

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

For the purposes of the statement of cash flows, the City considers cash and cash equivalents to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments, Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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

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

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

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

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

E. Receivables

All receivables are shown net of an allowance for doubtful accounts. The water and sewer utilities are billed bi-monthly. Revenue is recorded as billed to customers on a cyclical basis. The City accrues for unbilled water and sewer services at June 30.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Interfund Transfers

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

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

G. Interfund Receivables/Payables

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

H. Capital Assets

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

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

Except for roads and parking lots covered by the modified approach, depreciation has been provided on capital assets excluding land and construction in progress. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net assets as a reduction in the book value of capital assets.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, 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.

Type of asset	Years
Buildings and structures	10-100
Improvements	10-100
Machinery and equipment	5-15
Infrastructure	10-100

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

I. Reservations and Designations of Fund Balances

Reservations of fund balances indicate those portions of fund balance unavailable for appropriation or amounts legally segregated for a specific future use. Designations indicate tentative plans for future uses of financial resources. Fund balances may only be appropriated by a majority vote of the City Council members. Following is a brief description of the nature of certain reserves and designations:

Reserved for street repair and maintenance – The fund balance is reported for future street repair and maintenance.

Reserved for safety expenditures – The fund balance legally may only be used for safety expenditures.

Reserved for pre-paid expenditures – This reserve is for pre-paid expenditures outstanding at year-end.

Reserved for debt service – The fund balance of the debt service fund is reserved for the payment of debt service requirement in subsequent years.

Reserved for capital improvements – The reserve for capital improvements is reserved for future construction activity related to capital projects.

Reserved for encumbrances – This reserve is for encumbrances outstanding at year-end.

Reserved for advances to other funds – The reserve is for advances made to other funds.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Reservations and Designations of Fund Balances, Continued

Unreserved designated for reserves – This fund balance includes a Catastrophic Reserve, an Economic Stability Reserve, a PERS Contribution reserve of, and a Contingency Reserve.

J. Net Assets

Government-Wide Financial Statements

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

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

K. Compensated Employee Absences

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

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

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

L. Inventories

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Property Taxes

Property taxes are collected for a twelve-month period effective July 1 by the San Mateo County Tax Collector. Property tax is levied each September 1 on the assessed values as of the prior January 1 for all real and personal property located in the City. Once the levy rates are approved, the actual claim to property taxes arises and is enforceable. Taxes are billed once a year in late October and are payable in two equal installments due by December 10 and April 10 (of the following year). Taxes are considered delinquent if paid after the due dates. The assessed value at January 1, 2007, upon which the 2007-2008 levy was based, was approximately \$6.3 billion for both secured and unsecured property.

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

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

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

N. Long-Term Liabilities

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Long-Term Liabilities, Continued

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

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

O. Self Insurance

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

P. Estimates

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

Q. Implementation of New GASB Pronouncements

New Pronouncements

In 2010, the City adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* – This Statement established accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The adoption has no effect on the financial statements

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS

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

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

	Government-Wide Statement of Net Assets			Funds Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 28,627,118	\$ 23,211,498	\$ 51,838,616	\$ 420,976	\$ 52,259,592
Restricted cash held by fiscal agent	\$ 584,965	\$ 8,327,916	\$ 8,912,881	\$ -	\$ 8,912,881

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

<i>Deposits:</i>	
Deposit	\$ 11,550,121
Total deposits	11,550,121
<i>Investments:</i>	
U.S. Government Securities	23,070,690
San Mateo County Investment Pool	1,799,943
Local Agency Investment Funds	15,838,838
Total investments	40,709,471
Total City Treasury	52,259,592
Restricted Cash and Investments:	
Cash held by fiscal agent (BNY)	3,463,708
Cash held by fiscal agent (CAMP)	5,449,173
Total restricted cash and investments	8,912,881
Total cash and investments	\$ 61,172,473

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

A. Deposits

The carrying amounts of the City's cash deposits were \$11,550,121, at June 30. Bank balances before reconciling items were \$11,895,299, at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

B. Investments

Interest Rate Risk- To minimize the City's exposure to fair value losses caused by rising interest rates, the City's investment policy limits its investment portfolio to maturity of less than 5 years. Those over two years will be confined to U.S. Government and Agency securities.

	Investment Maturities in Years					
	Fair Value	Less Than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years
U.S. Agencies						
Federal Home Loan Bank	\$ 3,010,100	\$ -	\$ -	\$ -	\$ -	\$ 3,010,100
Federal Home Loan Mortgage Corp	6,019,800	-	-	1,003,800	-	5,016,000
Fannie Mae	6,032,090	-	-	-	2,019,400	4,012,690
Federal Farm Credit Bank	5,008,700	-	-	-	-	5,008,700
Municipal Bonds						
South Bayside Waste Mgmt	3,000,000					3,000,000
External Pool						
State of California - Local Agency Investment Fund	15,838,838	15,838,838	-	-	-	-
San Mateo County Investment Pool	1,799,943	1,799,943	-	-	-	-
Total	\$ 40,709,471	\$ 17,638,781	\$ -	\$ 1,003,800	\$ 2,019,400	\$ 20,047,490

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

GASB 31 applies to all the City's investments, even if they are held to maturity and redeemed at full face value. Since the City's policy is to hold all investments to maturity, the fair value adjustments required by GASB 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will not reflect changes in its value at each succeeding fiscal year-end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year-end.

The City has complied with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires that the City's investments be carried at fair value instead of cost. Under GASB31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year-end, and it must include the effects of these adjustments in income for that fiscal year. Changes in value at the fiscal year ended June 30, 2010 from the fiscal year ended June 30, 2009 amounted to an unrealized decrease of \$137,078.

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

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

Investment Type	Fair Value	Moody's Rating
U.S. Agencies		
Federal Home Loan Bank	\$ 3,010,100	Aaa
Federal Home Loan Mortgage Corp	6,019,800	Aaa
Fannie Mae	6,032,090	Aaa
Federal Farm Credit Bank	5,008,700	Aaa
South Bayside Waste Mgmt	3,000,000	Not Rated
State of California - Local Agency Investment Fund	15,838,838	Not Rated
San Mateo County Investment Pool	1,799,943	Not Rated
Total	<u>\$ 40,709,471</u>	

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

C. *Investments in Local Agency Investment Fund*

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

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

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

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, the City had \$15,838,838 invested in LAIF, which had invested 5.42% of the pooled investment funds in Medium-term and Short-term Structured notes and Asset-backed securities. The LAIF fair value factor of 1.001643776 was used to calculate the fair value of the investments in LAIF. The fair value of the City's position in the pool is materially equivalent to the value of the pool shares.

D. *Investments in San Mateo County Pooled Investment Fund*

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

As of June 30, the City had \$1,799,943 invested in SMCPIF. The SMCPIF fair value factor is determined by dividing all SMCPIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00357.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES

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

	Governmental				Business-Type				Totals
	General Fund	CIP Fund	Non-major Governmental Funds	Internal Service Funds	Water Fund	Sewer Fund	Parking Fund	Waste Mgmt Fund	
Receivables:									
Accounts	\$ 1,770,207	\$ -	\$ 12,543	\$ 186,100	\$ 1,613,328	\$ 1,942,801	\$ 9,160	\$ 186,466	\$ 3,920,811
Transient occupancy tax	1,186,854	-	-	-	-	-	-	-	1,186,854
Sales tax	789,600	-	-	-	-	-	-	-	789,600
Real property transfer tax	15,921	-	-	-	-	-	-	-	15,921
Public safety sales tax	8,345	-	-	-	-	-	-	-	8,345
Interest	213,657	-	-	-	-	-	-	-	213,657
Intergovernmental	-	620,000	219,478	1,888	-	655,519	-	-	1,496,885
Gross receivables	3,984,584	620,000	232,021	187,988	1,613,328	2,598,320	9,160	186,466	7,632,073
Less: allowance for uncollectible	-	-	-	-	25,122	25,137	-	-	50,259
Net total receivables	\$ 3,984,584	\$ 620,000	\$ 232,021	\$ 187,988	\$ 1,588,206	\$ 2,573,183	\$ 9,160	\$ 186,466	\$ 7,606,936

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Governmental Activities				
	Balance July 1, 2009	Increases	Decreases	Transfers In/out	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 6,407,198	\$ -	\$ -	\$ -	\$ 6,407,198
Roads and parking lots accounted for using the modified approach	32,947,987	-	-	-	32,947,987
Construction in progress	4,179,285	964,990	-	(1,161,875)	3,982,400
Total capital assets, not being depreciated	43,534,470	964,990	-	(1,161,875)	43,337,585
Capital assets, being depreciated:					
Buildings and structures	38,898,033	-	-	-	38,898,033
Improvements other than buildings	30,509,875	-	-	478,863	30,988,738
Machinery and equipment	13,381,579	383,274	(117,821)	67,461	13,714,493
Infrastructure	31,936,312	-	-	615,551	32,551,863
Total capital assets, being depreciated	114,725,799	383,274	(117,821)	1,161,875	116,153,127
Less accumulated depreciation for:					
Buildings and structures	11,049,018	791,986	-	-	11,841,004
Improvements other than buildings	22,468,756	1,663,497	-	-	24,132,253
Machinery and equipment	10,216,152	861,890	(117,821)	-	10,960,221
Infrastructure	13,550,372	499,037	-	-	14,049,409
Total accumulated depreciation	57,284,298	3,816,410	(117,821)	-	60,982,887
Total capital assets, being depreciated, net	57,441,501	(3,433,136)	-	1,161,875	55,170,240
Governmental activities capital assets, net	\$ 100,975,971	\$ (2,468,146)	\$ -	\$ -	\$ 98,507,825

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. CAPITAL ASSETS, Continued

	Business-Type Activities				Balance June 30, 2010
	Balance July 1, 2009	Increases	Decreases	Transfer In/out	
Capital assets not being depreciated:					
Land	\$ 6,357,188	\$ -	\$ -	\$ -	\$ 6,357,188
Construction in progress	8,936,259	5,045,193	-	(10,306,076)	3,675,376
Total capital assets, not being depreciated	<u>15,293,447</u>	<u>5,045,193</u>	<u>-</u>	<u>(10,306,076)</u>	<u>10,032,564</u>
Capital assets, being depreciated:					
Buildings and structures	2,661,565	-	-	-	2,661,565
Improvements other than buildings	107,619,439	229,240	-	10,306,076	118,154,755
Machinery and equipment	4,044,061	54,334	-	-	4,098,395
Total capital assets, being depreciated	<u>114,325,065</u>	<u>283,574</u>	<u>-</u>	<u>10,306,076</u>	<u>124,914,715</u>
Less accumulated depreciation for:					
Buildings and structures	942,571	52,513	-	-	995,084
Improvements other than buildings	39,250,403	3,394,100	-	-	42,644,503
Machinery and equipment	1,912,348	638,155	-	-	2,550,503
Total accumulated depreciation	<u>42,105,322</u>	<u>4,084,768</u>	<u>-</u>	<u>-</u>	<u>46,190,090</u>
Total capital assets, being depreciated, net	<u>72,219,743</u>	<u>(3,801,194)</u>	<u>-</u>	<u>10,306,076</u>	<u>78,724,625</u>
Business activities capital assets, net	<u>\$ 87,513,190</u>	<u>\$ 1,243,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,757,189</u>

Transfers of \$2,398,676 and \$1,590,556 were made from the Capital Projects fund to the Water fund and Sewer Fund, respectively, for acquisition and construction of capital assets.

A. Depreciation

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

Governmental activities:	
General government	\$ 183,636
Public safety	450,533
Public works	1,486,054
Leisure and cultural activities	1,696,187
Total depreciation expense – governmental activities	<u>\$ 3,816,410</u>
Business-type activities:	
Water	\$ 1,593,285
Sewer	2,443,210
Solid Waste Management	3,086
Parking	45,187
Total depreciation expense – business-type activities	<u>\$ 4,084,768</u>

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT

A. Long-Term Obligations

Following is a summary of long-term debt transactions during the fiscal year ended June 30, 2010:

Description	Beginning Balance June 30, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities:					
Lease Revenue Bonds, Series, 2001	\$ 5,547,500	\$ -	\$ (216,666)	\$ 5,330,834	\$ 337,500
Lease Revenue Refunding Bonds, Series, 2004	4,530,000	-	(580,000)	3,950,000	600,000
- Unamortized Premium	109,129	-	(17,939)	91,190	17,939
Pension Obligation Bonds, Series 2006	29,020,000	-	(1,415,000)	27,605,000	1,595,000
Total Governmental Activities	\$ 39,206,629	\$ -	\$ (2,229,605)	\$ 36,977,024	\$ 2,550,439
Business-Type Activities:					
Lease Revenue Bonds, Series 1998	\$ 4,665,000	\$ -	\$ (1,485,000)	\$ 3,180,000	\$ 1,555,000
- Deferred Amount on Refunding	(296,550)	-	111,206	(185,344)	(111,206)
- Unamortized Premium	17,488	-	(6,558)	10,930	6,558
Lease Revenue Bonds, Series 2001	5,547,500	-	(433,334)	5,114,166	337,500
- Unamortized Discount	(28,406)	-	2,352	(26,054)	(2,350)
Water and Wastewater Revenue Bonds, Series 2003	7,340,000	-	(260,000)	7,080,000	270,000
State Water Resource Loan	10,249,391	-	(457,842)	9,791,549	469,287
State Water Resource Loan - 2010	-	574,115	-	574,115	-
Water and Wastewater Revenue Bonds, Series 2004	17,490,000	-	(615,000)	16,875,000	630,000
- Unamortized Premium	26,597	-	(1,352)	25,245	1,352
Water and Wastewater Revenue Bonds, Series 2007	24,305,000	-	(440,000)	23,865,000	450,000
- Unamortized Premium	27,172	-	(1,195)	25,977	1,194
- Unamortized Discount	(5,085)	-	223	(4,862)	(224)
Total Business-Type Activities	\$ 69,338,107	\$ 574,115	\$ (3,586,500)	\$ 66,325,722	\$ 3,607,111

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

On August 4, 2004 the Burlingame Financing Authority issued Bonds to refund and defease all of the Authority's outstanding Lease Revenue Bonds Series 1995, which financed certain improvements to the City's Main Library, purchase a Reserve Facility for deposit in the reserve fund for the bonds, and pay costs of issuance of the bonds. The bonds are limited obligation of the Authority payable solely from revenues, consisting primarily of base rental payments to be paid by the City and from amounts on deposit in certain funds and accounts held under the trust agreement. A premium of \$197,330 was paid and will be amortized over the life of the bond, \$16,444 annually. Interest on the bonds is payable semiannually on June 1 and December 1, commencing on December 1, 2004. Principal is due annually on December 1, commencing December 1, 2005. The Bonds mature on June 1, 2016 with an interest rate that varies from 2.5% to 5%. Over the life of the bonds the City will save \$715,209 in interest payments.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

Lease Revenue Refunding Bonds, Series 2004 - Original issue \$6,705,000, Continued

Year-Ending June 30	Governmental		Total
	Principal	Interest	
2011	\$ 600,000	\$ 152,965	\$ 752,965
2012	620,000	131,228	751,228
2013	640,000	107,590	747,590
2014	665,000	83,220	748,220
2015	695,000	53,875	748,875
2016	730,000	18,250	748,250
	<u>3,950,000</u>	<u>547,128</u>	<u>4,497,128</u>
Plus unamortized premium	91,190	-	91,190
	<u>\$ 4,041,190</u>	<u>\$ 547,128</u>	<u>\$ 4,588,318</u>

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

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

Year-Ending June 30	Governmental		Total
	Principal	Interest	
2011	\$ 1,595,000	\$ 1,500,162	\$ 3,095,162
2012	1,775,000	1,416,345	3,191,345
2013	1,960,000	1,322,536	3,282,536
2014	2,180,000	1,218,127	3,398,127
2015	2,400,000	1,101,345	3,501,345
2016-2020	9,690,000	3,439,472	13,129,472
2021-2025	3,335,000	1,883,821	5,218,821
2026-2030	1,685,000	1,121,025	2,806,025
2031-2035	2,395,000	581,190	2,976,190
2036	590,000	32,751	622,751
	<u>\$ 27,605,000</u>	<u>\$ 13,616,774</u>	<u>\$ 41,221,774</u>

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

Lease Revenue Bonds, Series 1998 – Original Issued \$ 17,590,000

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

Year-Ending June 30	Business-Type		Total
	Principal	Interest	
2011	\$ 1,555,000	\$ 112,175	\$ 1,667,175
2012	1,625,000	38,594	1,663,594
	<u>3,180,000</u>	<u>150,769</u>	<u>3,330,769</u>
Plus unamortized premium	10,930	-	10,930
Less deferred loss on retirement of debt	<u>(185,344)</u>	<u>-</u>	<u>(185,344)</u>
	<u>\$ 3,005,586</u>	<u>\$ 150,769</u>	<u>\$ 3,156,355</u>

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

In 2001 the Burlingame Financing Authority issued its 2001 Lease Revenue Bonds, Series 2001 to finance construction of a Corporation Yard, fund a reserve fund for the bonds and pay costs of issuance of the bonds. The bonds are limited obligation of the Authority payable solely from revenues, consisting primarily of base rental payment to be paid by the City and certain funds held by the trustee for the benefit of the owners and any investment earnings thereon. Interest on the bonds is payable semiannually on February 1 and August 1, commencing on February 1, 2002. Principal is due annually on August 1, commencing August 1, 2002. The bond matures on August 1, 2021 with an interest rate that varies from 4.00% to 5.00%. The bonds are recorded as a liability in the City’s books and it is split between the governmental activities, the water fund and the sewer fund at a ratio of 1/3, 1/3, 1/3 respectively. Since the Corporation Yard store equipment and host employees for the general government service, the water service and the sewer service the split of the liability was deemed necessary.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

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

Year-Ending June 30	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2011	\$ 337,500	\$ 159,171	\$ 337,500	\$ 318,342	\$ 1,152,513
2012	352,500	149,824	352,500	299,648	1,154,472
2013	367,500	139,771	367,500	279,542	1,154,313
2014	382,500	128,891	382,500	257,782	1,151,673
2015	400,000	117,084	400,000	234,168	1,151,252
2016-2020	2,297,500	377,294	2,297,500	754,588	5,726,882
2021-2022	1,193,334	36,583	976,666	73,166	2,279,749
	<u>5,330,834</u>	<u>1,108,618</u>	<u>5,114,166</u>	<u>2,217,236</u>	<u>13,770,854</u>
Less unamortized discount	-	-	(26,054)	-	(26,054)
	<u>\$ 5,330,834</u>	<u>\$ 1,108,618</u>	<u>\$ 5,088,112</u>	<u>\$ 2,217,236</u>	<u>\$ 13,744,800</u>

Water and Wastewater Revenue Bonds, Series 2003 – Original Issue \$8,700,000

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

For the current year, principal and interest paid on series 2003 water and wastewater bonds were \$382,165 and \$202,595 respectively. The water system net revenues were \$4,641,764 and the wastewater system net revenues were \$5,955,556. The City estimates that approximately 8.2% of water system net revenues and 3.4% of the wastewater system net revenues will be used to meet debt service requirements over the life of the 2003 series bonds.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

Water and Wastewater Revenue Bonds, Series 2003 – Original Issue \$8,700,000, Continued

Year-Ending June 30	Business-Type		Total
	Principal	Interest	
2011	\$ 270,000	\$ 317,934	\$ 587,934
2012	280,000	307,809	587,809
2013	290,000	296,609	586,609
2014	305,000	285,009	590,009
2015	315,000	272,809	587,809
2016-2020	1,785,000	1,151,885	2,936,885
2021-2025	2,230,000	707,369	2,937,369
2026-2028	1,605,000	154,850	1,759,850
	<u>\$ 7,080,000</u>	<u>3,494,274</u>	<u>\$ 10,574,274</u>

State Water Resources Control Board – Original Issue \$11,030,407

In 2003 the City entered into an agreement with the State of California Water Resources Control Board (CWRCB) to receive financial assistance for the improvement of the Wastewater Treatment Plant which consists of upgrading the performance of several unit processes and increasing their reliability to help the plant meet discharge requirements. The loan is due in annual installments payments at an interest of 2.5%. Installment payments will start August 2007 and shall be fully amortized August 2026. Wastewater system net revenues are pledged to secure the payment of the installment payments.

Current year principal and interest paid was \$714,076. The wastewater net revenues were \$5,955,556. The City estimates that the State Water Resources Control Board Loan will require 12.0% of the wastewater system net revenues over the life of the loan.

Year-Ending June 30	Business -Type		Total
	Principal	Interest	
2011	\$ 469,287	\$ 244,789	\$ 714,076
2012	481,019	233,057	714,076
2013	493,045	221,031	714,076
2014	505,370	208,705	714,075
2015	518,005	196,071	714,076
2016-2020	2,790,876	779,504	3,570,380
2021-2025	3,157,619	412,759	3,570,378
2026-2028	1,376,328	51,824	1,428,152
	<u>\$ 9,791,549</u>	<u>\$ 2,347,740</u>	<u>\$ 12,139,289</u>

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

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

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

For the current year, principal and interest paid on series 2004 water and wastewater bonds were \$867,419 and \$435,864, respectively. The water system net revenues were \$4,641,764 and the wastewater system net revenues were \$5,955,556. The City estimates that approximately 18.7% of water system net revenues and 7.3% of the wastewater system net revenues will be used to meet debt service requirements over the life of the 2004 series bonds.

Year-Ending June 30	Business-Type		Total
	Principal	Interest	
2011	\$ 630,000	\$ 676,754	\$ 1,306,754
2012	645,000	659,429	1,304,429
2013	665,000	640,079	1,305,079
2014	690,000	618,466	1,308,466
2015	710,000	595,006	1,305,006
2016-2020	3,985,000	2,541,291	6,526,291
2021-2025	4,860,000	1,664,226	6,524,226
2026-2029	4,690,000	529,331	5,219,331
	16,875,000	7,924,582	24,799,582
Plus unamortized premium	25,245	-	25,245
	<u>\$ 16,900,245</u>	<u>\$ 7,924,582</u>	<u>\$ 24,824,827</u>

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

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

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

For the current year, principal and interest paid on series 2007 water and wastewater bonds were \$942,662 and \$559,496, respectively. The water system net revenues were \$4,641,764 and the wastewater system net revenues were \$5,955,556. The City estimates that approximately 20.3% of water system net revenues and 9.4% of the wastewater system net revenues will be used to meet debt service requirements over the life of the 2007 series bonds.

Year-Ending June 30	Business-Type		Total
	Principal	Interest	
2011	\$ 450,000	\$ 1,048,958	\$ 1,498,958
2012	470,000	1,028,708	1,498,708
2013	800,000	1,006,383	1,806,383
2014	830,000	974,383	1,804,383
2015	870,000	932,883	1,802,883
2016-2020	5,005,000	4,033,963	9,038,963
2021-2025	6,140,000	2,875,700	9,015,700
2026-2030	7,575,000	1,443,388	9,018,388
2031-2033	1,725,000	78,488	1,803,488
	<u>23,865,000</u>	<u>13,422,854</u>	<u>37,287,854</u>
Plus unamortized premium	25,977	-	25,977
Less unamortized discount	<u>(4,862)</u>	<u>-</u>	<u>(4,862)</u>
	<u>\$ 23,886,115</u>	<u>\$ 13,422,854</u>	<u>\$ 37,308,969</u>

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

The annual requirements to amortize total long-term debt outstanding as of June 30, 2010 by activity are as follows:

Year-Ending June 30	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2011	\$ 2,420,000	\$ 1,812,298	\$ 3,824,287	\$ 2,718,951
2012	2,630,000	1,697,397	3,971,019	2,567,244
2013	2,845,000	69,897	2,738,045	2,443,643
2014	3,100,000	1,430,238	2,840,370	2,344,345
2015	3,361,667	1,272,304	2,946,339	2,230,937
2016-2020	11,951,667	3,835,016	16,629,209	9,261,231
2021-2025	4,058,333	1,920,404	17,834,284	5,733,220
2026-2030	1,685,000	1,121,025	15,246,328	2,179,393
2031-2035	2,395,000	581,190	1,725,001	78,488
2036-2038	590,000	32,751	-	-
Unamortized discount, premium	91,190	-	420,007	-
	<u>\$ 35,127,857</u>	<u>\$ 13,772,520</u>	<u>\$ 68,174,889</u>	<u>\$ 29,557,452</u>

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

	Balance June 30, 2009	Amortization	Balance June 30, 2010
Business-Type Activities:			
Lease Revenue Bonds, Series 1998	\$ 9,988	\$ (3,744)	\$ 6,244
Lease Revenue Bonds, Series 2001	40,453	(3,319)	37,134
Water and Wastewater Revenue Bonds, Series 2003	204,149	(11,017)	193,132
Water and Wastewater Revenue Bonds, Series 2004	368,794	(18,753)	350,041
Water and Wastewater Revenue Bonds, Series 2007	413,384	(18,172)	395,212
Total Business-Type Activities	<u>\$ 1,036,768</u>	<u>\$ (55,005)</u>	<u>\$ 981,763</u>
Governmental Activities			
Pension Obligation Bonds, Series 2006	\$ 528,732	\$ (19,403)	\$ 509,329
Total Governmental Activities	<u>\$ 528,732</u>	<u>\$ (19,403)</u>	<u>\$ 509,329</u>

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. LONG-TERM DEBT, Continued

B. Legal Debt Limit and Debt Margin

As of June 30, the City's debt limit was \$,261,247,441. California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus, the limit shown is 3.75% (one-fourth the limit of 15%). The total amount of debt applicable to the debt limit was \$0. The resulting legal debt margin was \$261,247,441.

C. Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the excess of earnings from the investment of tax-exempt bond proceeds over related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. As of June 30, 2010, the City has evaluated each outstanding debt obligation that is subject to the arbitrage rebate requirements and has determined no liability.

6. OTHER LONG-TERM LIABILITIES

Description	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities:					
Self-Insurance and Contingent Liability	\$ 6,344,000	\$ 2,716,739	\$ (2,420,739)	\$ 6,640,000	\$ 1,564,015
Compensated Absences	4,313,835	1,888,158	(2,161,242)	4,040,751	1,888,158
Total Governmental Activities	\$ 10,657,835	\$ 4,604,897	\$ (4,581,981)	\$ 10,680,751	\$ 3,452,173
Business-Type Activities:					
Compensated Absences	\$ 445,260	\$ 241,012	\$ (212,224)	\$ 474,048	\$ 287,309
Landfill Postclosure Care Costs	2,363,855	378,006	(170,873)	2,570,988	170,875
Total Business-Type Activities	\$ 2,809,115	\$ 619,018	\$ (383,097)	\$ 3,045,036	\$ 458,184

A. Self-Insurance and Contingent Liabilities

Effective July 1, 1976, for workers' compensation, and December 2, 1976, for general liability, the City implemented a self-insurance program. The City is self-insured for losses up to \$500,000 and \$250,000 for workers' compensation and general liability, respectively. The City, along with 29 other Bay Area governments, is a member of the Associated Bay Area Governments Pooled Liability Assurance Network Corporation (ABAG PLAN), a public-entity risk pool. ABAG PLAN provides liability insurance coverage, claims management, risk management services, and legal defense to its participating members. ABAG PLAN is governed by a board of directors, which comprises officials appointed by each participating member. Premiums paid to ABAG PLAN are subject to possible refund based on the results of actuarial studies and approval by ABAG Plan's board of directors. Premiums are assessed to the participants based on their individual loss experience. General liability insurance coverage has been purchased by ABAG PLAN for losses exceeding \$250,000 up to a maximum of \$10,000,000.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. OTHER LONG-TERM LIABILITIES, Continued

A. Self-Insurance and Contingent Liabilities, Continued

The workers' compensation program is administered by a third-party administrator (TPA), Athens Administrators. The TPA sets reserve levels for reported claims. Excess workers' compensation insurance has been purchased by the City for losses exceeding \$500,000 up to a maximum of \$200,000,000.

The ABAG PLAN claim administrators set the reserve levels for known liability claims. The City's liabilities are reported when it is both probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims and litigation liabilities are reported in the governmental activities of the government-wide financial statements and in the internal service fund and include an amount for claims that have been incurred but not reported. The liabilities are reevaluated annually using the results of actuarial studies. The estimated liability for claims and litigation is calculated considering recent claim settlement trends, amounts for claims incurred but not reported, current settlements, frequency of claims, past experience, and economic factors. Changes in the balances of the City's claims liabilities during the years ended June 30, 2007, 2006 and 2005 were as follows:

	Balance July 1	Claims and Changes in Estimates	Current and Prior Fiscal Years	Balance June 30
2007-08	7,789,084	(906,256)	(632,828)	6,250,000
2008-09	6,250,000	2,748,027	(2,654,027)	6,344,000
2009-10	6,344,000	2,716,739	(2,420,739)	6,640,000

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

In June 2010, an actuarial study was conducted by the firm of Bickmore Risk Services to identify the estimated liability for the City's Self-Insured Workers' Compensation Program as well determine the various funding confidence levels to cover that liability. The study estimates that the outstanding claims at June 30, 2010 is \$4,981,000. The study also recommends that an amount be set aside as a margin for contingencies. The City has funded the workers compensation program at the 70% confidence level, the amount is \$5,539,000.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. OTHER LONG-TERM LIABILITIES, Continued

A. *Self-Insurance and Contingent Liabilities, Continued*

In September 2008, an actuarial study was conducted by the firm of Bickmore Risk Services to identify the estimated liability for the City's Self-insured General Liability program as well determine the various funding confidence levels to cover that liability. The study estimated the expected liability for outstanding claims to be \$924,000 as of June 30, 2010. The study recommends that the City set aside an amount in addition to the discounted expected loss costs to be set aside as a margin for contingencies for a total of \$1,101,000 at the 70% confidence level.

B. *Compensated Absences*

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

C. *Landfill Closure and Post Closure Costs*

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

The landfill and post closure liability accounted for in the Waste Management Enterprise Fund is reduced by annual expenditures relating to post closure maintenance. In October 2008, the City also booked additional liability, determined by the state, for corrective action. The post closure costs and the deficit in the Waste Management Enterprise Fund, which resulted from the recording of the liability for such costs, will be funded in future years by a surcharge on waste collection. The original liability was estimated at \$85,000 per year for 30 years, which may be adjusted, based on changes with inflation or deflation as well as changes in applicable laws or regulation. In the current year, the liability was adjusted for inflation and to include the corrective action costs of \$733,100. The annual post-closure costs are estimated at \$170,000 per year for the remaining period. The deficit in the Waste Management Enterprise Fund amounted to \$1,012,767 at June 30, 2010. The current year expenditures amounted to \$170,278.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. OTHER LONG-TERM LIABILITIES, Continued

D. Commitment and Contingent Liabilities

Grant Programs

The City participates in several Federal and State grant programs. No cost allowances were proposed as a result of the City's financial audit; 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.

Litigation

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

7. EMPLOYEE RETIREMENT PLAN

A. Plan Description and Funding Policy

All permanent employees participate in the California Public Employees' Retirement System (PERS) per the City's charter. The miscellaneous employees of the City are part of an agent multiple-employer defined benefit pension plan. The safety employees are part of a cost-sharing multiple-employer defined benefit plan. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. The city's employees participate in the separate safety (police and fire) and miscellaneous (all other) employee plans. Benefit provisions under both plans are established by state statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for all three plans are determined annually on an actuarial basis as of June 30 by PERS; the City must contribute these amounts. The plans' provisions and benefits in effect at June 30, 2008 are summarized as follows:

	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	55	55
Monthly benefits, as a % of annual salary	3%	3%	2.5%
Required employee contribution rates	9%	9%	8%

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. EMPLOYEE RETIREMENT PLAN, Continued

A. Plan Description and Funding Policy, Continued

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

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

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

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

The City’s unfunded actual accrued liability is being amortized as a level percentage of payroll on a closed basis. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30 year period, which results in an amortization of about 6% of unamortized gains and losses each year.

B. Annual Pension Cost

In September 2007, the City issued Pension Obligation Bonds to provide funds to refund its current unfunded accrued actuarial liability (UUAL) creating a net pension asset. The net pension asset as of June 30, 2010 is \$29,118,040.

For Police and Fire safety plans risk pooling was implemented as of June 30, 2003.

Audited annual financial statements and ten-year trend information for the fiscal year ended June 30, 2008, the most recent available, are available PERS at P. O. Box 942709, Sacramento, CA 94229-2709.

Total current payroll for all covered employees for the fiscal year ended June 30, 2010 was \$21,894,397. The payroll subject to retirement amounted to \$4,060,591 for police safety, \$5,483,786 for fire safety, and \$12,350,020 for the miscellaneous group. For 2009-10, the City’s miscellaneous plan annual pension cost of \$1,515,310 for PERS was equal to the City’s required and actual contributions adjusted by the changes in Net Pension Asset. The safety annual pension cost fo \$1,758,877 was equal to the City’s required and actual contributions.

The required contribution was determined as part of the June 30, 2007, actuarial valuation as follows:

	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>
2008	19.541%	15.194%	9.279%
2009	19.985%	16.122%	9.288%
2010	20.059%	17.221%	11.209%

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. EMPLOYEE RETIREMENT PLAN, Continued

B. Annual Pension Cost, Continued

PERS has reported that the value of the net assets in the plan held for pension benefits changes as follows during the year ended June 30, 2009, the most recent available:

	<u>Miscellaneous</u>
Market value as of June 30, 2008	\$ 84,211,624
Contributions received	2,715,017
Benefit and refunds paid	(4,487,624)
Expected investment earnings credited at 7.75%	<u>6,458,994</u>
Expected actuarial value of the assets	<u>\$ 88,898,011</u>
Market value of assets as of June 30, 2009	<u>\$ 63,118,655</u>
Actuarial value of assets as of June 30, 2009	<u>\$ 87,179,387</u>

C. Trend Information

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

<u>Miscellaneous</u>			
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation (Asset)</u>
6/30/2008	438,920	85%	(9,823,197)
6/30/2009	1,277,300	93%	(9,727,472)
6/30/2010	1,515,310	91%	(9,596,476)

<u>Safety</u>			
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation (Asset)</u>
6/30/2008	1,738,478	100%	(20,332,397)
6/30/2009	1,719,376	100%	(19,972,387)
6/30/2010	1,758,877	100%	(19,521,564)

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. EMPLOYEE RETIREMENT PLAN, Continued

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

	<u>Miscellaneous</u>
Annual required contribution (ARC)	1,384,314
Interest on net pension assets	(753,879)
Adjustment to annual required contribution	884,875
Annual pension cost (expense)	1,515,310
Contribution made	1,384,314
Increase in net pension assets	(130,996)
Net pension assets - beginning of year	9,727,472
Net pension assets - end of year	<u>9,596,476</u>

D. Funded Status

A schedule of funding progress as of the most recent actuarial date is presented below.

Actuarial Valuation Date	Accrued Liabilities	<u>Miscellaneous Plan</u>		Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
		Actuarial Assets	Unfunded Liabilities (UL)			
6/30/09	96,835	87,270	9,565	90.1%	12,568	76.1%

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

Safety Plan

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

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. POST-EMPLOYMENT HEALTHCARE PLAN

A. Plan Description.

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

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

B. Funding Policy

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

The City has currently chosen to pay plan benefits on a pay-as-you-go basis. The Plan does not require employee contributions. For fiscal year 2010, the City paid approximately \$2,245,411 for Retiree Healthcare Plan benefits.

C. Annual OPEB Cost and Net OPEB Obligation.

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

The following table, based on the City's actuarial valuation as of January 1, 2007, shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 3,330,000
Adjustment to annual required contribution	<u>2,657,000</u>
Annual OPEB cost (expense)	5,987,000
Contributions (benefit payments)	<u>(2,245,411)</u>
Increase in net OPEB obligation	\$ 3,741,589
Net OPEB obligation - beginning of year	<u>3,330,000</u>
Net OPEB obligation - end of year	\$ 7,071,589

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the two preceding fiscal years were as follows:

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. POST-EMPLOYMENT HEALTHCARE PLAN, Continued

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	n/a	n/a	n/a
6/30/2009	\$ 5,662,000	41%	\$ 3,330,000
6/30/2010	\$ 5,987,000	38%	\$ 7,071,589

D. Funded Status and Funding Progress.

The funded status of the plan as of January 1, 2009, the plans most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 67,518,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 67,518,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 22,394,000
UAAL as a percentage of covered payroll	302%

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

E. Actuarial Methods and Assumptions.

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

In the January 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return, which is the expected long-term investment return on City investments, a 3% general inflation assumption, an annual aggregate payroll increase rate of 3.25%, and an annual pre-Medicare medical cost trend of 10.4% (HMO) and 11.3% (PPO) applied to obtain 2008 rates, decreasing to 4.5% after 9 years (the post-Medicare medical cost trend starts 0.4% higher and decreases to the same ultimate rate after 9 years). Healthcare caps are assumed to increase with healthcare trend in the future. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis, starting June 30, 2009.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. WASTE MANAGEMENT DEFICIT

As of June 30, 2010, the Waste Management Fund, an Enterprise Fund, had a deficit of (\$1,022,682). The Waste Management Fund deficit relates to the landfill closure and post closure liabilities. The City expects to finance these costs with fees derived from surcharges on the City's franchise solid waste collection activities.

10. INTERFUND TRANSFERS AND TRANSACTIONS

A. Transfers and Advances

Transfers and advances between funds for the year ending June 30, 2010 are as follows:

	Transfers In				Total Transfers out
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Fund	
Transfers Out					
General Fund	\$ -	\$ 3,385,171	\$ 475,000	\$ 29,403	\$ 3,889,574
Capital Projects	982,011	-	-	-	982,011
Nonmajor Governmental Funds	69,020	609	1,919,463	-	1,989,092
Water Fund	200,000	373,655	4,621,130	-	5,194,785
Sewer Fund	200,000	373,655	3,128,125	-	3,701,780
Building Fund	250,000	-	-	-	250,000
Risk Management Fund	500,000	-	-	-	500,000
Parking Fund	290,000	-	-	-	290,000
Total transfers in	\$ 2,491,031	\$ 4,133,090	\$ 10,143,718	\$ 29,403	\$ 16,797,242

The \$3.89 million General Fund transfer out includes \$3.4 million for the payment of debt service, \$475,000 to capital improvement funds, and \$29,403 for the commuter shuttle.

The following transfers into the General fund were part of the budget balancing actions taken by the city in fiscal year 2010, \$982,011 capital improvement fund transfer, \$500,000 transfer from the risk management fund and the \$250,000 transfer from the building fund.

The \$1.99 million transfer from non major funds includes, a \$ 997,797 Gas Tax and Measure A Fund transfer and a \$172,390 Prop 1B transfer and \$268,056 Traffic Congestion Relief fund transfer to capital improvement funds for street-related work, a \$481,829 transfer from the Storm Drainage Fund to capital improvement fund for storm drain improvements. A \$63,020 transfer from Traffic Safety Fund and a \$6,000 transfer from the Gas Tax Fund , all within the Non major funds to the General Fund, were to support operations.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. INTERFUND TRANSFERS AND TRANSACTIONS, Continued

A. Transfers and Advances, Continued

The \$3.7 million transfer from Sewer Fund and \$5.2 million transfer from Water Fund were to provide funding for water and wastewater infrastructure projects. A \$200,000 transfer from Water Fund and a \$200,000 transfer from Sewer Fund to the General Fund were to support operations. A \$373,655 transfer from both Water and Sewer Funds was for the payment of the pension obligation bond debt service.

The \$290,000 transfer from Parking Fund to General Fund was for repayment for capital improvements to the Downtown parking districts.

Advances To	Advances From		
	General Fund	Equipment Services Fund	Total Advances To
General Fund	\$ -	478,146	\$ 478,146
Sewer Fund	439,936	1,798,242	2,238,178
Total Advances From	\$ 439,936	\$ 2,276,388	\$ 2,716,324

The General Fund advanced \$664,298 to Sewer Fund to finance the co-generation project at the wastewater treatment plant.

The Equipment Services Fund advanced the General Fund \$584,965 and the Sewer Fund \$2,199,971 to fund the 1998, 2001 and 2004 bond reserves when the insurance companies that held the bond sureties were downgraded.

11. FIRE DISTRICT JOINT POWERS AGREEMENT

Effective July 1, 2004 the Town of Hillsborough and the City of Burlingame established a single public authority, Central County Fire, by joint powers agreement to manage and coordinate the provision of various fire, emergency medical, and disaster preparedness services with the City of Burlingame and the Town of Hillsborough. The purpose of the agreement is to enhance the quality of service and to better utilize available resources. On June 21, 2010, the Burlingame fire services and the Town of Hillsborough fire services formally merged to become Central County Fire Department. The employees of each city are now employees of CCFD a separate entity.

CITY OF BURLINGAME, CALIFORNIA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

12. SUBSEQUENT EVENTS

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Burlingame was \$1,145,268.00.

This borrowing by the state of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

SUPPLEMENTARY INFORMATION



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010

CITY OF BURLINGAME, CALIFORNIA
Required Supplementary Information
For the year ended June 30, 2010

1. PERS FUNDING

Miscellaneous Plan

Schedule of PERS Funding Progress - Unaudited
(dollars in thousands)

Actuarial Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
6/30/07	81,099	78,298	2,801	96.5%	12,941	21.6%
6/30/08	88,060	84,288	3,772	95.7%	13,093	28.8%
6/30/09	96,835	87,270	9,565	90.1%	12,568	76.1%

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

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

Fire and Police Safety Plan

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

2. OTHER POST EMPLOYMENT BENEFITS

Schedule of Funding Progress

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
1/1/09	0	\$ 67,518	\$67,518	0%	\$ 22,394	302%

CITY OF BURLINGAME, CALIFORNIA
Required Supplementary Information, Continued
For the year ended June 30, 2010

3. BUDGET AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

4. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE

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

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

In October 2008, the City commissioned a study to update the physical condition assessment of the streets. The prior assessment study was completed in May 2007. The streets, primarily asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: (1) arterial/major, (2) collector, (3) residential and (4) other.

CITY OF BURLINGAME, CALIFORNIA
Required Supplementary Information, Continued
For the year ended June 30, 2010

4. MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE, Continued

This condition assessment will be performed every three years. For this inspection update, all the paved streets in the City of Burlingame’s system were re-inspected. A visual survey of approximately 103 miles of the City’s residential streets was conducted to assess the existing surface condition of each individual pavement segment. Upon completion of this survey, a Pavement Condition Index (PCI) was calculated for each segment to reflect the overall pavement condition. Ranging between 0 – 100, a PCI of 0 would correspond to a badly deteriorated pavement with virtually no remaining life. APCI of 100 would correspond to a new pavement with proper engineering design and construction at the beginning of its life cycle. The following conditions were defined:

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

The City’s policy is to achieve an average rating of 65 for all streets. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2008, the City’s street system was rated at a PCI index of 72 on a 100-point scale. The overall condition of the street pavement is in the lower range of MTC’s designation “Very Good”. The 2003 MTC State of Repair report states, “Approximately 75 percent of a pavement’s serviceable life has been expended by the time its PCI rating falls to 60.” Burlingame’s average PCI 72 suggests that major portions of its streets are due for preventive maintenance work soon. The following table shows Burlingame’s average PCI condition value by street classification for the past two fiscal years based on the study completed in October 2008:

<u>CLASSIFICATION</u>	<u>2006/07 PCI</u>	<u>2008/09 PCI</u>
Arterial	77	76
Collector	73	76
Residential	68	75
Other	<u>69</u>	<u>70</u>
Total	72	74

The City’s streets are constantly deteriorating due to the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests’ trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities, such as pothole patching and street sweeping. The City expended \$1,814,963 on street maintenance for the fiscal year ended June 30, 2010. These expenditures delayed deterioration and maintained the conditions of the City streets.

CITY OF BURLINGAME, CALIFORNIA
Required Supplementary Information, Continued
For the year ended June 30, 2010

4. MODIFIED APPROACH FOR THE CITY’S INFRASTRUCTURE, Continued

The City estimates that the amount of annual expenditures required to maintain the City’s streets at the average PCI rating of 67 through the year 2009 is a minimum of \$950,000. A schedule of estimated annual amounts calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last three years is presented below.

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

The City has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to maintain the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management Program (PMP). Total deferred maintenance in 2010, based upon a \$1.1 million budget amounted to \$5,277,799.

CITY OF BURLINGAME, CALIFORNIA
Required Supplementary Information, Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 12,563,045	\$ 12,563,045	\$ 12,209,371	\$ (353,674)
Sales and use taxes	8,230,000	8,230,000	6,276,152	(1,953,848)
Transient occupancy taxes	10,267,424	10,267,424	10,341,567	74,143
Other taxes	2,079,607	2,079,607	2,158,881	79,274
Licenses and permits	81,900	81,900	92,371	10,471
Fines, forfeitures and penalties	1,546,000	1,546,000	404,137	(1,141,863)
Investment Income	1,000,000	1,000,000	618,888	(381,112)
Intergovernmental revenues	309,472	309,472	281,136	(28,336)
Charges for services	3,992,320	3,992,320	3,954,470	(37,850)
Grant revenue	258,000	258,000	111,200	(146,800)
Other revenue	282,772	282,772	277,562	(5,210)
Total revenues	40,610,540	40,610,540	36,725,735	(3,884,805)
Expenditures				
Current:				
General Government				
City Attorney	381,085	381,085	376,838	4,247
City Clerk	327,963	327,963	223,404	104,559
City Council	121,364	121,364	123,232	(1,868)
City Manager	375,648	375,648	370,443	5,205
Human Resources	561,282	561,282	537,163	24,119
Finance	833,386	833,386	726,387	106,999
Other Employee Benefits	2,548,000	2,548,000	1,859,695	688,305
Nondepartmental	596,860	596,860	518,575	78,285
Total General government	5,745,588	5,745,588	4,735,737	1,009,851
Public safety:				
Fire	9,590,914	9,590,914	9,787,839	(196,925)
Police	9,176,142	9,176,142	8,908,031	268,111
Total public safety	18,767,056	18,767,056	18,695,870	71,186
Public Works	3,513,879	3,513,879	3,142,797	371,082
Community Development	933,625	933,625	779,145	154,480
Parks, recreation, and library				
Library	3,406,417	3,406,417	3,451,043	(44,626)
Parks	2,207,615	2,207,615	2,122,310	85,305
Recreation	3,165,314	3,165,314	2,862,320	302,994
Total leisure and culture	8,779,346	8,779,346	8,435,673	343,673
Capital outlay	51,300	51,300	27,955	23,345
Total Expenditures	37,790,794	37,790,794	35,817,177	1,973,617
Excess (deficiency) of revenues over expenditures	2,819,746	2,819,746	908,558	(5,858,422)
Other financing sources (uses)				
Transfers in	906,000	906,000	2,491,031	1,585,031
Transfers out	(3,917,630)	(3,917,630)	(3,889,574)	28,056
Total other financing sources (uses)	(3,011,630)	(3,011,630)	(1,398,543)	1,613,087
Net change in fund balance	(191,884)	(191,884)	(489,985)	(298,101)
FUND BALANCE				
Beginning of year			7,345,571	
End of year			6,855,586	



COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2010

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

Public TV Access Fund - This fund is to account for the PEG Access funding through Cable TV Franchise agreement beginning January 1, 1999. The City uses these funds to televise City Council meetings and purchase equipment for emergency notification.

CITY OF BURLINGAME, CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Traffic Safety Fund
ASSETS				
Cash and investments	\$ 1,507,516	\$ 783,981	\$ 1,977,436	\$ (8,618)
Cash and investments, restricted	-	-		-
Receivables (net of uncollectible amount of \$0):				
Accounts	-	-		8,618
Due from other governments	92,981	73,482		-
Total assets	<u>\$ 1,600,497</u>	<u>\$ 857,463</u>	<u>\$ 1,977,436</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved for:				
Encumbrances	-	-		-
Street repair and maintenance	1,600,497	857,463		-
Storm drainage repair and maintenance			1,977,436	
Safety expenditures	-	-		-
Unreserved:				
Undesignated	-	-		-
Total fund balances	<u>1,600,497</u>	<u>857,463</u>	<u>1,977,436</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,600,497</u>	<u>\$ 857,463</u>	<u>\$ 1,977,436</u>	<u>\$ -</u>

Special Revenue Funds						Total
Train Shuttle Fund	State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund		Nonmajor Governmental Funds
\$ (14,261)	\$ 48,298	\$ 163,003	\$ 561,452	\$ 139,308		\$ 5,158,115
-	-	-	-	-		-
	-	-	-	3,925		12,543
25,370	27,121	524	-	-		219,478
<u>\$ 11,109</u>	<u>\$ 75,419</u>	<u>\$ 163,527</u>	<u>\$ 561,452</u>	<u>\$ 143,233</u>		<u>\$ 5,390,136</u>
\$ 10,870	\$ -	\$ 2,296	\$ 127,371	\$ -		\$ 140,537
10,870	-	2,296	127,371	-		140,537
-	5,346	-	-	-		5,346
239	-	-	-	-		2,458,199
						1,977,436
-	70,073	-	-	-		70,073
-	-	161,231	434,081	143,233		738,545
239	75,419	161,231	434,081	143,233		5,249,599
<u>\$ 11,109</u>	<u>\$ 75,419</u>	<u>\$ 163,527</u>	<u>\$ 561,452</u>	<u>\$ 143,233</u>		<u>\$ 5,390,136</u>

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2010

	Special Revenue Funds			
	Measure A Fund	Gas Tax Fund	Storm Drainage Fund	Traffic Safety Fund
REVENUES:				
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ 63,020
Investment income	29,990	22,595	21,588	-
Intergovernmental	581,578	750,938	-	-
Grant revenue	-	-	-	-
Other revenue	-	-	2,437,677	-
Total revenues	611,568	773,533	2,459,265	63,020
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks, recreation, and library	-	-	-	-
Shuttle operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	611,568	773,533	2,459,265	63,020
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfer out	(621,579)	(822,664)	(481,829)	(63,020)
Total other financing sources (uses)	(621,579)	(822,664)	(481,829)	(63,020)
Net change in fund balance	(10,011)	(49,131)	1,977,436	-
FUND BALANCE:				
Beginning of year, as previously reported	1,610,508	906,594	-	-
End of year	\$ 1,600,497	\$ 857,463	\$ 1,977,436	\$ -

Special Revenue Funds						Total
Train Shuttle Fund	State /Federal Grants Fund	Local Grants Fund	Development Fees Fund	Public TV Access Fund		Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -		\$ 63,020
-	972	544	-	-		75,689
-	-	-	-	-		1,332,516
51,140	129,889	-	-	-		181,029
49,500	-	89,616	23,648	41,667		2,642,108
<u>100,640</u>	<u>130,861</u>	<u>90,160</u>	<u>23,648</u>	<u>41,667</u>		<u>4,294,362</u>
-	-	-	-	33,487		33,487
-	127,001	7,253	-	-		134,254
-	-	-	127,371	-		127,371
-	-	22,911	-	-		22,911
129,830	-	-	-	-		129,830
-	-	46,865	-	-		46,865
<u>129,830</u>	<u>127,001</u>	<u>77,029</u>	<u>127,371</u>	<u>33,487</u>		<u>494,718</u>
<u>(29,190)</u>	<u>3,860</u>	<u>13,131</u>	<u>(103,723)</u>	<u>8,180</u>		<u>3,799,644</u>
29,403	-	-	-	-		29,403
-	-	-	-	-		(1,989,092)
<u>29,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(1,959,689)</u>
<u>213</u>	<u>3,860</u>	<u>13,131</u>	<u>(103,723)</u>	<u>8,180</u>		<u>1,839,955</u>
26	71,559	148,100	537,804	135,053		3,409,644
<u>\$ 239</u>	<u>\$ 75,419</u>	<u>\$ 161,231</u>	<u>\$ 434,081</u>	<u>\$ 143,233</u>		<u>\$ 5,249,599</u>

CITY OF BURLINGAME, CALIFORNIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Nonmajor Governmental Funds
For the year ended June 30, 2010

	Special Revenue Funds					
	Measure A Fund			Gas Tax Fund		
	Budget ¹	Actual	Variance	Budget ¹	Actual	Variance
			Positive (Negative)			Positive (Negative)
REVENUES:						
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and dividends	22,500	29,990	7,490	22,500	22,595	95
Intergovernmental	550,000	581,578	31,578	661,000	750,938	89,938
Grant revenue	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	572,500	611,568	39,068	683,500	773,533	90,033
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety - police	-	-	-	-	-	-
Shuttle operations	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	572,500	611,568	39,068	683,500	773,533	90,033
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	(450,000)	(621,579)	(171,579)	(756,000)	(822,664)	(66,664)
Total other financing sources (uses)	(450,000)	(621,579)	(171,579)	(756,000)	(822,664)	(66,664)
Net change in fund balance	\$ 122,500	(10,011)	\$ (132,511)	\$ (72,500)	(49,131)	\$ 23,369
FUND BALANCE:						
Beginning of year		1,610,508			906,594	
End of year		<u>\$ 1,600,497</u>			<u>\$ 857,463</u>	

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

Special Revenue Funds

Traffic Safety Fund			Train Shuttle Fund			State/Federal Grants Fund		
Budget ¹	Actual	Variance Positive (Negative)	Budget ¹	Actual	Variance Positive (Negative)	Budget ¹	Actual	Variance Positive (Negative)
\$ 60,000	\$ 63,020	\$ 3,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	972	972
-	-	-	-	-	-	-	-	-
-	-	-	50,000	51,140	1,140	100,000	129,889	29,889
-	-	-	44,463	49,500	5,037	-	-	-
<u>60,000</u>	<u>63,020</u>	<u>3,020</u>	<u>94,463</u>	<u>100,640</u>	<u>6,177</u>	<u>100,000</u>	<u>130,861</u>	<u>30,861</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	125,653	(125,653)
-	-	-	129,394	129,830	(436)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	<u>129,394</u>	<u>129,830</u>	<u>(436)</u>	-	<u>125,653</u>	<u>(125,653)</u>
<u>60,000</u>	<u>63,020</u>	<u>3,020</u>	<u>(34,931)</u>	<u>(29,190)</u>	<u>5,741</u>	<u>100,000</u>	<u>5,208</u>	<u>94,792</u>
-	-	-	34,931	29,403	(5,528)	-	-	-
<u>(60,000)</u>	<u>(63,020)</u>	<u>(3,020)</u>	-	-	-	-	-	-
<u>(60,000)</u>	<u>(63,020)</u>	<u>(3,020)</u>	<u>34,931</u>	<u>29,403</u>	<u>(5,528)</u>	-	-	-
<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>213</u>	<u>\$ 213</u>	<u>\$ 100,000</u>	<u>5,208</u>	<u>\$ 94,792</u>
-	-	-	-	26	-	-	71,559	-
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 239</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 76,767</u>	<u>-</u>

(Continued)

CITY OF BURLINGAME, CALIFORNIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Nonmajor Governmental Funds, Continued
For the year ended June 30, 2010

	Public TV Access Fund		
	Budget ¹	Actual	Variance Positive (Negative)
REVENUES:			
Fines, forfeitures, and penalties	\$ -	\$ -	\$ -
Interest and dividends	-	-	-
Intergovernmental	-	-	-
Grant revenue	-	-	-
Other revenue	45,000	41,667	(3,333)
Total revenues	45,000	41,667	(3,333)
EXPENDITURES:			
Current:			
General government	70,000	33,487	(36,513)
Public safety - police	-	-	-
Shuttle operations	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	70,000	33,487	(36,513)
REVENUES OVER (UNDER) EXPENDITURES	(25,000)	8,180	33,180
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
Refunding bonds issued	-	-	-
Premium on refunding bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	\$ (25,000)	8,180	\$ 33,180
FUND BALANCE:			
Beginning of year		135,053	
End of year		\$ 143,233	
			(Concluded)

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

Internal Service Funds

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

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

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

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

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
ASSETS					
Current assets:					
Cash and investments, available for operations	\$ 7,378,017	\$ 364,156	\$ 2,990,001	\$ 600,326	\$ 11,332,500
Receivable (net of uncollectible amounts of \$0):					
Accounts	186,100	-	1,888	-	187,988
Inventory of supplies at cost	-	-	58,028	-	58,028
Pre-paid items	-	-	-	-	-
Total current assets	7,564,117	364,156	3,049,917	600,326	11,578,516
Non-Current assets:					
Advances to other funds	-	-	2,276,388	-	2,276,388
Capital assets:					
Facilities, infrastructure, and equipment, net of depreciation	-	147,520	1,811,392	46,598	2,005,510
Total noncurrent assets	-	147,520	4,087,780	46,598	4,281,898
Total assets	7,564,117	511,676	7,137,697	646,924	15,860,414
LIABILITIES					
Current liabilities:					
Accounts payable	24,922	31,980	78,032	56,198	191,132
Compensated absences	-	27,921	29,853	-	57,774
Claims and litigation	1,547,835	-	-	-	1,547,835
Total current liabilities	1,572,757	59,901	107,885	56,198	1,796,741
Noncurrent liabilities:					
Compensated absences	-	10,855	48,126	-	58,981
Claims and litigation	5,092,165	-	-	-	5,092,165
Total noncurrent liabilities	5,092,165	10,855	48,126	-	5,151,146
Total liabilities	6,664,922	70,756	156,011	56,198	6,947,887
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	-	147,520	1,811,392	46,598	2,005,510
Unrestricted (deficit)	899,195	293,400	5,170,294	544,128	6,907,017
Total net assets (deficit)	\$ 899,195	\$ 440,920	\$ 6,981,686	\$ 590,726	\$ 8,912,527

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the year ended June 30, 2010

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 2,716,739	\$ 1,037,044	\$ 1,246,677	\$ 648,356	\$ 5,648,816
Other revenue	-	-	13,172	-	13,172
Total operating revenue	2,716,739	1,037,044	1,259,849	648,356	5,661,988
OPERATING EXPENSES:					
Salaries and benefits	-	528,097	346,819	65,294	940,210
Supplies and services	-	120,041	47,537	24,768	192,346
Insurance claims and expenses	1,628,790	-	-	-	1,628,790
Communication and utilities	-	58,372	90	52,085	110,547
Maintenance	-	11,761	214,951	38,451	265,163
Depreciation and amortization	-	17,127	495,145	38,259	550,531
Contractual services	829,046	288,013	6,458	473,419	1,596,936
Total operating expenses	2,457,836	1,023,411	1,111,000	692,276	5,284,523
Operating income (loss)	258,903	13,633	148,849	(43,920)	377,465
NONOPERATING REVENUES (EXPENSES):					
Investment income	132,502	-	57,004	-	189,506
Net nonoperating revenues (expenses)	132,502	-	57,004	-	189,506
Income (loss) before transfers	391,405	13,633	205,853	(43,920)	566,971
Transfers out	(500,000)	-	-	-	(500,000)
Change in net assets	(108,595)	13,633	205,853	(43,920)	66,971
NET ASSETS (DEFICIT):					
Beginning of year	1,007,790	427,287	6,775,833	634,646	8,845,556
End of year	\$ 899,195	\$ 440,920	\$ 6,981,686	\$ 590,726	\$ 8,912,527

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2010

	Risk Management Fund	Facilities Services Fund	Equipment Services Fund	Information Technology Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from other funds	\$ 2,581,139	\$ 1,037,597	\$ 1,505,195	\$ 659,729	\$ 5,783,660
Payments to suppliers	(339,835)	(461,376)	(196,795)	(578,243)	(1,576,249)
Payments to employees for services	-	(533,168)	(345,590)	(65,294)	(944,052)
Claims paid	(1,822,917)	-	-	-	(1,822,917)
Net cash provided by (used in) operating activities	418,387	43,053	962,810	16,192	1,440,442
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out	(500,000)	-	-	-	(500,000)
	(500,000)	-	-	-	(500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	-	(16,860)	(282,796)	(8,798)	(308,454)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	132,502	-	57,004	-	189,506
	132,502	-	57,004	-	189,506
Net increase (decrease) in cash and cash equivalents	50,889	26,193	737,018	7,394	821,494
CASH AND CASH EQUIVALENTS:					
Beginning of year	7,326,670	337,963	2,252,983	592,932	10,510,548
End of year	\$ 7,377,559	\$ 364,156	\$ 2,990,001	\$ 600,326	\$ 11,332,042
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating (loss) income	\$ 258,903	\$ 13,633	\$ 148,849	\$ (43,920)	\$ 377,465
Adjustments for noncash activities:					
Depreciation and amortization	-	17,127	495,145	38,259	550,531
Changes in assets and liabilities:					
Receivables	(135,600)	553	260,150	11,373	136,476
Inventories	-	-	(14,803)	-	(14,803)
Accounts payable	(458)	16,811	72,241	10,480	99,074
Insurance claims and litigation	295,542	-	-	-	295,542
Compensated absences	-	(5,071)	1,228	-	(3,843)
Total adjustments	159,484	29,420	813,961	60,112	1,062,977
Net cash provided by (used in) operating activities	\$ 418,387	\$ 43,053	\$ 962,810	\$ 16,192	\$ 1,440,442

Fiduciary Funds

Agency Funds

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

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

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

Hotel BID Fees - This fund accounts for fee collections received as an Agent for the San Mateo County Visitors and Convention Bureau.

CCFD Specialized Training Fund - This fund accounts for training funds received as an Agent for county-wide specialized training.

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

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

Unclaimed Property - This fund accounts for unclaimed property received by the Burlingame Police Department.

EMS Training Fund - This fund accounts for collections received as an Agent for county-wide EMS training.

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

Building Standard Administration - This fund accounts for fee collected from building permits and disbursed to the State of California in accordance with program regulations.

Hillsborough Microfiche and Contract Svcs. - This funds accounts for collections received as an agent for the Town of Hillsborough.

QWL Committee - This fund accounts for collections received as an Agent for the Quality of Worklife Committee.

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Library Trustee Account				
Assets:				
Cash and investments	\$ 351,901	\$ 28,824	\$ 50,095	\$ 330,630
Total assets	\$ 351,901	\$ 28,824	\$ 50,095	\$ 330,630
Liabilities:				
Accounts payable	\$ 962	\$ 3,492	\$ 962	\$ 3,492
Deposits	\$ 350,939	\$ 28,824	\$ 52,625	\$ 327,138
Total liabilities	\$ 351,901	\$ 32,316	\$ 53,587	\$ 330,630
Seismic Education Fees				
Assets:				
Cash and investments	\$ 32,125	\$ 2,627	\$ 5,975	\$ 28,777
Total assets	\$ 32,125	\$ 2,627	\$ 5,975	\$ 28,777
Liabilities:				
Accounts payable	\$ 7,124	\$ 1,188	\$ 7,124	\$ 1,188
Due to other governmental units	\$ 25,001	\$ 8,563	\$ 5,975	\$ 27,589
Total liabilities	\$ 32,125	\$ 9,751	\$ 13,099	\$ 28,777
Hotel BID Fees				
Assets:				
Cash and investments	\$ 15,761	\$ 1,713,447	\$ 1,728,710	\$ 498
Total assets	\$ 15,761	\$ 1,713,447	\$ 1,728,710	\$ 498
Liabilities:				
Due to other governmental units	\$ 15,761	\$ 1,713,447	\$ 1,728,710	\$ 498
Total liabilities	\$ 15,761	\$ 1,713,447	\$ 1,728,710	\$ 498
CCFD Specialized Training Fund				
Assets:				
Cash and investments	\$ 4,765	\$ 33,982	\$ 26,789	\$ 11,958
Accounts Receivable	\$ -	\$ 5,804	\$ -	\$ 5,804
Total assets	\$ 4,765	\$ 39,786	\$ 26,789	\$ 17,762
Liabilities:				
Accounts payable	\$ 2,353	\$ 4,123	\$ 2,353	\$ 4,123
Due to other governmental units	\$ 2,412	\$ 38,105	\$ 26,878	\$ 13,639
Total liabilities	\$ 4,765	\$ 42,228	\$ 29,231	\$ 17,762
Elementary School Development Fees				
Assets:				
Cash and investments	\$ 28,405	\$ 176,250	\$ 180,056	\$ 24,599
Total assets	\$ 28,405	\$ 176,250	\$ 180,056	\$ 24,599
Liabilities:				
Accounts payable	\$ 28,405	\$ 24,599	\$ 28,405	\$ 24,599
Total liabilities	\$ 28,405	\$ 24,599	\$ 28,405	\$ 24,599

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Changes in Assets and Liabilities
All Agency Funds, Continued
For the year ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
High School Development Fees				
Assets:				
Cash and investments	\$ 19,109	\$ 117,831	\$ 120,494	\$ 16,446
Total assets	\$ 19,109	\$ 117,831	\$ 120,494	\$ 16,446
Liabilities:				
Accounts payable	\$ 19,109	\$ 16,446	\$ 19,109	\$ 16,446
Total liabilities	\$ 19,109	\$ 16,446	\$ 19,109	\$ 16,446
Unclaimed Property - PD				
Assets:				
Cash and investments	\$ 1,537	\$ 169	\$ -	\$ 1,706
Total assets	\$ 1,537	\$ 169	\$ -	\$ 1,706
Liabilities:				
Due to other governmental units	\$ 1,537	\$ 169	\$ -	\$ 1,706
Total liabilities	\$ 1,537	\$ 169	\$ -	\$ 1,706
EMS Training				
Assets:				
Cash and investments	\$ (15,640)	\$ 73,245	\$ 62,381	\$ (4,776)
Accounts Receivable	\$ 5,515	\$ 19,525	\$ 5,515	\$ 19,525
Total assets	\$ (10,125)	\$ 92,770	\$ 67,896	\$ 14,749
Liabilities:				
Accounts payable	\$ 942	\$ 18,588	\$ 942	\$ 18,588
Due to other governmental units	\$ (11,067)	\$ 22,134	\$ 14,906	\$ (3,839)
Total liabilities	\$ (10,125)	\$ 40,722	\$ 15,848	\$ 14,749
BID Trust - Broadway				
Assets:				
Cash and investments	\$ 550	\$ 31,238	\$ 27,188	\$ 4,600
Total assets	\$ 550	\$ 31,238	\$ 27,188	\$ 4,600
Liabilities:				
Accounts payable	\$ 550	\$ 4,600	\$ 550	\$ 4,600
Total liabilities	\$ 550	\$ 4,600	\$ 550	\$ 4,600
Library Foundation				
Assets:				
Cash and investments	\$ 2,079	\$ 8,186	\$ 8,482	\$ 1,783
Total assets	\$ 2,079	\$ 8,186	\$ 8,482	\$ 1,783
Liabilities:				
Accounts payable	\$ 2,079	\$ 1,783	\$ 2,079	\$ 1,783
Due to other governmental units	\$ -	-	-	\$ -
Total liabilities	\$ 2,079	\$ 1,783	\$ 2,079	\$ 1,783

CITY OF BURLINGAME, CALIFORNIA
Combining Statement of Changes in Assets and Liabilities
All Agency Funds, Continued
For the year ended June 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Building Standards Administration				
Assets:				
Cash and investments	\$ 1,612	\$ 2,737	\$ 3,314	\$ 1,035
Total assets	\$ 1,612	\$ 2,737	\$ 3,314	\$ 1,035
Liabilities:				
Accounts payable	\$ 1,494	\$ 418	\$ 1,494	\$ 418
Due to other governmental units	\$ 118	\$ 2,319	\$ 1,820	\$ 617
Total liabilities	\$ 1,612	\$ 2,737	\$ 3,314	\$ 1,035
Hillsborough Microfiche & Contract Services				
Assets:				
Cash and investments	\$ 2,143	\$ 2,049	\$ 1,974	\$ 2,218
Total assets	\$ 2,143	\$ 2,049	\$ 1,974	\$ 2,218
Liabilities:				
Accounts payable		\$ 2,218	\$ -	\$ 2,218
Due to other governmental units	\$ 2,143		\$ 2,143	\$ -
Total liabilities	\$ 2,143	\$ 2,218	\$ 2,143	\$ 2,218
QWL Committee				
Assets:				
Cash and investments	\$ 612	\$ 1,903	\$ 1,013	\$ 1,502
Total assets	\$ 612	\$ 1,903	\$ 1,013	\$ 1,502
Liabilities:				
Accounts payable	\$ -			\$ -
Deposits	\$ 612	\$ 1,903	\$ 1,013	\$ 1,502
Total liabilities	\$ 612	\$ 1,903	\$ 1,013	\$ 1,502
	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets:				
Cash and investments	\$ 444,959	\$ 2,192,488	\$ 2,216,471	\$ 420,976
Accounts receivable	\$ 5,515	\$ 25,329	\$ 5,515	\$ 25,329
Total assets	\$ 450,474	\$ 2,217,817	\$ 2,221,986	\$ 446,305
Liabilities:				
Accounts payable	\$ 63,018	\$ 77,455	\$ 63,018	\$ 77,455
Deposits	\$ 351,551	\$ 30,727	\$ 53,638	\$ 328,640
Due to other governmental units	\$ 35,905	\$ 1,784,737	\$ 1,780,432	\$ 40,210
Total liabilities	\$ 450,474	\$ 1,892,919	\$ 1,897,088	\$ 446,305

STATISTICAL SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010

Statistical Section

<u>Contents</u>	<u>Pages</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	103-106
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	108-115
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	116-120
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments	121-124
<u>Operating Information</u> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs	125-126

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in fiscal year 2002-2003; schedules presenting government-wide information include information beginning in that year.



COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010

CITY OF BURLINGAME, CALIFORNIA
NET ASSETS BY COMPONENT
Last Eight Fiscal Years (accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	\$ 104,839	\$ 98,042	\$ 97,102	\$ 95,584	\$ 93,700	\$ 92,795	\$ 90,667	\$ 89,054
Restricted	1,707	1,254	1,892	1,655	1,800	3,299	3,575	3,515
Unrestricted	16,679	15,717	11,811	12,206	12,709	16,265	11,305	13,180
Total governmental activities net assets	<u>\$ 123,225</u>	<u>\$ 115,013</u>	<u>\$ 110,805</u>	<u>\$ 109,445</u>	<u>\$ 108,209</u>	<u>\$ 112,359</u>	<u>\$ 105,547</u>	<u>\$ 105,749</u>
Business-type activities:								
Invested in capital assets, net of related debt	\$ 25,038	\$ 25,621	\$ 27,990	\$ 27,651	\$ 27,631	\$ 30,824	\$ 32,014	\$ 30,759
Restricted	-	-	-	-	-	-	-	-
Unrestricted	1,068	4,167	6,323	8,610	13,540	14,385	18,119	19,260
Total business-types activities net assets	<u>\$ 26,106</u>	<u>\$ 29,788</u>	<u>\$ 34,313</u>	<u>\$ 36,261</u>	<u>\$ 41,171</u>	<u>\$ 45,209</u>	<u>\$ 50,133</u>	<u>\$ 50,019</u>
Primary government:								
Invested in capital assets, net of related debit	\$ 129,877	\$ 123,663	\$ 125,092	\$ 123,235	\$ 121,331	\$ 123,619	\$ 122,681	\$ 119,813
Restricted	1,707	1,254	1,892	1,655	1,800	3,299	3,575	3,515
Unrestricted	17,747	19,884	18,134	20,816	26,249	30,650	29,424	32,440
Total primary government net assets	<u>\$ 149,331</u>	<u>\$ 144,801</u>	<u>\$ 145,118</u>	<u>\$ 145,706</u>	<u>\$ 149,380</u>	<u>\$ 157,568</u>	<u>\$ 155,680</u>	<u>\$ 155,768</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002-03

CHANGE IN NET ASSETS**Last Eight Fiscal Years (accrual basis accounting)****(amounts expressed in thousands)**

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 4,613	\$ 4,051	\$ 4,201	\$ 4,488	\$ 4,957	\$ 5,199	\$ 5,493	\$ 5,354
Public safety	16,755	16,142	18,042	19,758	17,804	18,981	21,154	21,050
Public works	9,318	9,954	5,628	7,526	7,685	4,307	8,071	8,453
City planning	996	896	771	837	835	4,168	3,263	2,318
Parks, recreation and library	10,993	10,294	10,803	11,373	11,304	9,465	10,868	9,191
Shuttle operations	193	328	250	286	306	304	318	130
Interest on long-term debt	588	716	1,072	519	2,644	1,401	2,093	1,876
Total governmental activities expenses	<u>43,456</u>	<u>42,381</u>	<u>40,767</u>	<u>44,787</u>	<u>45,535</u>	<u>43,825</u>	<u>51,260</u>	<u>48,372</u>
Business-type activities:								
Water	5,119	5,955	6,363	6,934	7,629	8,662	9,315	9,370
Sewer	6,346	8,664	7,388	8,486	9,323	10,011	10,442	10,170
Waste management	650	292	290	318	372	307	1,217	687
Golf	657	-	-	-	-	-	1,353	1,298
Parking	-	710	902	1,127	1,154	1,316	1,185	1,075
Total business-type activities expenses	<u>12,772</u>	<u>15,621</u>	<u>14,943</u>	<u>16,865</u>	<u>18,478</u>	<u>20,296</u>	<u>23,512</u>	<u>22,600</u>
Total primary government expenses	<u>\$ 56,228</u>	<u>\$ 58,002</u>	<u>\$ 55,710</u>	<u>\$ 61,652</u>	<u>\$ 64,013</u>	<u>\$ 64,121</u>	<u>\$ 74,772</u>	<u>\$ 70,972</u>
Program Revenue								
Governmental activities:								
Charges for services:								
General government	\$ 124	\$ 231	\$ 244	\$ 275	\$ 574	\$ 269	\$ 240	\$ 350
Public safety	2,063	1,588	1,672	1,892	2,355	1,737	2,104	1,179
Public works	879	1,009	1,077	1,393	3,032	1,438	556	314
City planning	179	309	305	317	344	263	300	336
Parks, recreation and library	1,992	2,245	2,424	2,514	2,810	2,719	2,565	2,643
Operating grants and contributions	1,838	1,796	1,756	2,080	166	2,730	2,590	2,040
Capital grants and contributions	750	1,129	885	1,086	-	105	918	3,407
Total governmental activities program revenues	<u>7,825</u>	<u>8,307</u>	<u>8,363</u>	<u>9,557</u>	<u>9,281</u>	<u>9,261</u>	<u>9,273</u>	<u>10,269</u>
Business-types activities:								
Charges for services:								
Water	5,709	7,168	8,095	8,726	10,484	11,119	11,800	11,516
Sewer	7,020	8,952	8,253	9,584	10,825	11,592	12,467	12,534
Waste Management	454	-	-	-	-	-	7	2
Parking	-	-	1,662	1,644	1,638	1,691	1,640	1,645
Building	-	1,283	-	-	-	-	2,356	1,479
Capital grants and contributions	-	-	-	-	-	1,105	535	23
Total business-type activities program revenues	<u>13,183</u>	<u>17,403</u>	<u>18,010</u>	<u>19,954</u>	<u>22,947</u>	<u>25,507</u>	<u>28,805</u>	<u>27,199</u>
Total primary government program revenues	<u>\$ 21,008</u>	<u>\$ 25,710</u>	<u>\$ 26,373</u>	<u>\$ 29,511</u>	<u>\$ 32,228</u>	<u>\$ 34,768</u>	<u>\$ 38,078</u>	<u>\$ 37,468</u>
Net (expenses)/revenue								
Government activities	\$ (35,631)	\$ (34,074)	\$ (32,404)	\$ (35,230)	\$ (36,254)	\$ (34,564)	\$(41,987)	\$ (38,103)
Business-type activities	411	1,782	3,067	3,089	4,469	5,211	5,293	4,599
Total primary government net expenses	<u>\$ 35,220</u>	<u>\$ 32,292</u>	<u>\$ 29,337</u>	<u>\$ 32,141</u>	<u>(31,785)</u>	<u>(29,353)</u>	<u>(36,694)</u>	<u>(33,504)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 6,844	\$ 7,399	\$ 9,360	\$ 10,390	\$ 11,469	\$ 12,198	\$ 12,798	\$ 13,355
Sales tax	8,095	8,834	8,508	8,806	9,231	9,458	8,251	6,276
Transient occupancy tax	6,680	7,299	8,067	9,273	10,356	11,265	10,155	10,342
Franchise taxes	568	782	777	820	875	908	969	994
Business license tax	600	604	684	637	648	690	813	869
Intergovernmental taxes	1,957	1,680	708	1,041	567	505	313	404
Unrestricted investment income	1,008	684	782	716	1,408	1,610	897	618
Transfers	2,497	(1,420)	(689)	11,039	464	2,080	980	5,447
Total governmental activities	<u>28,249</u>	<u>25,862</u>	<u>28,197</u>	<u>42,722</u>	<u>35,018</u>	<u>38,714</u>	<u>35,176</u>	<u>38,305</u>
Business-type activities:								
Franchise tax	174	295	401	747	905	906	610	734
Investment earnings	100	184	367	299	-	-	-	-
Transfers	(2,497)	1,420	689	(11,039)	(464)	(2,080)	(980)	(5,447)
Total primary government	<u>(2,223)</u>	<u>1,899</u>	<u>1,457</u>	<u>(9,993)</u>	<u>441</u>	<u>(1,174)</u>	<u>(370)</u>	<u>(4,713)</u>
Change in Net Assets								
Government activities	(7,382)	(8,212)	(4,207)	7,492	(1,236)	4,150	(6,811)	202
Business-type activities	(1,812)	3,681	4,524	(6,904)	4,910	4,037	4,923	(114)
Total primary government	<u>\$ (9,194)</u>	<u>\$ (4,531)</u>	<u>\$ 317</u>	<u>\$ 588</u>	<u>\$ 3,674</u>	<u>\$ 8,187</u>	<u>\$ (1,888)</u>	<u>\$ 88</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002-03

CITY OF BURLINGAME, CALIFORNIA
FUND BALANCE OF GOVERNMENTAL FUNDS
Last Eight Fiscal Years (modified accrual basis of accounting)
(amounts express in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:								
Reserved	\$ 100	\$ -	\$ -	\$ -	\$ 88	\$ 669	\$ 109	\$ 580
Unreserved	8,584	8,635	8,994	8,747	9,802	8,881	7,236	6,276
Total general fund	<u>\$ 8,684</u>	<u>\$ 8,635</u>	<u>\$ 8,994</u>	<u>\$ 8,747</u>	<u>\$ 9,890</u>	<u>9,550</u>	<u>7,345</u>	<u>6,856</u>
All other governmental funds:								
Reserved	\$ 3,159	\$ 1,820	\$ 1,841	\$ 1,666	\$ 1,398	\$ 2,351	\$ 2,654	\$ 5,451
Unreserved, reported in:								
Debt service funds	-	-	-	-	401	987	986	986
Special revenue funds	195	288	293	481	517	605	757	745
Capital projects funds	8,651	8,620	2,708	2,643	2,709	4,387	2,467	2,581
Total all other governmental funds	<u>\$ 12,005</u>	<u>\$ 10,728</u>	<u>\$ 4,842</u>	<u>\$ 4,790</u>	<u>\$ 5,025</u>	<u>8,330</u>	<u>6,864</u>	<u>9,763</u>

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in FY 2002-03

CITY OF BURLINGAME, CALIFORNIA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Eight Fiscal Years (modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
REVENUES:						
Property taxes	\$ 6,844	\$ 7,400	\$ 11,726	\$ 10,390	\$ 11,469	\$ 12,198
Sales and use taxes	8,095	8,834	13,229	8,806	9,231	9,459
Transient occupancy taxes	6,680	7,299	8,067	9,273	10,355	11,264
Other taxes	1,445	1,728	1,861	1,843	1,900	1,981
Licenses and permits	1,679	758	816	927	967	1,221
Fines, forfeitures, and penalties	668	1,120	1,070	984	1,184	1,178
Investment income	1,021	742	809	773	1,491	1,677
Motor vehicle in lieu tax	1,679	1,289	308	655	190	122
Intergovernmental	1,234	1,147	1,186	1,390	1,515	1,829
Charges for services	2,807	3,316	3,637	4,237	4,145	3,797
Grant revenue	1,093	637	502	613	577	319
Miscellaneous	333	1,312	1,099	1,306	777	823
Total revenues	33,578	35,582	44,310	41,197	43,801	45,868
EXPENDITURES:						
General government	3,943	3,841	3,965	4,306	4,686	4,987
Public safety	15,816	15,983	17,734	18,949	16,550	18,846
Public works	7,634	6,366	6,158	6,881	6,204	4,723
City planning	954	756	739	841	780	1,697
Parks, recreation and library	8,519	7,785	8,388	9,028	8,784	9,505
Shuttle operations	192	205	250	286	306	304
Capital outlay	7,962	2,677	3,253	2,050	1,456	6,680
Debt service:						
Principal	653	683	267	803	2,405	2,547
Interest	593	721	1,158	540	2,297	1,543
Total expenditures	46,266	39,017	41,912	43,684	43,468	50,832
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:	(12,688)	(3,435)	2,398	(2,487)	333	(4,964)
OTHER FINANCING SOURCES (USES):						
Transfer in	14,234	16,652	11,880	15,455	16,935	15,532
Transfer out	(11,737)	(14,543)	(12,569)	(13,268)	(16,471)	(7,605)
Pension obligation bonds issued	-	-	-	-	32,975	-
Payment to PERS retirement	-	-	-	-	(32,393)	-
Refund bond issued	-	-	6,705	-	-	-
Premium on refinancing bonds issued	-	-	197	-	-	-
Discounts on bonds issued	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	(7,050)	-	-	-
Total other financing sources (uses)	2,497	2,109	(837)	2,187	1,046	7,927
Net change in fund balances	\$ (10,191)	\$ (1,326)	\$ 1,561	\$ (300)	\$ 1,379	\$ 2,963
Debt service as a percentage of noncapital expenditures	3%	4%	4%	3%	13%	10%

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in FY 2002-03

	2009	2010
\$	12,798	\$ 12,209
	8,251	6,276
	10,155	10,342
	2,012	2,159
	298	92
	1,298	467
	959	694
	83	108
	1,898	1,506
	3,986	3,955
	824	1,146
	877	2,990
	43,439	41,944
	5,111	4,842
	19,097	18,830
	6,839	7,231
	890	780
	10,319	8,500
	318	130
	1,269	5,028
	2,138	2,212
	2,104	1,922
	48,085	49,475
	(4,646)	(7,531)
	17,398	16,797
	(16,418)	(6,861)
	-	-
	-	-
	-	-
	-	-
	-	-
	980	9,936
\$	(3,666)	\$ 2,405
	10%	10%

CITY OF BURLINGAME, CALIFORNIA
ASSESSED VALUES OF TAXABLE PROPERTY
Last Ten Fiscal Years

Category	2000-01	2001-02	2002-03	2003-04
Residential	2,487,343,890	2,745,980,210	2,933,705,123	3,192,699,192
Commercial	903,742,338	932,963,400	960,807,581	890,698,125
Industrial	254,248,658	280,424,241	295,300,670	305,433,159
Government	1,468,694	1,498,065	1,528,024	1,558,582
Institutional	19,524,581	22,309,492	29,465,409	30,448,555
Miscellaneous	2,039,966	2,080,762	2,122,372	2,164,816
Recreational	24,392,509	10,341,077	10,533,997	10,737,135
Vacant Land	98,917,506	139,462,689	110,324,152	88,831,363
SBE Nonunitary	1,120,393	1,226,620	1,180,967	1,348,677
Unsecured	299,845,606	334,964,319	318,366,279	293,708,468
Unknown	-	-	-	-
TOTALS	4,092,644,141	4,471,025,915	4,663,334,574	4,817,628,072
Total Direct Rate	0.14564%	0.14556%	0.14451%	0.14451%

Source: San Mateo County Assessor 2000/01 - 2009/10 combined tax rolls

Notes:

Exempt values are not included in the total.

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

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
3,460,465,971	3,768,862,689	4,092,575,618	4,423,442,635	4,752,146,688	4,919,338,207
951,146,122	1,050,922,639	1,111,613,900	1,218,274,542	1,199,478,175	1,230,658,965
304,397,652	340,313,166	367,137,642	386,532,903	403,343,837	417,397,081
1,587,678	1,619,429	1,651,816	1,684,851	1,718,546	1,752,914
30,439,591	30,906,932	31,826,071	32,449,526	27,466,494	23,302,586
2,205,229	2,249,331	2,294,312	2,340,192	2,386,992	2,430,829
11,316,394	11,499,783	12,299,913	12,527,505	20,570,100	21,085,577
88,019,922	10,209,748	11,497,891	10,038,189	43,750,096	46,892,067
1,682,882	1,569,728	1,290,599	3,837,425	3,837,425	3,837,425
293,279,512	272,414,954	324,100,493	291,377,516	300,758,515	299,902,769
-	-	4,241,980	2,345,079	6,570,105	-
5,144,540,953	5,490,568,399	5,960,548,235	6,384,850,363	6,762,026,973	6,966,598,420
0.14531%	0.14536%	0.14532%	0.14525%	0.14523%	0.14521%

CITY OF BURLINGAME, CALIFORNIA
NET TAXABLE ASSESSED VALUE HISTORY
Last Ten Fiscal Years

TAXABLE PROPERTY VALUES

LIEN YEAR	SECURED	UNSECURED	SBE NONUNITARY	NET TOTAL ASSESSED VALUE	% CHANGE
2000/01	3,791,678,142	299,845,606	1,120,393	4,092,644,141	10.03%
2001/02	4,135,059,976	334,964,319	1,226,620	4,471,250,915	9.25%
2002/03	4,343,787,328	318,366,279	1,180,967	4,663,334,574	4.30%
2003/04	4,522,570,927	293,708,468	1,348,677	4,817,628,072	3.31%
2004/05	4,849,578,559	293,279,512	1,682,882	5,144,540,953	6.79%
2005/06	5,216,583,717	272,414,954	1,569,728	5,490,568,399	6.73%
2006/07	5,635,157,143	324,100,493	1,290,599	5,960,548,235	8.56%
2007/08	6,089,635,422	291,377,516	3,837,425	6,384,850,363	7.12%
2008/09	6,457,431,033	300,758,515	3,837,425	6,762,026,973	5.91%
2009/10	6,662,858,226	299,902,769	3,837,425	6,966,598,420	3.03%

Source: San Mateo County Assessor 2000/01 - 2009/10 combined tax rolls

CITY OF BURLINGAME, CALIFORNIA
PROPERTY TAX RATES--DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(per \$100 of assessed value)

Fiscal Year	General County, City and Schools (1)	DEBT AND/OR SPECIAL ASSESSMENTS						Total Tax Rate
		City	County	Peninsula Hospital	Community College District	Elementary School District	High School District	
	\$	\$	\$	\$	\$	\$	\$	\$
2001	1.0000	0.0000	0.0000	0.0000	0.0000	0.0257	0.0000	1.0257
2002	1.0000	0.0000	0.0000	0.0000	0.0000	0.0249	0.0153	1.0402
2003	1.0000	0.0000	0.0000	0.0000	0.0079	0.0242	0.0165	1.0486
2004	1.0000	0.0000	0.0000	0.0000	0.0065	0.0245	0.0161	1.0471
2005	1.0000	0.0000	0.0000	0.0000	0.0065	0.0236	0.0174	1.0475
2006	1.0000	0.0000	0.0000	0.0000	0.0065	0.0204	0.0174	1.0443
2007	1.0000	0.0000	0.0000	0.0000	0.0184	0.0183	0.0156	1.0523
2008	1.0000	0.0000	0.0000	0.0000	0.0171	0.0197	0.0150	1.0518
2009	1.0000	0.0000	0.0000	0.0000	0.0165	0.0468	0.0298	1.0931
2010	1.0000	0.0000	0.0000	0.0000	0.0182	0.1274	0.0319	1.1775

Note:

(1) General Tax Rate is permanently fixed at \$1.00 pursuant to Article XIII (A) of the California State Constitution.

Source: San Mateo County Assessor's records

CITY OF BURLINGAME, CALIFORNIA
TOP TEN PROPERTY TAXPAYERS
June 30, 2010
(amounts expressed in thousands)

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (1)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Bay Park Plaza Associates	\$ 113,619,400	1	1.63%	\$ 54,306,372	2	1.33%
HMC Burlingame Hotel LLC	85,728,207	2	1.23%	235,406,760	1	5.75%
HMH SFO Inc.	66,000,000	3	0.95%			
Steller Skyline LLC	46,591,777	4	0.67%			
Felcor CCS Holdings LP	46,346,855	5	0.67%	40,398,489	3	0.99%
Northpark Properties	34,902,698	6	0.50%	21,648,317	9	0.53%
Harbour View Hotels, Inc	29,007,871	7	0.42%	22,632,373	7	0.55%
Pauls Rollins Road LLC	27,050,400	8	0.39%			
350 Beach Road LLC	26,530,200	9	0.38%			
Public Storage	25,513,060	10	0.37%			
One Bay Plaza Associates LLC	45,390		0.00%	39,219,000	4	0.96%
CRP BAHP SFO	32,561		0.00%			
Airport Blvd. Hotel LLC	27,972		0.00%	27,644,973	6	0.68%
Glenborough Rollins Road LLC			0.00%	28,560,000	5	0.70%
Guittard Chocolate Company			0.00%	21,688,611	8	0.53%
California Teachers Association			0.00%	21,143,555	10	0.53%
	<u>\$ 501,396,391</u>		<u>7.20%</u>	<u>\$ 512,648,450</u>		<u>12.55%</u>

(1) 2009-10 Local Secured Assessed Valuation \$ 6,966,598,420

Source: San Mateo County Assessor, Hdl Coren & Cone

CITY OF BURLINGAME, CALIFORNIA
PROPERTY TAX LEVIES AND COLLECTIONS*
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Transfer to Educational Revenue Augment. Fund (1)	County Administrative Charge (2)	Net Tax Levy to City	Current Tax Collections	Percent of Current Tax Collections to Net Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2001	6,919,466	(1,022,856)	(91,728)	5,804,882	6,083,088	105%	4,795	6,087,883	104.88%
2002	7,573,586	(1,120,539)	(83,483)	6,369,564	6,838,110	107%	7,572	6,845,682	107.47%
2003	7,726,711	(1,169,618)	(69,986)	6,487,107	6,815,623	105%	29,184	6,844,807	105.51%
2004	7,988,685	(1,209,268)	(65,192)	6,714,225	7,384,578	110%	14,877	7,399,455	110.21%
2005	8,539,731	(1,292,708)	(73,432)	7,173,591	8,596,528	120%	17,028	8,613,556	120.07%
2006	9,141,651	(1,385,785)	(67,016)	7,688,850	9,278,777	121%	23,570	9,302,347	120.98%
2007	9,939,398	(1,504,653)	(95,293)	8,339,452	8,799,467	106%	(17,992)	8,781,475	105.30%
2008	10,661,563	(1,614,041)	(98,200)	8,949,322	9,371,585	105%	15,146	9,386,731	104.89%
2009	11,304,881	(1,711,368)	(106,082)	9,487,431	9,730,358	103%	20,349	9,750,707	102.77%
2010	11,653,813	(1,764,250)	(105,431)	9,784,132	8,840,920	90%	13,545	8,854,465	90.50%

Notes:

- (1) The Educational Revenue Augmentation Fund was established by State law to reallocate property tax revenue from the City, county and some districts to school districts.
- (2) The County of San Mateo levies an administrative charge pursuant to state law to recover costs of collection and distribution of property taxes to local agencies.
- (3) In fiscal year 2009-10 as part of the State of California's budget balancing actions, the State borrowed \$1,145,268 of the City's property tax revenue, with the promise to repay the Prop 1A loan in three years with 2% interest.

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

CITY OF BURLINGAME, CALIFORNIA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal year	Property Tax	Sales Tax	Transient Occupancy Tax	Other Taxes	Inter-governmental Revenues	Total
2001	6,088	11,397	13,818	2,849	1,917	36,069
2002	6,846	9,177	7,698	1,517	1,967	16,265
2003	6,845	8,095	6,680	1,490	4,006	27,116
2004	7,399	8,834	7,299	1,728	3,072	28,332
2005	9,360	8,508	8,066	1,861	1,996	29,791
2006	10,390	8,806	9,273	2,204	1,041	31,714
2007	11,469	9,231	10,356	1,523	567	33,146
2008	12,198	9,459	11,265	1,981	505	35,408
2009	12,798	8,251	10,155	1,782	313	33,299
2010	13,355	6,276	10,342	1,857	403	32,233

Source: Audited City financial records - Statement of Activities

CITY OF BURLINGAME, CALIFORNIA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal year	Property Tax	Sales Tax	Transient Occupancy Tax	Other Taxes	Inter-governmental Revenues	Total
2001	6,088	11,397	13,818	2,849	1,917	36,069
2002	6,846	9,177	7,698	1,517	1,967	16,265
2003	6,845	8,095	6,680	1,490	4,006	27,116
2004	7,399	8,834	7,299	1,728	3,072	28,332
2005	9,360	8,508	8,066	1,861	1,996	29,791
2006	10,390	8,806	9,273	2,204	1,041	31,714
2007	11,469	9,231	10,356	1,523	567	33,146
2008	12,198	9,459	11,265	1,981	505	35,408
2009	12,798	8,251	10,155	1,782	313	33,299
2010	12,209	6,276	10,342	1,857	403	31,087

Source: Audited City financial records - general fund

CITY OF BURLINGAME, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Lease Revenue Bond	Pension Obligation Bonds	Sewer Bonds	Water Bonds			
2001	7,841,300		14,014,265	-	21,855,565	1.74%	772
2002	15,380,000		17,315,000	4,090,694	36,785,694	2.92%	1,301
2003	14,727,500		19,081,250	9,311,250	43,120,000	3.32%	1,530
2004	14,045,000		24,532,500	22,577,500	61,155,000	4.41%	2,171
2005	13,613,386		29,234,189	21,775,826	64,623,401	4.38%	2,293
2006	12,792,946		30,920,099	21,304,310	65,017,355	4.04%	2,299
2007	11,950,007	31,395,000	41,192,796	34,268,223	118,806,026	6.96%	4,176
2008	11,082,068	30,280,000	39,106,563	33,188,846	113,657,477	6.51%	3,952
2009	10,186,629	29,020,000	36,984,561	32,353,546	108,544,736	6.38%	3,736
2010	7,522,857	27,605,000	36,064,336	32,110,553	103,302,746	0.00%	-

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

(1) See the schedule of Demographic and Economic Statistics for personal income and per capita data. Data not available for 2010.

CITY OF BURLINGAME, CALIFORNIA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2010	-	-	-	0.00%	-

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

CITY OF BURLINGAME, CALIFORNIA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT*
June 30, 2010

2009-10 Assessed Valuation** : \$ 6,966,598,420

	Total Debt 6/30/2010	Percent Applicable (1)	City's share of Debt June 30, 2010
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$ 624,979,994	5.378%	\$ 33,611,424
San Mateo Union High School District	307,495,456	15.379%	47,289,726
Burlingame Elementary School District	48,855,000	94.207%	46,024,830
Hillsborough School District	58,041,118	0.089%	51,657
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 126,977,637
<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>			
San Mateo County General Fund Obligations	\$ 349,089,816	5.378%	\$ 18,774,050
San Mateo County Board of Education Certificates of Participation	12,885,000	5.378%	692,955
San Mateo Union High School District Certificates of Participation	65,946,236	15.379%	10,141,872
City of Burlingame Water & Wastewater Lease Revenue Bonds	17,575,000	100.000%	17,575,000
City of Burlingame Lease Revenue Bonds	27,605,000	100.000%	27,605,000
San Mateo County Mosquito Abatement District Certificates of Participation	275,000	7.339%	20,182
TOTAL GROSS DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT			\$ 74,809,059
Less: City of Burlingame Water and Wastewater Lease Revenue Bonds (100% Self Supporting)			8,402,500
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 66,406,559
GROSS COMBINED TOTAL DEBT			\$ 201,786,696 (2)
NET COMBINED TOTAL DEBT			\$ 193,384,196

Ratios to 2009-10 Assessed Valuation:

Gross Combined Direct (\$45,180,000).....	0.65%	* Source: California Municipal Statistics, Inc.
Net Combined Direct Debt (\$36,777,500).....	0.53%	** Total assessed valuation less other exemptions
Total Overlapping Tax and Assessment Debt	1.82%	Source: San Mateo County Assessor
Gross Combined Total Debt	2.90%	
Net Combined Total Debt	2.78%	

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistics

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

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

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

CITY OF BURLINGAME, CALIFORNIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(amount expressed in thousands)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 608,120	\$ 664,816	\$ 693,884	\$ 722,620	\$ 766,012	\$ 780,344	\$ 888,627	\$ 239,432	\$ 253,576	\$ 261,247
Total net debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 608,120</u>	<u>\$ 16,265</u>	<u>\$ 693,884</u>	<u>\$ 722,620</u>	<u>\$ 766,012</u>	<u>\$ 780,344</u>	<u>\$ 888,627</u>	<u>\$ 239,432</u>	<u>\$ 253,576</u>	<u>\$ 261,247</u>
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Legal Debt Margin Calculation for Fiscal Year 2009

Gross Assessed Valuation	\$	6,966,598,420
Debt Margin Ratio (1)		0.0375
Debt Margin		261,247,441
Less: Outstanding Debt	\$	-
Debt limit	<u>\$</u>	<u>261,247,441</u>

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

CITY OF BURLINGAME, CALIFORNIA
PLEDGED-REVENUE COVERAGE
Last Seven Fiscal Years

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

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

Source: City financial statements

Notes:

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

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

The city did not have any revenue bond debt service prior to FY 2003-04

CITY OF BURLINGAME, CALIFORNIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Calendar Year	Population (1)	Personal Income (amounts expressed in thousands)(2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2001	28,320	1,253,288	44,256	-	2.7%
2002	28,278	1,257,966	44,486	-	4.1%
2003	28,179	1,297,177	46,031	3711	4.2%
2004	28,168	1,387,298	49,251	3731	3.5%
2005	28,180	1,475,381	52,356	3724	3.1%
2006	28,277	1,610,910	56,969	3731	2.6%
2007	28,453	1,708,173	60,035	3791	2.7%
2008	28,762	1,747,107	60,744	3606	3.5%
2009	29,050	1,700,088	58,523	3895	6.2%
2010	29,342	N/A	N/A	3887	9.2%

Sources:

- (1) California State Department of Finance
- (2) Income Data: ESRI provided by HDL, Coren & Cone
- (3) Burlingame Elementary School District; Burlingame High School
- (4) State of California Employment Development Department for San Mateo County

CITY OF BURLINGAME, CALIFORNIA
PRINCIPAL EMPLOYERS
Last four years (Historical data not available)

Employer	2010			2009		
	Employee(1)	Rank	Percentage of Total City Employment	Employee(1)	Rank	Percentage of Total City Employment
Mills Peninsula Health Svc	2000	1	7.36%			
Burlingame Millbrae Yellow Cab	800	2	2.94%			
SF Airport Marriott	600	3	2.21%	350	5	2.27%
Hyatt Regency San Francisco Airport	550	4	2.02%	467	2	3.02%
COIT Services	400	5	1.47%			
American Medical Response	300	6	1.10%			
Burlingame Elementary School District	270	7	0.99%			
Classic Party Rentals	250	8	0.92%	521	1	3.37%
Lahlouh Inc.	250	9	0.92%	218	10	1.41%
PR O Unlimited	250	10	0.92%			
ECC Remediation Services Corp.				460	3	2.98%
Critchfield Mechanical, Inc				371	4	2.40%
LSG/Sky Chefs Inc.				281	6	1.82%
Virgin America, Inc				257	7	1.66%
Goldberg & Solovy Foods, Inc				244	8	1.58%
Flying Food Group				236	9	1.53%
Harrington Industrial Plastics						
Guittard Chocolate Co.						
American Medical Response						

Sources: City of Burlingame Business License Data
California EDD Data Library and US Census Bureau
InfoGroup

Notes:

The top ten principal employers for previous years are not available, but will be memorialized from 2007 forward.
The top ten principal employers has not changed from 2007 to 2008; however, the total City employment numbers have changed.

2008			2007		
Employee (1)	Rank	Percentage of Total City Employment	Employee (1)	Rank	Percentage of Total City Employment
379	4	2.40%	379	4	2.56%
467	2	2.96%	467	2	3.16%
302	5	1.91%	302	5	2.04%
218	8	1.38%	218	8	1.47%
500	1	3.16%	500	1	3.38%
281	7	1.78%	281	7	1.90%
283	6	1.79%	283	6	1.91%
400	3	2.53%	400	3	2.70%
210	9	1.33%	210	9	1.42%
200	10	1.27%	200	10	1.35%

CITY OF BURLINGAME, CALIFORNIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	20.63	20.23	22.34	19.09	18.13	18.13	19.13	19.13	19.13	19.00
Public safety										
Police:										
Officers	48.50	50.00	50.00	43.00	43.00	42.00	42.00	42.00	42.00	39.00
Civilians	21.00	21.00	21.50	20.50	20.75	20.00	20.00	20.00	20.00	19.00
Fire:										
Firefighters and officers	49.00	50.00	50.00	45.60	44.00	44.00	44.00	44.00	44.00	43.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.75	1.75	1.75
Public works	27.80	29.63	38.00	35.05	34.55	27.74	25.30	24.80	24.80	27.55
Community Development	14.00	13.50	13.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00
Leisure and culture	59.00	60.40	65.13	58.26	54.53	54.02	55.14	55.42	55.42	52.29
Water	12.00	14.00	14.60	14.60	14.00	14.78	16.75	16.75	16.75	17.00
Sewer	12.00	12.59	12.00	12.00	11.00	12.78	14.50	14.75	14.75	15.00

Source: City budget document

CITY OF BURLINGAME, CALIFORNIA
 OPERATING INDICATORS BY FUNCTION
 Last Eight Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010
Police								
Calls for Service	24,133	21,931	21,520	22,825	26,275	30,337	28,481	29,124
Physical arrests	551	553	548	602	537	541	343	438
Crimes Reported	2,492	2,347	2,399	2,476	2,155	2,053	2,296	1,797
Traffic violations	3,075	2,996	1,384	2,438	2,893	4,128	6,354	5,255
Fire								
Number of calls answered	-	- *	1,880	4,306	4,233	4,374	4,205	4,267
Inspections	-	- *	1,681	1,725	2,259	2,089	1,299	1,414
Public works								
Street repair (sq. ft.)	12,524	14,000	8,000	12,000	17,204	15,000	15,529	10,000
Sidewalk & curb repair (sq. ft.)	6,907	9,169	5,992	4,800	5,618	6,000	8,278	4,000
City planning								
Plans checked	432	518	518	547	560	548	500	364
Planning applications reviewed	135	125	121	127	144	140	187	131
Leisure and culture								
Recreation Class Participants	16,227	16,111	15,651	17,927	15,914	n/a	14,462	15,500
Library circulation	455,471	535,616	607,878	624,000	599,833	600,000	698,558	713,394
Tree plantings	213	165	240	266	334	229	466	222
Tree trimmings	1,173	1,041	1,307	1,532	1,350	1,574	1,576	1,831
Water								
New connections	260	390	356	273	4	8	17	50
Main and valve repairs	87	89	10	14	20	20	61	15
Millions of gallons purchased (millions of gallons)	1,529	1,746	1,650	1,635	1,652	1,700	1,561	1,600
Wastewater								
Average daily sewage treatment (millions of gallons)	4.10	4.10	4.12	4.50	4.50	4.10	3.82	3.3
Preventive Maintenance, main cleaning (Feet)	266,386	440,882	347,355	389,490	314,497	385,293	450,937	450,000

Source: Various city department records. Started tracking by function with the implementation of GASB 34 in 2003.

* For nine months in 2005. Central County Fire began July 1, 2004.

CITY OF BURLINGAME, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION
Last Eight Fiscal Years

Function	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Public safety								
Police:								
Stations	1	1	1	1	1	1	1	1
Parking Lots	23	23	23	23	23	23	23	23
Fire stations	3	3	3	3	3	3	3	3
Public works								
Streets (miles)	152	152	152	152	152	152	152	152
Streetlights	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Traffic signals	16	16	16	16	16	16	16	16
Culture and recreation								
Parks acreage	96	96	96	96	96	96	96	96
Parks	13	13	13	13	13	13	13	13
Swimming pools	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1
Baseball/softball fields	9	9	9	9	9	9	9	9
Golf range	1	1	1	1	1	1	1	1
Water								
Water mains (miles)	94	94	94	94	94	94	94	94
Fire hydrants	822	822	822	822	822	822	822	822
Maximum daily capacity (thousands of gallons)	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850
Sewer								
Sanitary sewers (miles)	84	84	84	84	84	84	84	84
Storm sewers (miles)	38.1	38.1	38.6	38.6	38.6	38.6	38.6	38.6
Maximum daily treatment capacity (thousands of gallons)	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100
Storm drain pump station	5	5	5	5	5	5	5	5

Source: Various city department records
 Started keeping track with the implementation of GASB34 in 2003



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of The City of Burlingame (City) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

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

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
January 28, 2011