

Central County Fire Department

A Joint Power Agreement between

***City of Burlingame and
Town of Hillsborough, California***



Fire Station 34, 799 California Drive, Burlingame, CA 94010

***Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012***

***CENTRAL COUNTY FIRE DEPARTMENT
CITY OF BURLINGAME AND
TOWN OF HILLSBOROUGH, CALIFORNIA***

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

Prepared by:
Finance Department, Town of Hillsborough

**Central County Fire Department
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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INTRODUCTORY SECTION



CENTRAL COUNTY FIRE DEPARTMENT

Serving the Town of Hillsborough and the City of Burlingame

December 5, 2012

To the Board of Directors of the Joint Powers Agreement Establishing the Central County Fire Department, the Chief Administrative Officers, and the Citizens of the City of Burlingame and the Town of Hillsborough, California

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Central County Fire Department (CCFD) for the fiscal year ended June 30, 2012 in conformity with generally accepted accounting principles (GAAP) in the United States and as stipulated in the Joint Power Agreement, audited in accordance with generally accepted auditing standards in the United States by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the Department's framework of internal control provides reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Badawi & Associates, CPAs, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the Central County Fire Department's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE ORGANIZATION

Basic Information

The Central County Fire Department is an all risk emergency response and community service organization which core purpose is to make the City of Burlingame and the Town of Hillsborough (covering an area of 11.73 square miles) safe for all citizens to live and work, through the protection of life, property and the environment. It seeks to minimize risk to people, property and the environment by responding to all fire, medical, rescue and hazardous materials incidents. Administrative and non-emergency safety services include fire prevention and hazardous materials regulations, emergency medical services system management and disaster preparedness and training. The City of Burlingame and the Town of Hillsborough are located in San Mateo County on the western shore of the San Francisco Bay approximately 10 miles south of the City of San Francisco and 30 miles north of the Silicon Valley.

History

The Department was established on April 20, 2004 through a Joint Powers Agreement (JPA) between the City of Burlingame and the Town of Hillsborough with essential support services provided by the two cities. This partnership and the JPA structure were designed to promote more efficient administration and effective delivery of services to the two cities. Significant cost savings were achieved since the initial merger especially in personnel costs. The total authorized and filled positions have decreased from 94 at the initial merger to the proposed staffing of 64.5 full time equivalents (FTEs) in FY 11/12. At the time of the initial merger, a cost sharing plan was developed to allow each partner city to pay its fair share of the combined operating expenses of the Department. The initial merger included stipulations whereby the Department's personnel remained employees of the individual cities including the Chief Administrative Officer and the Fire Chief who shall be employees of either city. Additionally, responsibility for certain major costs such as retirement, replacement of vehicles and facilities and costs related to other post-employment benefits remained with the individual cities.

Effective fiscal year 2010/11, the merged fire operations moved onto a full merger transferring all employees and operations to an independent single entity with the exception of the Chief Administrative Officer. However, retirement costs relating to prior service and health insurance costs for employees that retired prior to fiscal year 2010/11 will continue to be the responsibility of and borne by the individual cities. Additionally, capital assets that include fire stations, fire engines and other major assets will remain assets of the individual cities which will also be responsible for the related costs.

The Department's operating costs net of program revenues are allocated sixty percent (60%) to the City of Burlingame and forty percent (40%) to the Town of Hillsborough.

Governance

The Department is governed by a Board of Directors ("Board") consisting of two representatives from each city whereas the members represent the cities in determining the level of fire, emergency medical and disaster preparedness services to be provided by the Department. All major decisions by the Board require ratification by the respective City Councils.

Administration

The Board appoints the City Manager of either city to serve as Chief Administrative Officer for alternating two-year term. The Chief Administrative Officer appoints the Fire Chief who shall conduct the day-to-day operations of the Department, coordinate and supervise all training, and make recommendations to the Board and the Chief Administrative Officer regarding the conduct and operation of the Department.

The Chief Administrative Officer shall also appoint an employee of one of the member agencies to act as Secretary and an employee to act as Treasurer of the Department who shall act as Controller for the Department and shall perform all such functions such as disbursement of revenues, payment of outstanding obligations and other similar functions.

Component Units

The Central County Fire Department is a legally separate and independent entity that is not a component unit of the City of Burlingame or the Town of Hillsborough. Further, the Department has no component unit organizations under its control. Therefore, this comprehensive annual financial report and the

financial statements contained within, represent solely the activities, transactions and status of the Central County Fire Department.

Budget

The JPA requires that an annual budget be adopted by resolution of the Board. In the spring preceding the start of each fiscal year that runs from July through June, staff presents an annual budget based on established goals, objectives and performance measures to the Board and subsequently approved by the City Councils of the member agencies prior to June 30th of each fiscal year.

Once adopted, the Board has the authority to amend the budget. While the legal level of budgetary control is at the fund level, the Department maintains stricter control at line item levels to serve various needs. The Chief Administrative Officer or his designate may transfer budget amounts between line items but any increase to the expenditure budget and funding level of the contributions from the partner cities, as a whole requires the approval of the Board. Additionally, the Department uses the encumbrance system to reduce budget balances by issuing purchase orders to avoid over-commitment of resources.

The modified accrual basis is used for budgeting. This means revenues are recognized when they become measurable or available, while expenditures are accounted for or recognized in the period they were incurred. As a special purpose organization established pursuant to joint powers legislation, the Department is not subject to the State of California's Gann Act requiring adherence to an annual appropriations limit.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

COMMUNITY PROFILE AND ECONOMIC CONDITION

Both the City of Burlingame and the Town of Hillsborough are California general law cities incorporated in 1908 and 1910 respectively that operate 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 member 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 administration.

Municipal services include police and fire protection; public works; community development; parks and recreation; library services; water, sewer, solid waste through a third party provider and storm drainage. General government activities include, finance, human resources, legal services and city administration.

Support for the merged fire operations comes from the cities' general fund revenues.

City of Burlingame

Burlingame has a population of 29,106 (data provided by the California Department of Finance). According to the 2005-2009 American Community Survey, median household income was \$82,295 in 2009. It has both residential and commercial-base properties and thus has a more diversified revenue base. Major revenue sources in the general fund come from property taxes (excludes in-lieu of VLF) (26%), sales and use tax (19%) and transient occupancy taxes (34%) comprising 79% of the FY 12/13 projected revenues of \$46.2 million. This is the third year in a row the city has registered healthy revenues increases from the recent economic downturn (7% increase in FY 12/13). However, the city continues to seek ways for additional cost savings to fund its OPEB liability and deferred maintenance and capital programs.

Town of Hillsborough

The Town of Hillsborough has a population of 11,006 and has a median household income of \$202,292 in 2009 according to the same survey above. It is an entirely residential community. As such, the Town's major revenues are from property taxes and various property-based revenues. It has a public safety special parcel tax that is a major source of funding for the fire operations. Property taxes are projected to fall or stay flat in FY 12/13. Property taxes and the special public safety tax comprise 63% and 12% respectively of its FY12/13 projected revenues of \$18.7 million. Like its partner city, it continues to look for ways to cut costs to continue funding its OPEB liability and pay for its deferred maintenance and capital programs.

Long-term Financial and Strategic Planning and Major Initiatives

Due to financial constraints to the member agencies in the most recent years, the Department has implemented a variety of cost savings measures foremost of these is the closure of Station 36 in August 2010. Based on statistics, management believes there have been no adverse impacts on the communities and minimal impact to the automatic aid responses of the neighboring cities. The Department plans to continue closure of Station 36 to continue minimizing costs.

Additionally, the Department continues to explore the potential for further cost savings by merging functions or full fire operations with other cities. In October 2011, the Department began to share administrative personnel and functions with two neighboring cities (Millbrae and San Bruno Fire Departments). While a full merger among CCFD, Millbrae and San Bruno continues to be explored and discussed, the city councils of the CCFD partnership and Millbrae have approved a plan to share a fire station to serve the partner cities of the CCFD (Hillsborough and Burlingame) and the City of Millbrae. Savings net of the cost of the new fire station and personnel costs to staff a flex engine is estimated at \$900,000 to be equally shared between Millbrae and the CCFD partners.

The Department continues to look for more partnerships with other cities, including sharing mechanics and training and EMS supervision. Belmont Fire Department became a full partner in its shared training program starting in July 2012; this further reduced its overall training costs. The CCFD plans to share more administrative positions as positions are vacated. On May 26, 2012, the Department began sharing the Fire Chief's position with the cities of Millbrae and San Bruno. Each city pays 25% of the Fire Chief's salary and benefit costs. Annually, this amounts to \$70,000 from each.

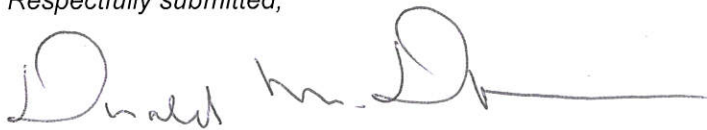
The Fire Chief anticipates ending his fire service career in May 2013. At this time, there will need to be an internal selection process for his successor with input from the city managers of the cities which currently share his services.

AWARDS AND ACKNOWLEDGEMENTS

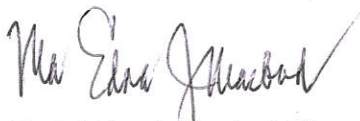
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Central County Fire Department for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011, its first year of operations as a separate entity. In order to be awarded a Certificate of Achievement, the Department published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to extend our grateful recognition to all the individuals who assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year and contributed to the successful completion of the migration of the two departments and bring the Central County Fire Department to a stand-alone agency and the sole employer of the Department's personnel. We also wish to thank the City Councils of the partner cities, the Fire Board and the City Managers for their interest and support in planning and conducting the financial operations of the Central County Fire Department in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Don Dornell", followed by a long horizontal line extending to the right.

Don Dornell, Fire Chief

A handwritten signature in dark ink, appearing to read "Maria Edna J. Masbad", with a checkmark at the end.

Maria Edna J. Masbad, Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Central County Fire Department
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Christopher P. Moirrell

President

Jeffrey R. Emer

Executive Director

CENTRAL COUNTY FIRE DEPARTMENT BOARD OF DIRECTORS



CHAIR

Jerry Deal, City of Burlingame Mayor



VICE CHAIR

Marie Chuang, Town of Hillsborough Council Member



Jess E. Benton, Town of Hillsborough Vice-Mayor



Michael Brownrigg, City of Burlingame Council Member

CENTRAL COUNTY FIRE DEPARTMENT

EXECUTIVE AND COMMAND STAFF

Anthony Constantouros, Town of Hillsborough
City Manager

Chief Administrative Officer

General Counsel

Jean Savaree, Aaronson, Dickerson, Cohn & Lanzone

Fire Chief

Don Dornell

Deputy Fire Chief

Mark Ladas

Fire Marshal

Rocque Yballa

EMS Division Chief

John Kammeyer

Battalion Chiefs:

Shift A

Craig Latham

Shift B

Drew Flinders

Shift C

Ed Barton

Training Captain

Jake Pelk

Fire Inspectors

Christine Reed

Julie Parenti

Administrative Assistant

Rubina Mirza

Service Clerks

Lisa Bartolo

Lil Finocchiaro

Wendy McGraw

Emergency Preparedness Coordinators:

Burlingame

John Parkin

Hillsborough

Bill Reilly

Finance Director
Town of Hillsborough Finance Department

Maria Edna J. Masbad

HR Manager
Town of Hillsborough City Manager's Office

Kristin Armbruster

CENTRAL COUNTY FIRE DEPARTMENT ORGANIZATIONAL CHART



CENTRAL COUNTY FIRE DEPARTMENT AT A GLANCE

The Central County Fire Department was established on April 2004 through a Joint Powers Agreement between the City of Burlingame and the Town of Hillsborough, California to promote more efficient administration and effective delivery of services to the partner cities. Funding is essentially provided with the partner cities' general fund tax revenues. The initial merger included stipulations whereby personnel remained employees of the individual cities and responsibility for certain major costs such as replacement of vehicles and facilities and costs related to other post-employment benefits remained with the partner cities. Effective fiscal year 2010/11, the operations moved onto a full merger transferring all employees to an independent single entity. All other terms of the initial merger remain the same except the individual cities will remain responsible for the post-employment benefits of only those retirees before the full merger on July 2010.

Governance	Board of Directors consisting of two representatives from the Council of each member agency with all major decisions to be ratified by the respective city councils
Administration	The Board appoints the City Manager of each city to serve as Chief Administrative Officer for alternating two-year term. The Chief Administrative Officer appoints the Fire Chief who shall conduct the day-to-day operations of the Department.
Size of Area	City of Burlingame – 5.5 square miles Town of Hillsborough – 6.23 square miles Total – 11.73 square miles
Population	City of Burlingame – 29,106 Town of Hillsborough – 11,006 Total – 40,112
Apparatus Inventory, Fire Stations & Facilities	See pages 53 and 54 of this financial report.
Personnel Strength	<ul style="list-style-type: none"> 1 Fire Chief 1 Deputy Fire Chief 1 Fire Marshal 1 EMS Division Chief 2 Fire Inspectors 3 Battalion Chiefs 1 Training Captain 18 Captains 33 Firefighter Paramedics 1 Administrative Assistant 2.5 Service Clerks 64.5 FTEs

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Central County Fire Department
Burlingame, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central County Fire Department (the Department), Burlingame, California as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

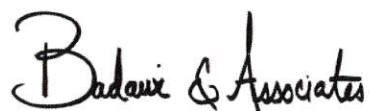
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress of the pension and other post-employment benefit plans on pages 13 through 18, page 40 through 41, and 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
of the Central County Fire Department

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Badawi & Associates, CPAs
Oakland, California
November 21, 2012



CENTRAL COUNTY FIRE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

This is Management's Discussion and Analysis (MD&A) of the financial activities of the Central County Fire Department (Department) for fiscal year ended June 30, 2012. The reader is encouraged to consider this information together with the transmittal letter, financial statements and notes to the financial statements to better understand the department's financial position.

The annual financial report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and all Governmental Accounting Standards Board (GASB) pronouncements that affect the Department.

Financial Highlights

- The Department is in its second year of operations as a legal entity – separate from the City of Burlingame and the Town of Hillsborough – the partner cities of the Joint Power Agreement (JPA). The JPA stipulates that partner cities will contribute towards its general fund operations net of the Department's program revenues based on a 60%-40% cost allocation. Major capital assets including fire stations, fire engines and vehicles remain owned by the partner cities. They also remain responsible for the Other Post-Employment Benefits (OPEB) attributable to employees who retired before FY 10/11. As such, the Department will reflect in its financial statements, the net OPEB liabilities and accumulated vested vacation and sick leave credits (compensated absences) of the employees as of the June 2010 full merger.
- The Department's liabilities exceed its assets as of June 30, 2012 by \$3.3 million mainly covering the unfunded OPEB liability and compensated absences. \$135,297 was invested in capital assets. All the other funds decreased their fund balances. Negative trends for the Joint Training Fund and the Capital Projects Fund represented one-time programs/projects from the previous year and carried forward to the current year. The negative change in the Self-Insurance Fund resulted from an upswing of workers comp disabilities.

	2012	2011	Change
Joint Training Fund	\$117,408	\$154,626	(\$37,218)
Capital Projects Fund	151,993	200,331	(48,338)
Self-Insurance Fund	282,280	354,455	(72,175)
Total	\$551,681	\$709,412	(\$157,731)

The report included OPEB obligation covering two years of unfunded required contribution in the amount of \$1,811,350 and compensated absences valued at \$2,182,510.

- The following table summarizes the Department's General Fund operations compared to the prior year:

	FY 11/12	FY 10/11	Positive (Negative) Variance
REVENUES:			
Program Revenues	\$1,108,010	\$992,897	\$115,113
Contribution from Burlingame	8,460,470	8,220,089	240,381
Contribution from Hillsborough	5,640,313	5,480,060	160,253
Total revenues	\$15,208,793	\$14,693,046	\$515,747
EXPENDITURES:			
Personnel costs	\$14,071,775	\$13,505,767	(\$566,008)
Materials and services	1,137,018	942,279	(194,739)
Transfers to capital projects		245,000	245,000
Total expenditures	\$15,208,793	\$14,693,046	(\$515,747)

- Overtime and retirement costs from the retirement rate increase went up by approximately \$684,000 tempered only by savings from the continued closure of Station 36, staffing reduction to the truck company from 4 to 3, and suspension of sick leave incentive program. Vacant positions continue not to be filled as the Department pursues other merging operations opportunities with other cities.
- Though total expenditures increased by 4%, contributions from the partner cities increased by only 3%; the remaining costs were covered by additional program revenues.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Department's basic financial statements made up to three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements such as this MD&A.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Department's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Department's assets and liabilities, with the difference between the two, reported as *net assets or liabilities*. Over time, increases or decreases in net assets or liabilities may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *statement of activities* presents information showing how the Department's net assets or liabilities changed during the most recent fiscal year. All changes are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the Department that are principally supported by contributions from the partner cities (*governmental activities*) including the activities of the Self-Insurance Fund set up as a proprietary fund as recommended by GAAP but fully supporting the governmental fire operations.

The government-wide financial statements can be found on pages 19 and 20 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state, local and special governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Department's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 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 funds* and *governmental activities*.

The Department has three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Joint Training Fund and the Capital Projects Fund.

The basic governmental fund financial statements can be found on pages 21 through 23 of this report.

The Department adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (page 40).

Proprietary funds. Proprietary funds are used to account for services and activities for which a fee is charged to customers in exchange for provided good or services using the "economic resources" measurement focus, which concentrates on how transactions and events have affected the fund's "total economic resources." The Department maintains one proprietary fund – the *Internal Service Fund* where insurance premiums are charged to the General Fund based on market rates to pay workers compensation and dental claims as they occur. Because this service fully benefits a governmental function, it has been included with *governmental activities* in the government-wide financial statements.

The proprietary fund financial statements which account for the activities of the Internal Service Fund can be found on pages 24 through 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 37 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Department's funding for OPEB and the general fund budgetary schedule. Required supplementary information can be found on pages 39 through 42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets or liabilities as in the Department's case, may serve over time as a useful indicator of a government's financial position. The following summary shows the Departments first two years of operations as a separate entity:

NET ASSETS (LIABILITIES)		
	Governmental Activities	Governmental Activities
	2012	2011
ASSETS:		
Current assets	\$1,942,076	\$2,132,561
Capital assets	135,297	44,847
Total assets	2,077,373	2,177,408
LIABILITIES:		
Current liabilities	1,359,066	1,521,325
Long-term liabilities	4,025,189	2,996,395
Total liabilities	5,384,255	4,517,720
NET ASSETS (LIABILITIES):		
Invested in capital assets	135,297	44,847
Unrestricted	(3,442,179)	(2,385,159)
Total net liabilities	(\$3,306,882)	(\$2,340,312)

The Department's governmental fund operations had liabilities consisting of the unfunded OPEB required contributions for the two years (see Note 11) and compensated absences in the amount of \$2,182,510 (see Note 7). The positive net asset covered investments in capital assets for \$135,297. It should be noted that the Departments general fund operations received funding from the partner cities enough to cover their annual operations net of program revenues. The partner cities are not funding the unfunded liabilities as of date.

STATEMENT OF ACTIVITIES		
	Governmental Activities	Governmental Activities
	2012	2011
Expenses:		
Personnel	\$14,969,002	\$14,032,646
Materials and services	1,331,681	1,149,333
Depreciation expense	5,383	
Total Expenses	16,306,066	15,181,979
Program Revenues:		
Operating contributions	47,495	110,300
Charges for services	1,190,585	1,157,093
Interest income		322
Total program revenues	1,238,080	1,267,715
General Revenues:		
Contribution from Burlingame	8,460,470	8,220,089
Contribution from Hillsborough	5,640,313	5,480,060
Unrestricted interest income	633	1,202
Total general revenues	14,101,416	13,701,351
Increase (Decrease) in net assets	(966,570)	(212,913)
Special item – assumption of beginning compensated absences liability on formation		(2,127,399)
Increase (Decrease) in net assets after special item	(966,570)	(2,340,312)
Net Assets (Liabilities) – beginning	(2,340,312)	-0-
Net Assets (Liabilities) – ending	(\$3,306,882)	(\$2,340,312)

Financial Analysis of the Department'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 the services within each fiscal year. In particular, the fund balance may serve as a measure of funds that are available for spending in the short-term.

General Fund

The General Fund is the department's main operating fund. Pursuant to the JPA, funding is provided by the partner cities to the extent of the department's expenditures net of any program revenues. Hence, it is not expected to have any fund balance at the end of the year. Expenditures totaled \$15,208,793 that increased by 4% over the prior year. The increase in expenditures resulted mainly from increase in overtime and retirement costs. Approximately 25% of the increase was covered by increase in program revenues.

General Fund Budgetary Highlights

Detailed information on variances can be found in the budgetary comparison schedule found on page 40.

Joint Training Fund

The fund accounts for the operations of a joint operational and EMS training services and administration program among the fire agencies of Belmont, Millbrae, San Bruno, San Mateo, Foster City and the Central County Fire Department. The agencies continue to explore ways to cost effectively implement required training on a regional basis thereby reducing program costs to the individual cities. As of June 30, 2012, the Fund has fund balance in the amount of \$117,408.

Capital Projects Fund

In 2011, the partner cities appropriated funding of \$245,000 to replace the Department's aging radio infrastructure. \$93,007 was expended through year end; the remainder is projected to be spent the following year. A federal grant in the amount of \$47,495 received in 2012 paid for replacement of fire hoses.

Proprietary Fund – Internal Service Fund

The Department is self-insured for workers compensation and dental programs accounted in an Internal Service Fund. The Department started funding the workers compensation program at the 60% confidence level, administered by a third-party administrator and obtaining additional insurance in excess of \$250,000 up to \$5 million. Dental premiums are adopted based on current commercial rates. At year-end, the fund has net assets in the amount of \$282,280 - \$43,730 for the dental program and \$238,550 for the workers compensation program.

Capital Asset and Debt Administration

Capital Assets

As mentioned in Note 5 of the Notes to the Financial Statement, major capital assets including fire stations, engines and vehicles remain the assets of the member agencies. The capital asset activity for the Department amounts to \$90,450 discussed further in Note 5 located on page 32 of this report.

Long-term Debt

The Department has no long-term debt other than the compensated absences discussed in detailed in Note 7 of this report and the liability associated to the Other Post Employment Benefits fully discussed in

Note 11. The compensated absences are valued at \$2,182,510 at June 30, 2012 of which \$64,932 are expected to be paid within next year.

Economic Factors and Future Challenges

Major funding sources for the Department's operations are from the partner cities – City of Burlingame and the Town of Hillsborough. Burlingame seemed to have started recovering from the economic downturn. It reported a 15.3% increase (\$6.4 million) in general fund revenues in FY 10/11 and a 6% increase in FY 11/12, driven by higher collections of sales and use and transient occupancy taxes. A slight increase is also projected for FY 12/13. On the other hand, the Town of Hillsborough, a residential community with no commercial revenue base, and whose major general fund revenue source is property taxes continues to be adversely affected by the housing market. Property taxes are projected to fall or stay flat in FY 12/13.

The partner cities look forward to be able to fund the Department's OPEB liabilities while they continue to explore the potential for further cost savings by merging functions or full fire operations with other cities. Labor concessions have been included in the current labor agreements that include elimination of certain specialty pays, reduction of holiday, vacation and sick leave accrual rates, health insurance cost sharing, additional cost sharing of employer's retirement costs, and elimination of lifetime medical upon retirement for employees hired after April 2012.

The Department continues to have an unusually high number of disabilities. While the Department's management and the third party administrators continue to find ways to reduce the risk, the problem is expected to continue as current cases are likely to linger.

Request for Information

This financial report is designed to provide a general overview of the Central County Fire Department's finances and to demonstrate the Department's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Central County Fire Department, c/o Town of Hillsborough's Finance Department, 1600 Floribunda Avenue, Hillsborough, CA 94010.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CENTRAL COUNTY FIRE DEPARTMENT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 1,646,936
Accounts receivable	295,140
Total Current Assets	<u>1,942,076</u>
Noncurrent Assets:	
Capital assets (net of accumulated depreciation)	
Machinery and equipment	<u>135,297</u>
Total Assets	<u>2,077,373</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	339,659
Due to Burlingame	179,661
Due to Hillsborough	117,420
Other accrued liabilities	368,613
Accrued workers' compensation claims	288,781
Current portion of compensated absences	64,932
Total Current Liabilities	<u>1,359,066</u>
Noncurrent Liabilities:	
Workers' compensation claims	96,261
Net OPEB obligation	1,811,350
Compensated absences	2,117,578
Total Non-current Liabilities	<u>4,025,189</u>
Total Liabilities	<u>5,384,255</u>
<u>NET ASSETS (LIABILITIES)</u>	
Net assets invested in capital assets	135,297
Unrestricted	(3,442,179)
Total Net Liabilities	<u>\$ (3,306,882)</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL COUNTY FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental <u>Activities</u>
EXPENSES:	
Personnel	\$ 14,969,002
Materials and services	1,331,681
Depreciation expense	5,383
Total Expenses	<u>16,306,066</u>
PROGRAM REVENUES:	
Capital grants	47,495
Charges for services	1,190,585
Total Program Revenues	<u>1,238,080</u>
NET PROGRAM EXPENSES	<u>15,067,986</u>
GENERAL REVENUES:	
Intergovernmental - Burlingame	8,460,470
Intergovernmental - Hillsborough	5,640,313
Interest income	633
Total General Revenues	<u>14,101,416</u>
Decrease in net assets	(966,570)
NET ASSETS (LIABILITIES) - BEGINNING	(2,340,312)
NET ASSETS (LIABILITIES) - ENDING	<u>\$ (3,306,882)</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**CENTRAL COUNTY FIRE DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue - Joint Training Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 668,870	\$ 64,896	\$ 222,594	\$ 956,360
Accounts receivable	165,676	129,464		295,140
Total Assets	<u>\$ 834,546</u>	<u>\$ 194,360</u>	<u>\$ 222,594</u>	<u>\$ 1,251,500</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 168,852	\$ 76,952	\$ 70,601	\$ 316,405
Due to Burlingame	179,661			179,661
Due to Hillsborough	117,420			117,420
Other accrued liabilities	368,613			368,613
Total Liabilities	<u>834,546</u>	<u>76,952</u>	<u>70,601</u>	<u>982,099</u>
Fund Balances - Assigned		<u>117,408</u>	<u>151,993</u>	269,401
Total Liabilities and Fund Balances	<u>\$ 834,546</u>	<u>\$ 194,360</u>	<u>\$ 222,594</u>	

Amounts reported for governmental activities in the Statement of Net Assets (page 19) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	135,297
Net assets of the Self-Insurance Fund are included in the governmental activities in the Statement of Net Assets (Liabilities).	282,280
Long-term liabilities are not due and payable from resources available in the current period and therefore are not reported in the funds:	
Net OPEB obligations	(1,811,350)
Compensated absences	<u>(2,182,510)</u>
Net Assets (Liabilities) of governmental activities	<u>\$ (3,306,882)</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL COUNTY FIRE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue - Joint Training Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Intergovernmental:				
Burlingame	\$ 8,460,470	\$	\$	\$ 8,460,470
Hillsborough	5,640,313			5,640,313
Federal grants			47,495	47,495
Service charges	1,107,377	83,208		1,190,585
Interest income	633			633
Total Revenues	<u>15,208,793</u>	<u>83,208</u>	<u>47,495</u>	<u>15,339,496</u>
EXPENDITURES:				
Current:				
Personnel costs	14,071,775			14,071,775
Materials and services	1,137,018	120,426		1,257,444
Capital outlay			95,833	95,833
Total Expenditures	<u>15,208,793</u>	<u>120,426</u>	<u>95,833</u>	<u>15,425,052</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		<u>(37,218)</u>	<u>(48,338)</u>	<u>(85,556)</u>
NET CHANGE IN FUND BALANCES		(37,218)	(48,338)	(85,556)
BEGINNING FUND BALANCES		154,626	200,331	354,957
ENDING FUND BALANCES	<u>\$</u>	<u>\$ 117,408</u>	<u>\$ 151,993</u>	<u>\$ 269,401</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL COUNTY FIRE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Amounts reported for government activities in the Statement of Activities
(page 20) are different because:

Net Change in Fund Balances - Total Governmental Funds (page 22)	\$ (85,556)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	90,450
The Internal Service Fund - Self Insurance Fund - is used to accumulate funds to service the workers compensation and dental insurance programs. This is the net loss of the Self Insurance Fund.	(72,175)
Expenses reported on the accrual basis are recognized when incurred, regardless of when paid:	
OPEB expense	(943,950)
Accrued compensated absences	44,661
	<hr/>
Change in net assets of governmental activities (page 20)	<u>\$ (966,570)</u>

The notes to the financial statements are an integral part of this statement.

CENTRAL COUNTY FIRE DEPARTMENT
STATEMENT OF NET ASSETS - SELF INSURANCE FUND (Governmental Activities)
JUNE 30, 2012

	<u>ASSETS</u>	
Cash and cash equivalents		\$ 690,576
Total Assets		<u>690,576</u>
	<u>LIABILITIES</u>	
Liabilities:		
Current:		
Accounts payable		23,254
Accrued workers compensation claims		<u>288,781</u>
Total Current Liabilities		312,035
Noncurrent:		
Workers compensation claims		<u>96,261</u>
Total Liabilities		<u>408,296</u>
	<u>NET ASSETS</u>	
Unrestricted		<u>\$ 282,280</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL COUNTY FIRE DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
SELF INSURANCE FUND (Governmental Activities)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

REVENUES:	
Workers compensation premiums	\$ 603,802
Dental premiums	127,822
Total Operating Revenues	<u>731,624</u>
OPERATING EXPENSES:	
Workers compensation claims	627,170
Dental claims	102,392
Materials and services	74,237
Total Operating Expenses	<u>803,799</u>
Operating Loss	<u>(72,175)</u>
Change in net assets	(72,175)
Net Assets - Beginning	354,455
Net Assets - Ending	<u>\$ 282,280</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL COUNTY FIRE DEPARTMENT
STATEMENT OF CASH FLOWS
SELF INSURANCE FUND (Governmental Activities)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts for interfund services provided	\$ 731,624
Payment to employees	(286,122)
Payment to vendors	(253,235)
Net cash provided by operating activities	<u>192,267</u>
Net increase in cash and cash equivalents	192,267
Cash and cash equivalents - beginning	498,309
Cash and cash equivalents - ending	<u>\$ 690,576</u>

Reconciliation of operating income to net cash provided
by operating activities:

Operating loss	\$ (72,175)
Increase (decrease) in accounts payable	15,660
Increase (decrease) in accrued workers compensation claims	248,782
Net cash and cash equivalents provided by operating activities	<u>\$ 192,267</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL COUNTY FIRE DEPARTMENT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**CENTRAL COUNTY FIRE DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – ORGANIZATION

Central County Fire Department was established on April 20, 2004 through a Joint Powers Agreement (JPA) between the City of Burlingame and the Town of Hillsborough with essential support services provided by the two cities. This partnership and the JPA structure were designed to promote for efficient administration and effective delivery of services to the two cities. Significant cost savings were achieved since the initial merger especially in personnel costs. At the time of the initial merger, a cost sharing plan was developed to allow each partner city to pay its fair share of the combined operating expenses of the Department. The initial merger included stipulations whereby the Department's personnel remained employees of the individual cities including the Chief Administrative Officer and the Fire Chief who shall be employees of either city. Responsibility for certain major costs such as retirement, replacement of vehicles and facilities, and costs related to other post-employment benefits (OPEB) other than pension costs, remained with the individual cities. Consequently, ownership of major capital assets including fire stations and vehicles and equipment remained with the individual cities.

Effective fiscal year 2010/11, the merged fire operations moved onto a full merger transferring all active employees and operations to an independent single entity with the exception of the Chief Administrative Officer. However, unfunded retirement costs relating to prior service and OPEB costs for employees that retired prior to fiscal year 2010/11 will continue to be the responsibility of and borne by the individual cities. Likewise, capital assets acquired before 2010/11 will remain assets of the individual cities which will be responsible for related costs.

The Department's operating costs net of program revenues are allocated sixty percent (60%) to the City of Burlingame and forty percent (40%) to the Town of Hillsborough.

The Department is governed by a Board of Directors ("Board") consisting of two representatives from each city whereas the members represent the cities in determining the level of fire, emergency medical and disaster preparedness services to be provided by the Department. All major decisions by the Board require ratification by the respective City Councils.

The Board appoints the City Manager of either city to serve as Chief Administrative Officer for alternating two-year term. The Chief Administrative Officer appoints the Fire Chief who shall conduct the day-to-day operations of the Department. He shall also appoint an employee to act as Secretary and an employee of one of the member agencies to act as Treasurer of the Department who shall act as Controller for the Department and shall perform all such functions such as disbursement of revenues, payment of outstanding obligations and other similar functions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Central County Fire Department is a legally separate and independent entity that is not a component unit of the City of Burlingame or the Town of Hillsborough. Further, the Department has no component unit organizations under its control. Therefore, this comprehensive annual financial report and the financial statements contained within represent solely the activities, transactions and status of the Central County Fire Department.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement net assets and the statement of activities) report information on all of the activities of the Central County Fire Department. The effect of interfund activity has been removed from these statements. All activities are categorized *governmental activities* as they are attributable to services for structural and wildland fire suppression, response to hazardous materials incidents, search and rescue, vehicle extrication and other emergency services supported largely by contributions from the member cities' general fund revenues.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues that include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided and 2) contributions that are restricted to meeting the operational or capital requirements of a particular segment. Other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and the internal service self-insurance fund. The general fund is a major individual governmental fund and is reported in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the internal service self-insurance fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions from the member agencies are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The *General Fund* is the Department's major and primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in another fund. Additionally, the Department reports an *Internal Service Fund* used to account for the servicing of the self-insurance that includes workers compensation and dental programs.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in the government-wide and the internal service funds to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The Department follows GASB in accounting the activities of the Internal Service Fund. The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

The Department has two other major governmental funds beside the General Fund:

- 1) Joint Training Fund used to account for the operations of a joint operational and EMS training services and administration program among the fire agencies of Belmont, Millbrae, San Bruno, San Mateo, Foster City and Central County Fire Department.
- 2) Capital Projects Fund used to account for the acquisition and construction of capital assets other than those that remained with the member agencies.

The Internal Service fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues represent premiums paid for the programs; operating expenses include claims paid and administrative expenses of the programs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City of Burlingame and the Town of Hillsborough advance 1/12 of their respective budgeted contributions to the Department every month. At the end of the fiscal period, advances in excess of the actual contributions due to the Department are returned to the respective cities immediately after end of the year.

2. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other

outstanding balances between funds are reported as “due to/from other funds.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

Interfund transfers are generally recorded as transfers except for charges for services including workers compensation insurance and dental premiums, which are recorded as revenues of the internal service fund and expenditures in the general fund.

There are no interfund transactions for FY11/12.

3. Capital assets

Capital assets which include machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. As stipulated in the JPA, capital assets including fire stations, fire engines and other vehicles acquired prior to FY10/11 remain the assets of the individual member agencies.

Machinery and equipment are depreciated using the straight line method over an estimated useful life of 3 to 15 years.

4. Compensated Absences

The Department permits employees to accumulate earned but unused vacation up to a certain amount depending on bargaining units. Sick leave credit is vested in varying amounts depending on bargaining units and groups. Both are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Self-Insurance

The Department is self-insured for workers' compensation and dental claims. The Internal Service Fund is used to account for the activities of these programs. It is the Department's policy to provide in each fiscal year, by premiums charged to the general fund, 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 amount recorded as liability for known claims, if any, is based on the recommendations of the administrator. No accrued liability for incurred but not reported claims (IBNRs) has been recorded as amounts for such claims cannot be reasonably estimated at this time. The Department's exposure for claims filed under this program is minimal.

E. Subsequent Events

Management has considered subsequent events through December 5, 2012, the date which the financial statements were available to be issued.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental funds except the capital projects fund which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The Fire Chief may make transfers of appropriations that do not exceed the fund's budget. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The Chief Administrative Officer or his designate may make administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. Any revisions that alter the total expenditures of any fund must be approved by the Board.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2012, personnel related expenditures exceeded appropriations by approximately \$74,000 due to salary adjustments (part of a multiple-year labor negotiations/concessions) that were not originally included in the budget. Likewise, contractual services in the materials and services exceed appropriations by \$28,000 resulting from the temporary station arrangement with another fire agency that was implemented during the year. Both items were covered with corresponding increase in service charges. The budget revisions that were approved by the Chief Administrative Officer were within the budgeted contributions of the partner cities.

Expenditures also exceeded appropriations in the Joint Training Fund by \$9,500 resulting from the initial transfers of responsibility for this program to CCFD. The variance was covered by the transfer of funds from the other agencies that occurred last year.

NOTE 4 – CASH AND CASH EQUIVALENTS

The Department maintains a cash pool which includes cash balances of all funds. The pooled interest earned is allocated to the funds based on cash balances in these funds at the end of each accounting period. It has the following cash and cash equivalents at June 30, 2012:

Cash on hand	\$50
Deposits with financial institutions	1,646,886
Total cash and cash equivalents	<u>\$1,646,936</u>

The carrying amounts of the Department's cash deposits were \$1,646,886. Bank balances before reconciling items were \$1,714,864 the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the Department's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Department'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 Department's name.

The market value of the pledged securities must equal at least 110% of the Department'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 Department's total cash deposits. The Department may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Department, however, has not waived the collateralization requirements.

NOTE 5 – CAPITAL ASSETS

Major capital assets including fire stations, engines and vehicles remain the assets of the member agencies and hence are not reflected in the Department's capital assets. Capital asset activity for the year ended June 30, 2012 was as follows:

	Governmental Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets being depreciated:				
Machinery and equipment	\$44,847	\$95,833	\$	\$140,680
Less accumulated depreciation for:				
Machinery and equipment		(5,383)		(5,383)
Total capital assets being depreciated, net	\$44,847	\$90,450	\$	\$135,297
Governmental activities capital assets, net	\$44,847	\$90,450	\$	\$135,297

It is the Department's policy to recognize half a year's depreciation for assets acquired the first half of the year and no depreciation for assets acquired the second half of the year.

NOTE 6 – OPERATING ASSISTANCE

The City of Burlingame and the Town of Hillsborough provide major funding to the Central County Fire Department apportioned 60%-40% (\$8,460,470 and \$5,640,313 in FY 11/12) respectively after applying program revenues to the operating and administrative costs.

NOTE 7 – LONG-TERM DEBT

Compensated Absences – Compensated absences due within one year represent an estimate of the net compensated absences that will be utilized within the next year. All compensated absences for governmental activities are paid out of the General Fund.

Other Post-Employment Benefits (OPEB) – Refer to Note 11 for details of the OPEB obligation.

Long-term liability activity other than OPEB for the year ended June 30, 2012, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$2,227,171	\$1,151,468	\$1,196,129	\$2,182,510	\$64,932

NOTE 8 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Department has established a limited risk management program of these types of risks.

The Department has general liability insurance coverage through the City of Burlingame as a participant in the Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN) organized within the Joint Powers Authority Association of Bay Area governments. The 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 the board of directors. Premiums are assessed to 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 million.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly claims are reevaluated periodically to consider these factors, estimate recoveries from salvage or subrogation, and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. The amount recorded as liability for known claims, if any, is based on the recommendation of the administrator. No accrued liability for incurred but no reported claims (IBNRs) has been recorded as amounts for such claims cannot be reasonably estimated. The Department's exposure for claims filed under this program is minimal.

The Department is self-insured for workers' compensation. The 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 Department for losses exceeding \$250,000 up to \$5 million.

There is no significant change in insurance coverage from that of the prior year while separately covered by the partner cities, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

The table below shows activities relating to claims liabilities in its two-year operations as a separate entity:

	Beg Balance	Claims and Changes in Estimates	Paid	End Balance
2010-11	\$	\$183,989	(\$47,729)	\$136,260
2011-12	\$136,260	\$627,170	(\$378,388)	\$385,042

NOTE 9 – RELATED PARTY TRANSACTIONS

The City of Burlingame, one of the partner cities providing resources to CCFD, charges facilities costs based on the square footage of the buildings utilized by CCFD including the fire stations and administration building. Facilities costs include personnel, janitorial services and general operating costs. Likewise, the city also provides IT support to the Department. For fiscal year ended June 30, 2012, the City of Burlingame charged \$103,080 and \$69,868 for the facilities and IT support respectively.

NOTE 10 – FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for governmental funds consist of *Assigned Fund Balance* that includes amounts intended to be used for specific purposes that are neither restricted nor committed.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned. Fund balances for all the governmental funds as of June 30, 2012 were as follows:

Designation	Joint Training Fund	Capital Projects Fund
Assigned to joint training program	\$117,408	
Assigned to certain capital projects		\$151,993

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

- A. Plan Description – The Central County Fire Department Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the Department. 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 Department, its management employees and unions representing its employees. The Plan does not issue a financial report.

The Department provides eligible retirees medical benefits through the California Public Employees' Retirement system healthcare program (PEMHCA). It pays retiree healthcare benefits up to a cap for eligible retirees, dependent on bargaining unit and hire date.

- B. Funding Policy – The contribution requirements of the Plan participants and the Department are established and may be amended by the Department. The Department pays plan benefits on a pay-as-you-go basis. For fiscal year 2011/12, it paid \$77,478 for the 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 No. 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

The following table, based on actuarial valuation as of July 1, 2011, shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Department's net OPEB obligation:

Annual required contribution	\$1,049,000
Interest on net OPEB obligation	36,865
Adjustment	(64,437)
Total annual OPEB cost	1,021,428
Contributions (benefit payments)	(77,478)
Increase in net OPEB obligation	943,950
Net OPEB obligation – beginning of year	867,400
Net OPEB obligation – end of year	\$1,811,350

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2011/12 and the two prior fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	n/a	n/a	n/a
6/30/2011	\$890,933	3%	\$867,400
6/30/2012	\$1,021,428	7.6%	\$1,811,350

- D. Funded Status and fund Progress – As of June 30, 2012, the Plan was 0% funded. The unfunded actuarial accrued liability (UAAL) for benefits was \$8,905,000 with no assets. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,577,000 and the ratio of the UAAL to covered payroll was 103.8%.

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 supplemental information following the notes to the financial statements, presents, in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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 the plan members to that point. The actuarial methods and assumptions used 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 actuarial valuation as of July 2011, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return, which is the expected long-term investment returns on the Department's funds, a 3% general inflation assumption, an annual aggregate payroll increase rate of 3.25% and healthcare cost trend rate ranging from 8.9% to 5%

through the year 2021. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis starting June 30, 2010.

NOTE 12 – EMPLOYEE RETIREMENT PLAN

- A. Plan Description and Funding Policy – The Department provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to its employees through a cost-sharing multiple-employer defined benefit plan offered by the Public Agency portion of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers with the State of California. A cost-sharing multiple-employer plan is a single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer. A menu of benefit provisions and other requirements are established by State statutes within the Public Employee's Retirement Law. The Department selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolutions. Benefits are based on years of credited service equal to one year of full-time employment. The Department participates in separate Safety and Miscellaneous Employee Plans. CalPERS issues a separate comprehensive annual financial report. Copies of its annual financial report may be obtained from CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

CalPERS determines contribution requirements using the entry Age Normal Cost method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay from the age of hire (entry age) to the assumed retirement age. The actuarial assumptions included a 7.75 percent investment rate of return which is the expected long-term investment returns on plan assets, projected payroll growth of 3.25 percent, 3 percent inflation rate and salary increases in a range depending on age, service and type of employment. The 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 2-year period. All gains or losses are tracked and amortized over a rolling 30 year period. The actuarial methods and assumptions used are those adopted by the CalPERS board. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The Department's safety and miscellaneous plans are parts of a CalPERS risk pool for employers with less than 100 active plan members (implemented as of the actuarial valuation date of June 30, 2003). As part of a cost-sharing multiple employer defined benefit plan, disclosure of the schedule of funding progress is not provided.

Active plan members are required to contribute 8% (miscellaneous) or 9% (public safety) of their annual covered salary. For fiscal year 2012, plan members contributed \$786,656. The Department is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

- B. Annual Pension Cost – For fiscal year 2012, the Department's annual pension cost was \$1,973,009. The required contribution for the current year was determined as part of the June 30, 2009 actuarial valuation.

The Plan's provisions and benefits in effect at June 30, 2012 and the required contribution rates for fiscal year 2011-12 are summarized below:

	Safety	Miscellaneous
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits as a % of annual salary	2.4% - 3.0%	2% - 2.5%
Required employee contribution rates	9%	8%
Required employer contribution rates	23.006%	14.256%
Retirement plan	3% @ 55	2.5% @ 55

C. Trend Information – Trend information is as follows:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed
Miscellaneous	6/30/10	n/a	n/a
	6/30/11	\$25,961	100%
	6/30/12	\$25,247	100%
Safety	6/30/10	n/a	n/a
	6/30/11	\$1,587,523	100%
	6/30/12	\$1,947,762	100%

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", which expands the use of the alternative measurement method to an agent employer government that has an individual-employer OPEB plan with fewer than 100 total plan members. The Statement also provides guidance about the frequency and timing of measurements by governments that participate in agent multiple-employer other postemployment benefits plans and how those measurements must be coordinated with the reporting needs of the agent multiple-employer OPEB plan itself. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. The Department has implemented the requirement of the standard regarding the frequency and timing of measurements.

NOTE 14 – SUBSEQUENT EVENTS

The Department has been exploring a merger among CCFD and the Millbrae and San Bruno Fire Departments for cost efficiency. In October 2011, the Department began to share administrative personnel and functions with the Millbrae and San Bruno Fire Departments. The plan also includes sharing a fire station to serve the partner cities of CCFD (Hillsborough and Burlingame) and the City of Millbrae. Initial cost to the CCFD for a temporary fire station has been estimated at \$400,000 with Millbrae providing matching funds. The shared station is expected to save approximately \$1.8 million between the two departments. These savings will be reduced by debt service on a new station (\$425,000 annually) and costs to staff a flex engine (\$546,000 annually) to reduce service impact on neighboring agencies. The net savings are estimated at \$900,000 to be equally divided between Millbrae and the CCFD partners. Plans were submitted to the City of Burlingame Planning Department on October 2012. The Planning Commission will review the proposal at its November 2012 meeting. It is anticipated that construction could begin late December or early January 2013 and the temporary fire station operational by May 2013.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

**CENTRAL COUNTY FIRE DEPARTMENT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN**

Actuarial Valuation <u>Date*</u>	Actuarial Accrued <u>Liability</u>	Actuarial Value of <u>Assets</u>	Unfunded Liability (Excess <u>Assets</u>)	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a % of <u>Payroll</u>
6/30/2011	\$ 8,905,000		\$ 8,905,000	0%	\$ 8,577,000	104%

DEFINED BENEFIT PENSION PLAN

The Department retirement plans are part of the CalPERS risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the Department's employees is not available.

*Latest information available

**CENTRAL COUNTY FIRE DEPARTMENT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Burlingame	\$ 8,636,333	\$ 8,636,333	\$ 8,460,470	\$ (175,863)
Hillsborough	5,757,556	5,757,556	5,640,313	(117,243)
Service charges	712,270	712,270	1,107,377	395,107
Interest income	1,000	1,000	633	(367)
Total Revenues	15,107,159	15,107,159	15,208,793	101,634
EXPENDITURES:				
Current:				
Personnel costs	13,998,039	13,998,039	14,071,775	(73,736)
Materials and services	1,109,120	1,109,120	1,137,018	(27,898)
Total Expenditures	15,107,159	15,107,159	15,208,793	(101,634)
NET CHANGE IN FUND BALANCES				
BEGINNING FUND BALANCES				
ENDING FUND BALANCES	\$	\$	\$	\$

**CENTRAL COUNTY FIRE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
JOINT TRAINING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive- (Negative)</u>
REVENUES:				
Service charges	\$ 111,000	\$ 111,000	\$ 83,208	\$ (27,792)
Total Revenues	<u>111,000</u>	<u>111,000</u>	<u>83,208</u>	<u>(27,792)</u>
EXPENDITURES:				
Current:				
Materials and services	111,000	111,000	120,426	(9,426)
Total Expenditures	<u>111,000</u>	<u>111,000</u>	<u>120,426</u>	<u>(9,426)</u>
NET CHANGE IN FUND BALANCES			(37,218)	(37,218)
BEGINNING FUND BALANCES		154,626	154,626	
ENDING FUND BALANCES	<u>\$</u>	<u>\$ 154,626</u>	<u>\$ 117,408</u>	<u>\$ (37,218)</u>

CENTRAL COUNTY FIRE DEPARTMENT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012

Schedule of funding Progress for Retiree Health Plan

This schedule presents information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. At this time, the Department is paying for the benefits on a pay-as-you-go basis and hence, does not have any actuarial assets.

Budgetary Information

The Department adopts annual budgets on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All appropriations lapse at fiscal year-end. Encumbrances related to unperformed contracts for goods or services at year-end lapse and are automatically reappropriated and reencumbered in the subsequent fiscal year. There are no outstanding encumbrances in the governmental funds at June 30, 2012.

Prior to June 30, the Chief Administrative Officer submits to the Fire Board a proposed operating budget for review. The Board holds public hearings and a final budget is adopted on or before June 30.

The modified accrual basis of accounting is used for budgeting. This means revenues are recognized when they become measurable or available, while expenditures are accounted for or recognized in the budgeting period when they were incurred.

The Fire Board may amend or supplement the budget at any time after its adoption by a majority vote of the members. The Chief Administrative Officer or his designate may make administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. Any revisions that alter the total expenditures of any fund in excess of the approved funding contributions from the partner cities must be approved by the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Budget amounts shown in these financial statements include all supplemental appropriations made, if any, during the year.

A schedule of revenues, expenditures and changes in fund balances – budget and actual – of the Department's General Fund is presented as required supplementary information.

STATISTICAL SECTION

This part of the Central County Fire Department's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the Department's overall financial health.

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PAGES

Financial Trends

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

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Revenue Capacity

These schedules contain information to help the reader assess the Partner Cities' ability to generate its major sources for funding the Department

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Demographic and Economic Information

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

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Operating Information

These schedules contain information to help the reader understand how the information in the financial reports relates to the services the Department provides and activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. This is the Department's first year of operations; thus, the schedules presented, unless otherwise noted, contain only this fiscal year's operations.

CENTRAL COUNTY FIRE DEPARTMENT
NET ASSETS BY COMPONENT (accrual basis of accounting)
LAST TWO YEARS (from inception)

	<u>2011</u>	<u>2012</u>
Governmental Activities:		
Invested in capital assets	\$ 44,847	\$ 135,297
Unrestricted	(2,385,159)	(3,442,179)
Total governmental activities net assets (liabilities)	<u>\$ (2,340,312)</u>	<u>\$ (3,306,882)</u>

Source: Central County Fire Department audited financial statements as restated, if applicable.

CENTRAL COUNTY FIRE DEPARTMENT
CHANGES IN NET ASSETS (accrual basis of accounting)
LAST TWO YEARS (from inception)

	<u>2011</u>	<u>2012</u>
Expenses:		
Governmental Activities:		
Public safety:		
Personnel	\$ 14,032,646	\$14,969,002
Materials and services	1,149,333	1,331,681
Depreciation expense		5,383
Total Governmental Activities Expenses	<u>15,181,979</u>	<u>16,306,066</u>
Program Revenues:		
Governmental Activities:		
Charges for services	1,157,093	1,190,585
Operating grants and contributions	110,300	47,495
Interest income	322	
Total Governmental Activities program Revenues	<u>1,267,715</u>	<u>1,238,080</u>
Governmental Activities net (Expenses)/Revenue	<u>(13,914,264)</u>	<u>(15,067,986)</u>
General Revenues:		
Governmental Activities:		
Intergovernmental - Burlingame	8,220,089	8,460,470
Intergovernmental - Hillsborough	5,480,060	5,640,313
Interest income	1,202	633
Total Governmental Activities General Revenues	<u>13,701,351</u>	<u>14,101,416</u>
Governmental Activities Changes in Net Assets(Liabilities) Before Special Item	(212,913)	(966,570)
Assumption of Beginning Compensated Absences Liability on Formation	<u>(2,127,399)</u>	
Governmental Activities Changes in Net Assets(Liabilities) After Special Item	<u>\$ (2,340,312)</u>	<u>\$ (966,570)</u>

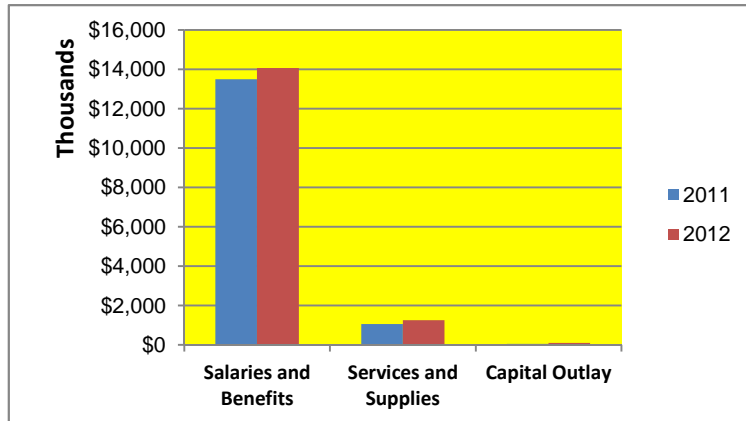
Source: Central County Fire Department audited financial statements as restated, if applicable.

CENTRAL COUNTY FIRE DEPARTMENT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (modified accrual basis of accounting)
LAST TWO YEARS (from inception)

	<u>2011</u>	<u>2012</u>
Revenues:		
Intergovernmental:		
Burlingame	\$ 8,233,728	\$ 8,460,470
Hillsborough	5,480,060	5,640,313
Millbrae	96,661	
Federal grants		47,495
Service Charges	1,157,093	1,190,585
Interest Income	1,209	633
Total Revenues	<u>14,968,751</u>	<u>15,339,496</u>
Expenditures:		
Current:		
Personnel costs	13,505,767	14,071,775
Materials and services	1,063,180	1,257,444
Capital Outlay	44,847	95,833
Total Expenditures	<u>14,613,794</u>	<u>15,425,052</u>
Net Change in Fund Balances	354,957	(85,556)
Beginning Fund Balances	-	354,957
Ending Fund Balances	<u>\$ 354,957</u>	<u>\$ 269,401</u>
General Fund:		
Committed	\$ -	\$ -
Assigned		
Unassigned		
Total General Fund	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds:		
Assigned	<u>\$ 354,957</u>	<u>\$ 269,401</u>

Source: Central County Fire Department audited financial statements as restated, if applicable.

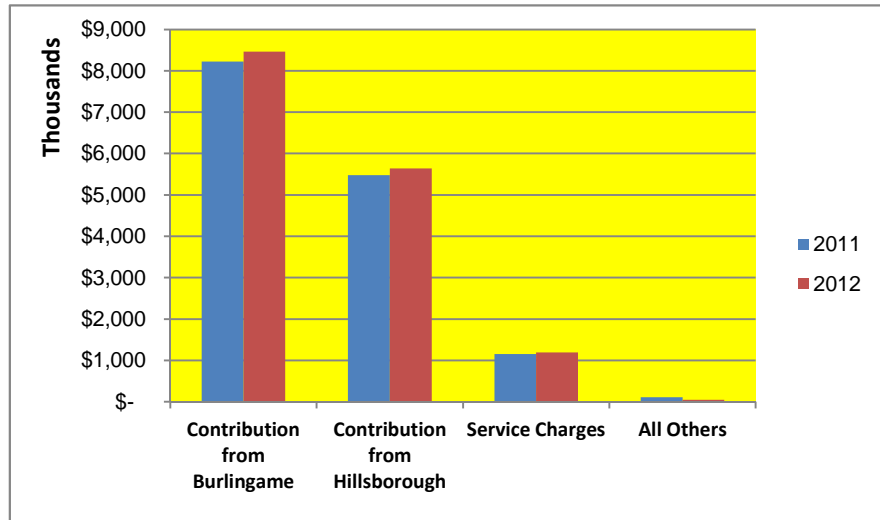
CENTRAL COUNTY FIRE DEPARTMENT
GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION
(modified accrual basis of accounting)
LAST TWO YEARS (from inception)



	<u>2011</u>	<u>2012</u>
Salaries and Benefits	\$ 13,505,767	\$ 14,071,775
Services and Supplies	1,063,180	1,257,444
Capital Outlay	44,847	95,833
Total	<u>\$ 14,613,794</u>	<u>\$ 15,425,052</u>

Source: Central County Fire Department audited financial statements

CENTRAL COUNTY FIRE DEPARTMENT
GOVERNMENTAL FUNDS REVENUES BY SOURCES
(modified accrual basis of accounting)
LAST TWO YEARS (since inception)



	<u>2011</u>	<u>2012</u>
Contribution from Burlingame	\$ 8,220,089	8,460,470
Contribution from Hillsborough	5,480,060	5,640,313
Service Charges	1,157,093	1,190,585
All Others	111,509	48,128
Total	<u>\$ 14,968,751</u>	<u>\$ 15,339,496</u>

Source: Central County Fire Department audited financial statements

CITY OF BURLINGAME AND TOWN OF HILLSBOROUGH (PARTNER CITIES)
GENERAL FUND TAX REVENUES BY SOURCE
LAST TEN YEARS (amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u> (1)	<u>Public Safety Special Tax</u>	<u>Sales Tax</u>	<u>Transient Occupancy Tax</u>	<u>Other Taxes</u> (2)	<u>Inter- Governmental Revenues</u>	<u>Total</u>
CITY OF BURLINGAME							
2002	\$ 6,846		\$ 9,177	\$ 7,698	\$ 1,517	\$ 1,967	\$ 27,205
2003	6,845		8,095	6,680	1,490	4,006	27,116
2004	7,399		8,834	7,299	1,728	3,072	28,332
2005	9,360		8,508	8,066	1,861	1,996	29,791
2006	10,390		8,806	9,273	2,204	1,041	31,714
2007	11,469		9,231	10,356	1,523	567	33,146
2008	12,198		9,459	11,265	1,981	505	35,408
2009	12,798		8,251	10,155	1,782	313	33,299
2010	13,355		6,276	10,342	1,857	403	32,233
2011	13,310		8,041	13,404	2,071	2,966	39,792
2012	13,460		8,495	16,183	2,582	399	41,119
TOWN OF HILLSBOROUGH							
2003	6,797	2,098	70		960	747	10,672
2004	7,621	2,138	76		1,558	595	11,988
2005	8,591	2,188	51		1,588	248	12,666
2006	9,324	2,233	55		1,654	370	13,636
2007	10,703	2,234	59		1,407	181	14,584
2008	10,971	2,236	67		1,591	173	15,038
2009	11,700	2,238	73		1,288	162	15,461
2010	12,324	2,232	77		1,304	137	16,074
2011	12,493	2,232	48		1,398	154	16,325
2012	12,340	2,232	79		1,397	279	16,327

(1) Includes Excess ERAF (from FY 03/04) and Motor Vehicle License Fee in Lieu and Triple Flip (from FY 04/05)

(2) Include Property Transfer Tax, Business License Tax, Franchise Fees and HOPTR

Source: City of Burlingame and Town of Hillsborough audited financial statements

CITY OF BURLINGAME AND TOWN OF HILLSBOROUGH (PARTNER CITIES)
 ASSESSED VALUES OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year	CITY OF BURLINGAME				TOWN OF HILLSBOROUGH				Grand Total	% of Chg
	Net Secured	Unsecured	Total	% of Chg	Net Secured	Unsecured	Total	% of Chg		
2003	\$ 4,343,787,328	\$ 318,366,279	\$ 4,662,153,607	4.30%	\$4,244,944,430	\$ 4,295,776	\$ 4,249,240,206	6.50%	\$ 8,911,393,813	5.34%
2004	4,522,570,927	293,708,468	4,816,279,395	3.31%	4,556,892,447	4,892,748	4,561,785,195	7.36%	9,378,064,590	5.24%
2005	4,849,578,559	293,279,512	5,142,858,071	6.78%	4,789,772,330	4,369,077	4,794,141,407	5.09%	9,936,999,478	5.96%
2006	5,216,583,717	272,414,954	5,488,998,671	6.73%	5,141,117,835	5,176,974	5,146,294,809	7.35%	10,635,293,480	7.03%
2007	5,635,157,143	324,100,493	5,959,257,636	8.57%	5,551,232,376	4,843,411	5,556,075,787	7.96%	11,515,333,423	8.27%
2008	6,089,635,422	291,377,516	6,381,012,938	7.08%	5,893,838,384	5,982,508	5,899,820,892	6.19%	12,280,833,830	6.65%
2009	6,457,431,033	300,758,515	6,758,189,548	5.91%	6,279,198,652	4,766,453	6,283,965,105	6.51%	13,042,154,653	6.20%
2010	6,662,858,226	299,902,769	6,962,760,995	3.03%	6,628,286,307	4,896,023	6,633,182,330	5.56%	13,595,943,325	4.25%
2011	6,733,012,764	274,429,627	7,007,442,391	0.64%	6,626,284,225	7,862,429	6,634,146,654	0.01%	13,641,589,045	0.34%
2012	6,838,109,244	270,906,684	7,109,015,928	1.45%	6,631,133,227	5,673,361	6,636,806,588	0.04%	13,745,822,516	0.76%

NOTE: In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. The cities' average share of the 1% tax rate is 0.1707 for Burlingame and 0.171916 for Hillsborough.

Source: City of Burlingame and Town of Hillsborough audited financial statements

CITY OF BURLINGAME AND TOWN OF HILLSBOROUGH (PARTNER CITIES)
PRINCIPAL PROPERTY TAX PAYERS
JUNE 30, 2012

<u>Taxpayer</u>	<u>2012</u>			<u>2011</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Assessed Value</u>
CITY OF BURLINGAME:						
EQR-Northpark LP	110,000,000	1	1.55%			
HMC Burlingame Hotel LLC	\$ 81,841,514	2	1.15%	\$ 161,929,053	1	2.31%
Inland American Lodging	72,000,000	3	1.01%			
Bay Park Plaza Associates	51,900,000	4	0.73%	97,942,440	2	1.40%
Mills-Peninsula Health Services	47,137,708	5	0.66%			
Felcor CCS Holdings LP 9520	44,771,063	6	0.63%	40,577,900	6	0.58%
EQR-Skyline Terrace	42,599,563	7	0.60%			
DCT Rollins Road LLC	34,256,020	8	0.48%			
One Bay Plaza Associates LLC	33,700,000	9	0.47%	51,000,000	4	0.73%
Harbour View Hotels, Inc.	27,926,707	10	0.39%	23,994,329	9	0.34%
HMH SFO			0.00%	66,326,266	3	0.95%
Glenborough Properties LP			0.00%	43,000,000	5	0.61%
Airport Blvd. Hotel LLC			0.00%	25,955,375	7	0.37%
Northpark Properties			0.00%	25,546,792	8	0.36%
California Teachers Association			0.00%	22,100,923	10	0.32%
	<u>\$ 546,132,575</u>		<u>7.79%</u>	<u>\$ 484,769,988</u>		<u>6.91%</u>
TOWN OF HILLSBOROUGH:						
De Martini James G B III TR (4)	\$ 22,650,000	1	0.34%	\$ 22,650,000	2	0.34%
Vaden Val E TR	18,546,862	2	0.28%	18,183,200	3	0.27%
Redlich Christopher R Jr (2)	16,996,701	3	0.26%	16,663,433	4	0.25%
Kruttschnitt Theodore H (2)	16,746,556	4	0.25%	35,114,022	1	0.53%
Hsu George TR (4)	16,582,805	5	0.25%	16,398,830	5	0.25%
Stamos Peter Spiro TR	13,500,000	6	0.20%	15,000,000	7	0.23%
Charles, Johnson (2)	12,387,199	7	0.19%	12,144,315	8	0.18%
Tai, Patrick (3)	11,963,537	8	0.18%	11,728,960	9	0.18%
Wong, Raymond (2)	11,875,724	9	0.18%	15,342,868	6	0.23%
Deb Dipanjan	11,510,022	10	0.17%	11,284,336	10	0.17%
	<u>\$ 152,759,406</u>		<u>2.30%</u>	<u>\$ 174,509,964</u>		<u>2.63%</u>

Source: City of Burlingame and Town of Hillsborough audited financial statements

COUNTY OF SAN MATEO AND PENINSULA CITIES
LARGEST EMPLOYERS

<u>Name</u>	<u>Description</u>	2012 Total Peninsula Employees	Percentage of Labor Workforce San Mateo County (1)
Stanford University	Health care	12,126	1.23%
Genentech Inc.	Biotechnological	8,800	0.89%
County of San Mateo	County government	6,079	0.62%
Oracle Corp	Enterprise software	5,600	0.57%
Kaiser Permanente	Health care	3,777	0.38%
Mills-Peninsula Health Services	Health care	2,500	0.25%
Salesforce.com Inc.	Cloud computing	2,500	0.25%
Visa Inc.	Payments technology	2,482	0.25%
Safeway Inc.	Retail grocer	2,075	0.21%
San Mateo County Community College District	Community College	1,951	0.20%
SLAC National Accelerator Laboratory	Research & development	1,764	0.18%
Seton Medical Center	Hospital	1,672	0.17%
Gilead Sciences Inc	Biopharmaceutical	1,587	0.16%
Electronic Arts Inc.	Entertainment software	1,400	0.14%
Facebook Inc.	Social network	1,400	0.14%
City and County of San Francisco	Municipal government	1,294	0.13%
Wells Fargo Bank	Financial institution	1,232	0.13%
Catholic Healthcare West	Health care	1,129	0.11%
City of Palo Alto	City government	1,018	0.10%
Franklin Templeton Investments	Asset management	990	0.10%
Wilson Sonsini Goodrich & Rosati PC	Law firm	860	0.09%
State of California	State Government	682	0.07%
PG&E Corporation	Natural Gas & Electric Util	626	0.06%
DPR Construction Inc.	Commercial contractor	519	0.05%
U.S. Postal Service	Mailing and shipping servi	439	0.04%

Source: San Francisco Business Times, Book of Lists, 2012

(1) The table above reflects the statistical data for San Mateo County as provided by the Employment Development Department of the State of California. Labor market information as provided by the Employment Development Department is contained in the SAN FRANCISCO-SAN MATEO-REDWOOD CITY METROPOLITAN DIVISION (MI) which includes Marin, San Francisco and San Mateo counties.

CITY OF BURLINGAME AND TOWN OF HILLSBOROUGH (PARTNER CITIES)
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Calendar/Fiscal Year</u>	<u>Population</u> (1)	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u> (2)
CITY OF BURLINGAME			(3)	(4)	
2002	28,278		\$ 44,486		4.1%
2003	28,179		\$ 46,031	3,711	4.2%
2004	28,168		\$ 49,251	3,731	3.5%
2005	28,180		\$ 52,356	3,724	3.1%
2006	28,277		\$ 56,969	3,731	2.6%
2007	28,453		\$ 60,035	3,791	2.7%
2008	28,762		\$ 60,744	3,606	3.5%
2009	29,050		\$ 58,523	3,895	6.2%
2010	29,342		\$ 43,432	3,887	6.5%
2011	29,106		\$ 47,996		5.8%
TOWN OF HILLSBOROUGH			(5)	(6)	
2003	10,962			2,041	2.3%
2004	10,850			2,030	1.9%
2005	10,983			2,058	1.7%
2006	10,965			2,109	1.5%
2007	11,122			2,156	1.5%
2008	11,272			2,207	2.0%
2009	11,395	\$ 232,253	\$ 121,612	2,232	3.7%
2010	11,537	\$ 208,870	\$ 120,924	2,258	4.0%
2011	10,927			2,262	3.4%
2012	11,006				

(1) State of California, Department of Finance

(2) State of California, Employment Development Department

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

(4) Burlingame Elementary School District; Burlingame High School

(5) city-data.com; clrsearch.com; 2009-2010 data is the last available information

(6) Hillsborough City School District; Private Schools

Source: City of Burlingame and Town of Hillsborough audited financial statements

CENTRAL COUNTY FIRE DEPARTMENT APPARATUS INVENTORY



Engine 32 Pierce Dash Model Year 2002
Carries 500 Gallons of water and 20 gallons each of
Class A and Class B Foam



Engine 35 Pierce Dash Model Year 2000
Carries 680 gallons of water and 10 gallons each of
Class A and Class B Foam



Engine 33 Pierce Dash Model Year 2002
Carries 500 gallons of water and 20 gallons of each
Class A and Class B Foam



Engine 36 Pierce Quantum Model Year 1998
Carries 680 gallons of water and 20 gallons each of
Class A and Class B Foam



Engine 34 Pierce Dash Model Year 2002
Carries 680 gallons of water and 20 gallons of each
Class A and Class B Foam



SVI Rescue Model Year 2007



Truck 34 2007 Pierce Dash Cab 105' Aerial Ladder

CENTRAL COUNTY FIRE DEPARTMENT

FIRE STATIONS AND FACILITIES



Administrative Office
1399 Rollins Road
Burlingame, CA 94010



Fire Station 34
799 California Drive
Burlingame, CA 94010



Fire Station 32
330 Ascot Road
Hillsborough, CA 94010

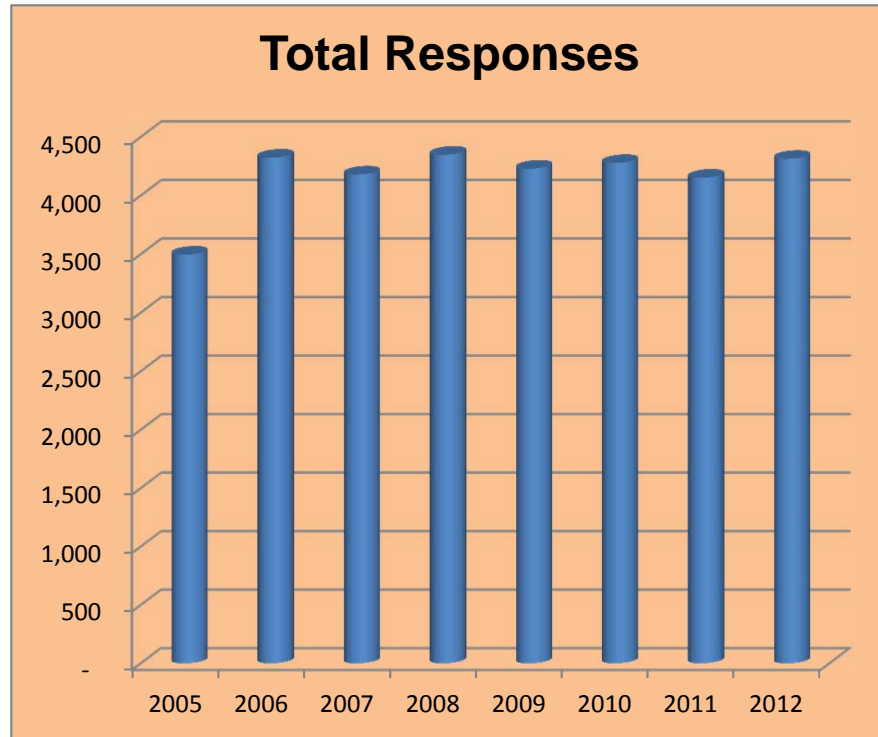


Fire Station 35
2832 Hillside Drive
Burlingame, CA 94010



Fire Station 33
835 Chateau Drive
Hillsborough, CA 94010

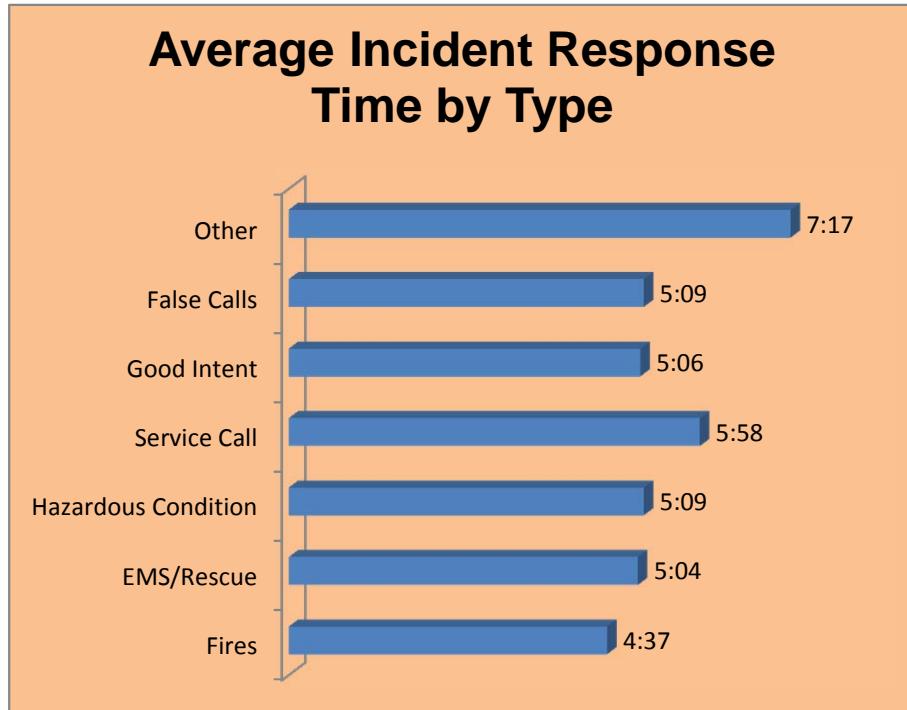
CENTRAL COUNTY FIRE DEPARTMENT
COMPARATIVE ANNUAL GRAPH - TOTAL RESPONSES
LAST EIGHT YEARS (1)



<u>Fiscal Year</u>	<u>Total Calls</u>
2005	3,495
2006	4,323
2007	4,179
2008	4,348
2009	4,229
2010	4,277
2011	4,152
2012	4,313

Source: Department's Records Management Systems
(1) Data only available for the last eight years

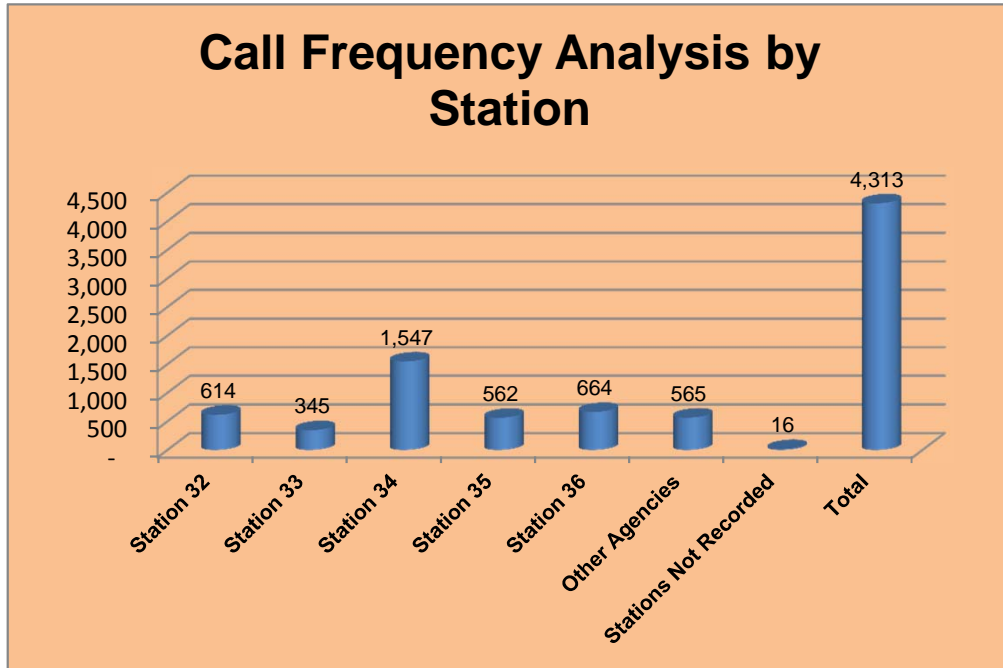
CENTRAL COUNTY FIRE DEPARTMENT
AVERAGE INCIDENT RESPONSE TIME BY TYPE
FISCAL YEAR 2011-12



Incident Type	Average Response Time (in minutes)
Fires	4:37
EMS/Rescue	5:04
Hazardous Condition	5:09
Service Call	5:58
Good Intent	5:06
False Calls	5:09
Other	7:17

Source: Department's Records Management Systems

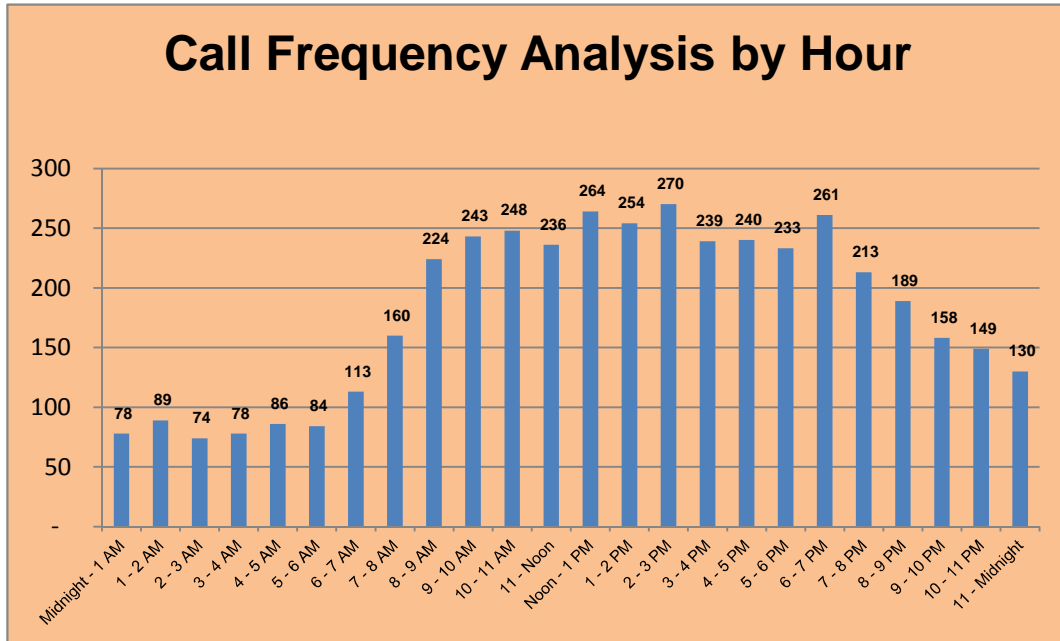
CENTRAL COUNTY FIRE DEPARTMENT
CALL FREQUENCY ANALYSIS BY STATION
FISCAL YEAR 2011-2012



<u>Station Location</u>	<u>Total Calls</u>	<u>% to Totals</u>
Station 32	614	14.24%
Station 33	345	8.00%
Station 34	1,547	35.87%
Station 35	562	13.03%
Station 36	664	15.40%
Other Agencies	565	13.10%
Stations Not Recorded	16	0.37%
Total	4,313	100.00%

Source: Department's Records Management Systems

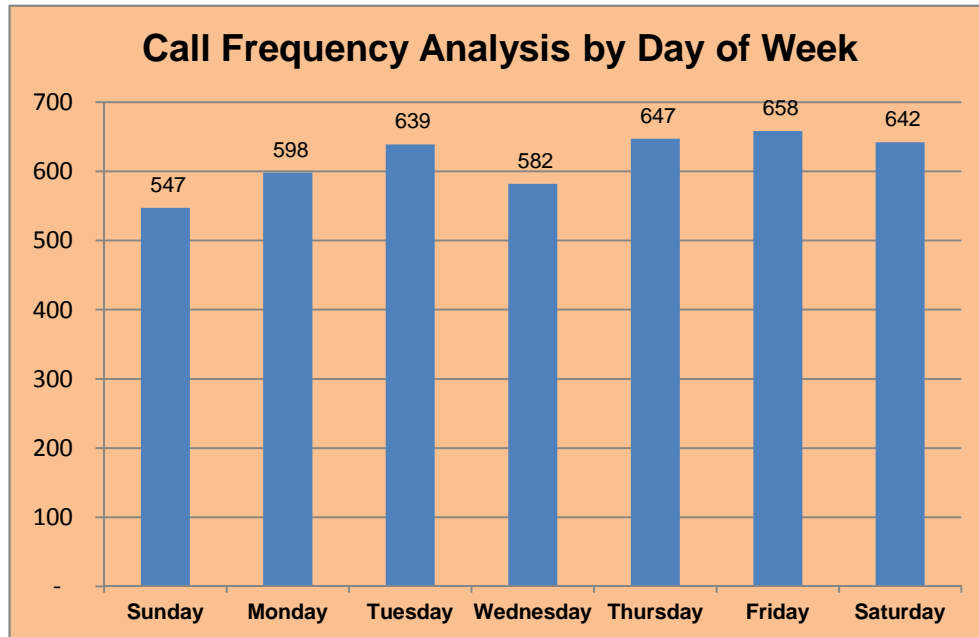
CENTRAL COUNTY FIRE DEPARTMENT
CALL FREQUENCY ANALYSIS BY HOUR
FISCAL YEAR 2011-2012



<u>Hour</u>	<u>Total Calls</u>	<u>% to Totals</u>
Midnight - 1 AM	78	1.81%
1 - 2 AM	89	2.06%
2 - 3 AM	74	1.72%
3 - 4 AM	78	1.81%
4 - 5 AM	86	1.99%
5 - 6 AM	84	1.95%
6 - 7 AM	113	2.62%
7 - 8 AM	160	3.71%
8 - 9 AM	224	5.19%
9 - 10 AM	243	5.63%
10 - 11 AM	248	5.75%
11 - Noon	236	5.47%
Noon - 1 PM	264	6.12%
1 - 2 PM	254	5.89%
2 - 3 PM	270	6.26%
3 - 4 PM	239	5.54%
4 - 5 PM	240	5.56%
5 - 6 PM	233	5.40%
6 - 7 PM	261	6.05%
7 - 8 PM	213	4.94%
8 - 9 PM	189	4.38%
9 - 10 PM	158	3.66%
10 - 11 PM	149	3.45%
11 - Midnight	130	3.01%
Total	4,313	100.00%

Source: Department's Records Management Systems

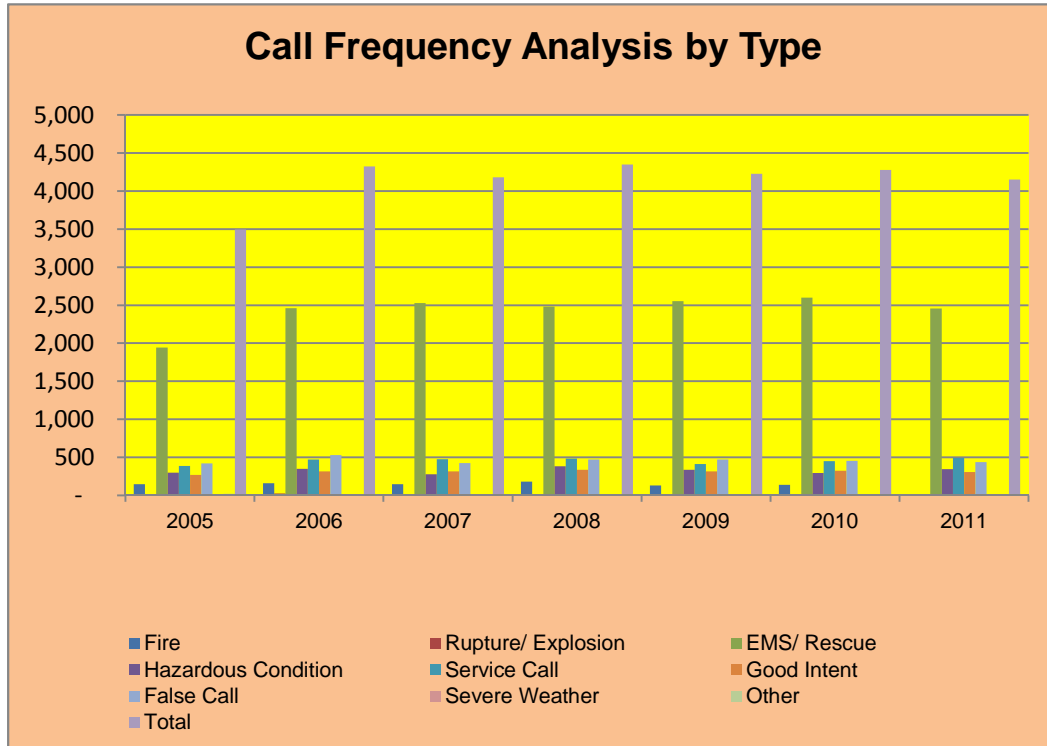
CENTRAL COUNTY FIRE DEPARTMENT
CALL FREQUENCY ANALYSIS BY WEEK
FISCAL YEAR 2011-2012



<u>Day of Week</u>	<u>Total Calls</u>	<u>% to Totals</u>
Sunday	547	12.68%
Monday	598	13.87%
Tuesday	639	14.82%
Wednesday	582	13.49%
Thursday	647	15.00%
Friday	658	15.26%
Saturday	642	14.89%
Total	4,313	100.00%

Source: Department's Records Management Systems

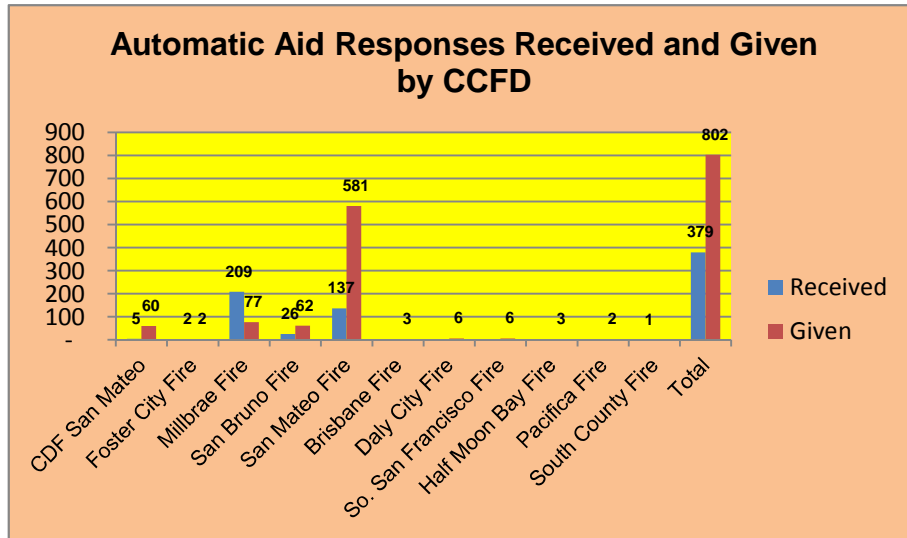
CENTRAL COUNTY FIRE DEPARTMENT
CALL FREQUENCY ANALYSIS BY TYPE
LAST EIGHT YEARS (1)



<u>Fiscal Year</u>	<u>Fire</u>	<u>Rupture/ Explosion</u>	<u>EMS/ Rescue</u>	<u>Hazardous Condition</u>	<u>Service Call</u>	<u>Good Intent</u>	<u>False Call</u>	<u>Severe Weather</u>	<u>Other</u>	<u>Total</u>
2005	147	16	1,943	296	387	268	419	1	18	3,495
2006	157	23	2,461	350	470	313	530	3	16	4,323
2007	148	11	2,526	276	473	314	424	2	5	4,179
2008	179	8	2,483	381	483	336	472	4	2	4,348
2009	131	17	2,553	334	411	313	468	1	1	4,229
2010	139	9	2,599	295	451	324	454	5	1	4,277
2011	104	12	2,454	343	490	305	435	7	2	4,152
2012	147	2	2,517	316	505	411	408	1	6	4,313

Source: Department's Records Management Systems
(1) Data only available for the last eight years

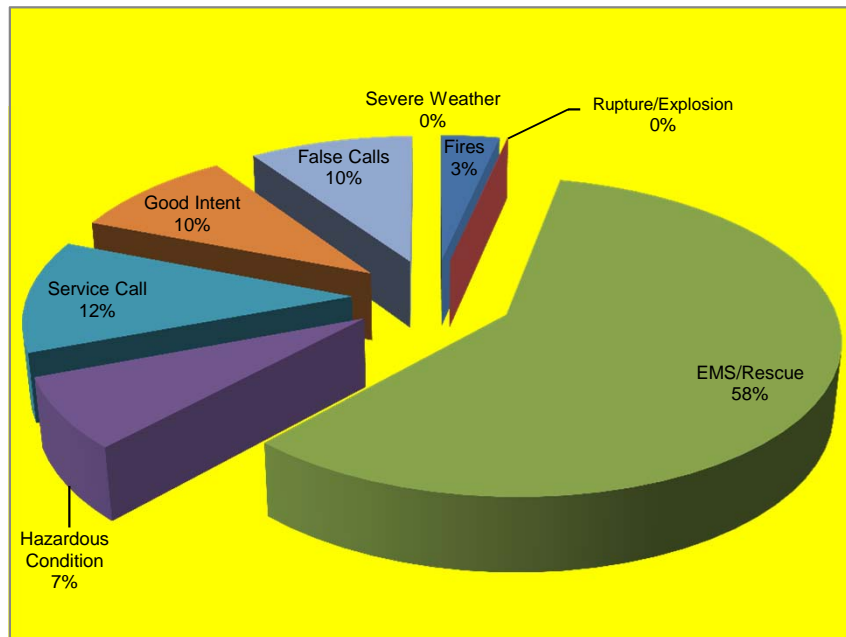
CENTRAL COUNTY FIRE DEPARTMENT
AUTOMATIC AID RESPONSES RECEIVED AND GIVEN
FISCAL YEAR 2011-2012



<u>Agency</u>	<u>Automatic Aid Received</u>	<u>Automatic Aid Given</u>	<u>Total</u>
CDF San Mateo	5	60	65
Foster City Fire	2	2	4
Millbrae Fire	209	77	286
San Bruno Fire	26	62	88
San Mateo Fire	137	581	718
Brisbane Fire		3	3
Daly City Fire		6	6
So. San Francisco Fire		6	6
Half Moon Bay Fire		3	3
Pacifica Fire		2	2
South County Fire	1		1
Total	379	802	1,181

Source: Department's Records Management Systems

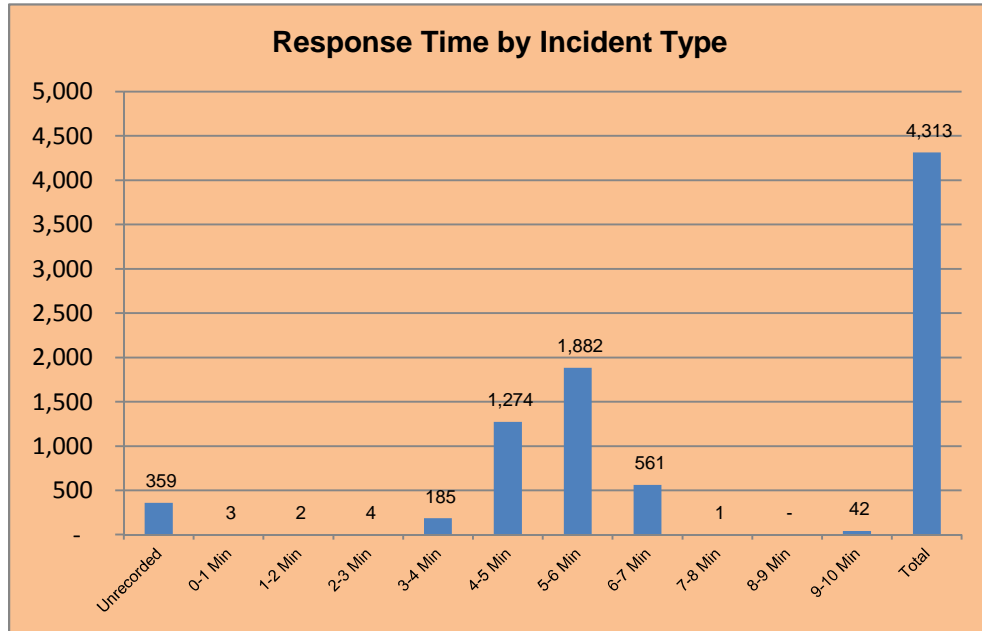
CENTRAL COUNTY FIRE DEPARTMENT
EMERGENCY RESPONSES BY INCIDENT TYPE
FISCAL YEAR 2011-2012



<u>Incident Type</u>	<u>Total Responses</u>
Fires	147
Rupture/Explosion	2
EMS/Rescue	2,517
Hazardous Condition	316
Service Call	505
Good Intent	411
False Calls	408
Severe Weather	1
Other	6
Total	<u>4,313</u>

Source: Department's Records Management Systems

CENTRAL COUNTY FIRE DEPARTMENT
RESPONSE TIME BY INCIDENT TYPE
FISCAL YEAR 2011-2012



<u>Incident Type</u>	<u>Unrecorded</u>											<u>Total</u>
	<u>Time</u>	<u>0-1 Min</u>	<u>1-2 Min</u>	<u>2-3 Min</u>	<u>3-4 Min</u>	<u>4-5 Min</u>	<u>5-6 Min</u>	<u>6-7 Min</u>	<u>7-8 Min</u>	<u>8-9 Min</u>	<u>9-10 Min</u>	
Fire	53				39	9	24	22				147
Rupture/Explosion	2											2
EMS/Rescue	17	1				1,108	1,090	300	1			2,517
Hazardous Condition	37				78	89	58	12			42	316
Service Call	11		2	4			294	194				505
Good Intent	211				68		99	33				411
False Call	24					67	317					408
Severe Weather	1											1
Other	3	2				1						6
Total	359	3	2	4	185	1,274	1,882	561	1	-	42	4,313

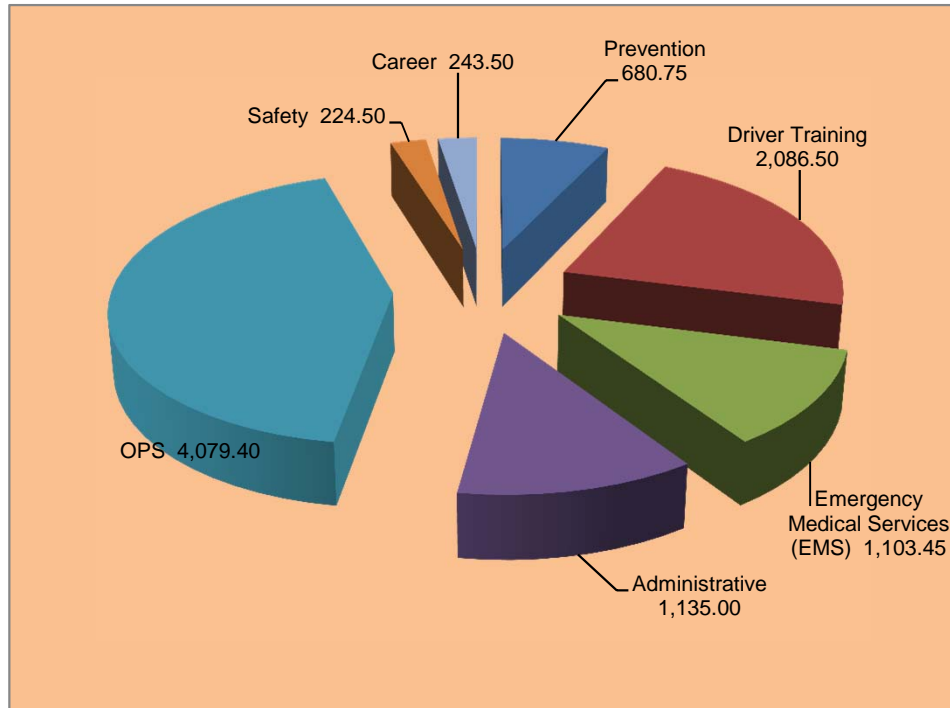
Source: Department's Records Management Systems

CENTRAL COUNTY FIRE DEPARTMENT
COMMUNITY TRAINING HELD
FISCAL YEAR 2011-2012

<u>Category</u>	<u>Number of Hours</u>	<u>Number of Citizens That Received Instruction</u>
Cardiopulmonary Resuscitation (CPR)/Automated External Defibrillators (AED) Training (3 hours per class)	57	120
First Aid (3 hours per class)	24	88
Community Emergency Response Teams (CERT) Training	41	45
Get Ready	2	34

Source: Department's Records Management Systems

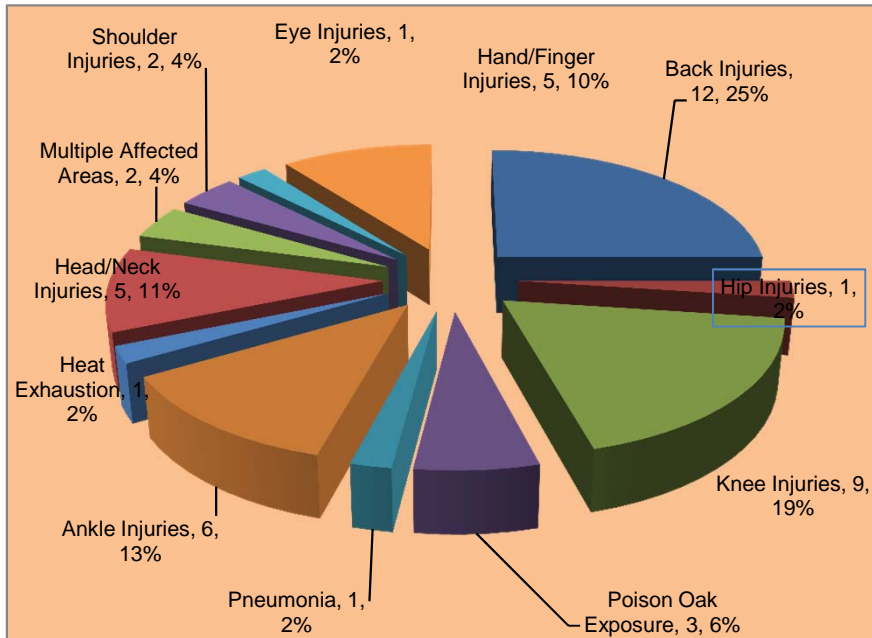
CENTRAL COUNTY FIRE DEPARTMENT
PERSONNEL TRAINING HOURS BY FUNCTION
FISCAL YEAR 2011-2012



<u>Description</u>	<u>Training</u>
Prevention	680.75
Driver Training	2,086.50
Emergency Medical Services (EMS)	1,103.45
Administrative	1,135.00
OPS	4,079.40
Safety	224.50
Career	243.50
Total Training Hours	<u>9,553.10</u>

Source: Department's Records Management Systems and Target Safety

CENTRAL COUNTY FIRE DEPARTMENT
TYPE OF ILLNESS/INJURY REPORT
YEAR 2012



<u>Description</u>	<u>Number</u>	<u>% to Totals</u>
Back Injuries	12	25%
Hip Injuries	1	2%
Knee Injuries	9	19%
Poison Oak Exposure	3	6%
Pneumonia	1	2%
Ankle Injuries	6	13%
Heat Exhaustion	1	2%
Head/Neck Injuries	5	10%
Multiple Affected Areas	2	4%
Shoulder Injuries	2	4%
Eye Injuries	1	2%
Hand/Finger Injuries	5	10%
Total Injuries	48	100%
First Aid Injuries	35	73%
Disability Injuries	13	27%
	48	100%

Source: Department's Records Management Systems and Target Safety