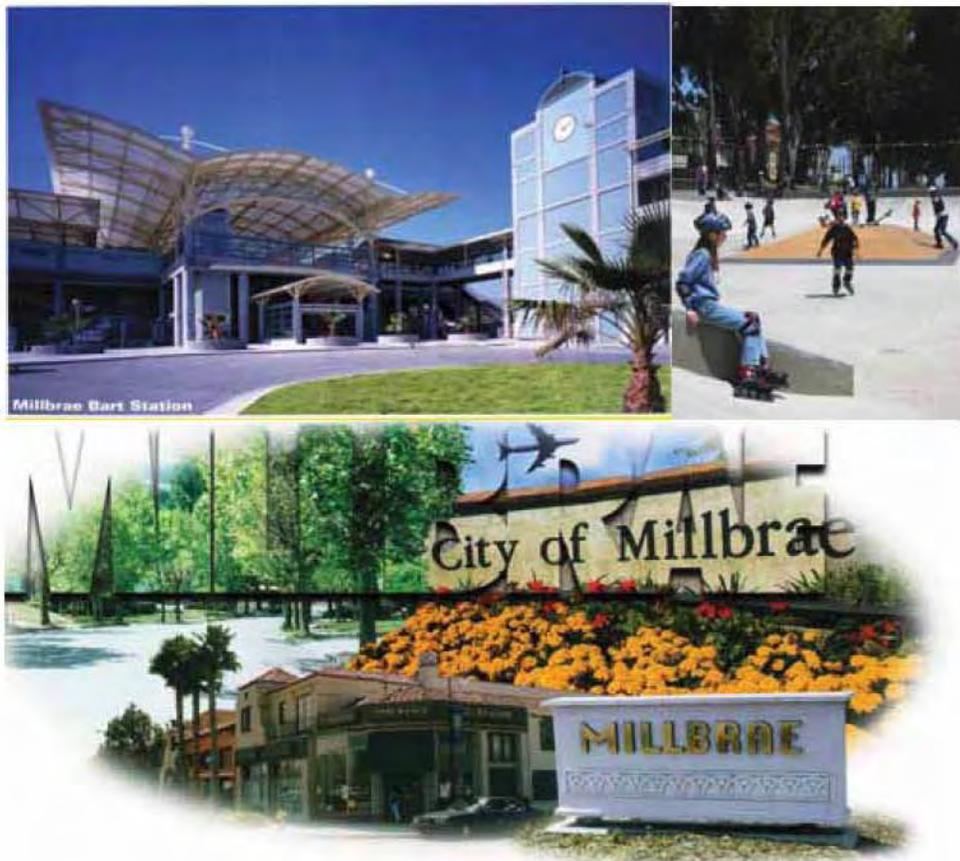




City of Millbrae California

Comprehensive Annual Financial Report



For the year ended
June 30, 2009

CITY OF MILLBRAE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

Prepared by
FINANCE DEPARTMENT

CITY OF MILLBRAE

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

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City of Millbrae
621 Magnolia Avenue, Millbrae, CA 94030

ROBERT G. GOTTSCHALK
Mayor
PAUL SETO
Vice Mayor
DANIEL F. QUIGG
Councilman
MARGE COLAPIETRO
Councilwoman
GINA PAPAN
Councilwoman
MARY VELLA TRESELER
Treasurer

October 09, 2009

Citizens of the City of Millbrae
The Honorable Mayor and
Members of the City Council

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Millbrae (City). This report presents the financial position and the changes in the financial position for the fiscal year ended June 30, 2009. The basic financial statements and supporting schedules have been prepared in compliance with California Government code Sections 25250 and 25253 and in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete, and accurate in all material respects, and is reported in a manner designed to present fairly the financial position and the results of operations of various funds and component units of the City. All material statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

The City's financial statements have been audited by the independent audit firm of Maze & Associates, a certified public accounting firm. The objective of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, are free of material misstatements. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2009. The Independent Auditors' Report is presented as the first item under the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements. The Management 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. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

City Council/City Manager (650) 259-2334	City Clerk (650) 259-2334	Public Works/Engineering (650) 259-2339	Recreation (650) 259-2360	Police Department (650) 259-2300
Personnel (650) 259-2334	Finance/Water (650) 259-2350	Community Development (650) 259-2341V	Building Division (650) 259-2330	Fire Department (650) 259-2400

The City has defined its reporting entity in accordance with GAAP, which provides guidance to determine the governmental activities, organizations, functions, and component units that should be blended or discretely presented in the financial statements. Component units are legally separate entities for which the City is financially accountable. Although legally separate entities, blended component units are, in substance, part of the City's operation and are reported as part of the Primary Government. Therefore, the Millbrae Redevelopment Agency (RDA) is reported as a blended component unit in the Government-wide Financial Statements.

Included as part of this letter are several attachments, that provides important information regarding the operations, economic environment, and financial position of the City. The attachments are:

<u>Attachment</u>	<u>Content</u>
A	Governmental Structure, Local Economic Condition and Outlook
B	Major Initiatives for the Year
C	Financial Information
D	Other Information

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated staff of the entire Finance Department and the auditing services of Maze & Associates.

I would like to express my appreciation to the entire staff of the Finance Department and all the City departments, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Maze & Associates for their assistance and guidance.

Most importantly, I would like to thank the City Council, the City Treasurer, the City Manager, and Department Heads and their respective staff, for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,



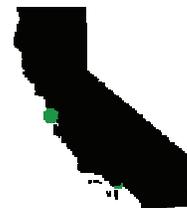
LaRae Brown
Finance Director

ATTACHMENT A

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Millbrae (City) was founded in 1856, incorporated in 1948 and operates as a General Law City serving a population of over 21,000. The City is located on the California Peninsula, 15 miles south of San Francisco. The boundaries of the City extend roughly from the Bayshore Freeway on the east to Skyline Boulevard on the west. This distance is approximately 1.7 miles. The distance between the north and south City limit line is approximately 2.05 miles.

Adjacent to the San Francisco International Airport and located in the heart of San Mateo County, Millbrae is gently cradled in the sun-warmed hills that separate the Pacific Ocean from the San Francisco Bay. Major freeways border both its eastern and western boundaries, making Millbrae easily accessible from all parts of the Bay Area. Many hillside homes enjoy beautiful bay views. Well-cared for middle-class neighborhoods, twelve local parks and the Green Hills Country Club add to the charm of the residential community.



Millbrae's economic community is a vital mix of retail, shopping, restaurants, service businesses, hotels and public services. With the Bay Area Rapid Transit (BART) / San Francisco (SFO) Extension, the City has adopted the Millbrae Station Area Specific Plan in order to attract hotel, office, retail and housing development to the area around the Millbrae BART station. The Millbrae BART Station provides the only Intermodal rail connection west of the Mississippi, the first regional rail system in the Bay Area. This unique station, which is connected to and is adjacent to the San Francisco International Airport, allows BART, CalTrain and SamTrans to connect under one roof, thereby maximizing regional travel options for passengers in the Bay Area.

The City acknowledges the importance of and continually strives towards preserving, enhancing, and managing open spaces, trees, and wetlands. The City continues to implemented sustainable programs that will improve the health of the community and environment, and will ensure that future generations may live healthy, productive and comfortable lives.

City Facts and Figures

San Mateo County Seat Established:	1856
Incorporated:	January 14, 1948
Land Area:	3.2 Square Miles
Elevation Low Point:	25 Feet
Elevation High Point:	800 Feet
Average Temperature Low:	42° January
Average Temperature High:	71° September
Population:	21,536
Population Density:	6,473 per square mile
Number of Households:	8,113 – Units (2000 Census)



City Government

Millbrae operates as a General Law City, provides for a Council-City Manager form of government, which clearly distinguishes the legislative powers of the City Council from the Administrative powers of the City Manager.

The City Council, composed of five members and the City Treasurer are the only officials elected directly by the residents of Millbrae. The Council members serve a four-year term, and annually choose a mayor, and vice mayor from among their members. As the legislative branch of the government, the City Council makes final decisions on all major City matters.

The City Council adopts ordinances and resolutions necessary for efficient governmental operations, approves the budget, and acts as a board of appeals. The City Manager, City Attorney and members of the City's boards and commissions are appointed by the City Council. The City Manager administers the daily affairs of the City, carries out City Council policies, and appoints and dismisses all Department Heads.

City Elections

General Municipal Elections are held on the first Tuesday after the first Monday in November of odd-numbered years.

City Services

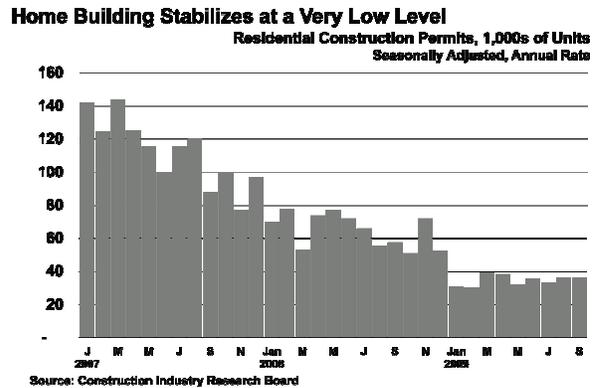
The City provides a full range of services including Police, and Fire protection; the construction and maintenance of highways, streets, and other infrastructure; Community Development planning and inspections; and Redevelopment. In addition, the City also manages recreational activities and cultural events; and provides water, and sewer utility services.

State Economy

The state continued to shed jobs in September, even though the pace has moderated substantially from the beginning of the year. The long slide in real estate and home building activity appears to have halted. The level of activity, though, was still disappointing.

- California lost 39,300 nonfarm jobs in September 2009. Only two major industry sectors gained jobs. Trade, transportation, and utilities added 3,900 jobs; and natural resources and mining, 200.
- Construction lost 14,100 jobs; government, 12,700; educational and health services, 3,600; manufacturing, 3,400; information, 2,900; professional and business services, 2,700; financial activities, 2,500; other services, 1,000; and leisure and hospitality, 500.
- Nonfarm payroll employment fell by 732,700 from September 2008 to September 2009. Over the year, employment declined by 61,000 jobs per month, but it fell at a much slower pace over the three months ending with September—only 28,000 per month.
- On a year-over-year basis, employment rose in only one industry sector. Educational and health services added 11,800 jobs.
- Over the year, employment fell by 172,400 in trade, transportation, and utilities; 144,000 in construction; 132,900 in professional and business services; 121,300 in manufacturing; 51,600 in leisure and hospitality; 41,800 in financial activities; 34,400 in information; 26,800 in government; 17,300 in other services; and 2,000 in natural resources and mining. On a nonseasonally-adjusted basis, state government employment fell by 2,400 in September.
- Since the national recession began in December 2007, California has lost 988,900 industry jobs.

- The state’s unemployment rate fell 0.1 percentage point to 12.2 percent in September. The number of people unemployed in California was 2,259,604—down 13,000 over the month, but still up 798,200 compared with September of last year.
- The pace of residential construction permitting held steady in September at a seasonally adjusted annual rate of 36,400 units. Both single-family and multi-family construction matched their August paces.
- This rate of home building, though, was still down over 36 percent from a year earlier. Single-family permits were down 12 percent, while multi-family permitting was down 66 percent. New home permitting during the first nine months of 2009 was down 48 percent from the same months of 2008.
- Nonresidential construction permitting, in contrast, slowed over the month (8 percent) and over the year (46 percent). The slowdowns were led by reductions in office and store construction. For the first nine months of 2009, nonresidential permitting was down 47 percent from the same months of 2008.
- Things were looking better in the existing home market. There was improvement in both the pace of sales and the prices paid for existing homes sold in September. Sales of single-family detached homes were up 0.7 percent from August—530,520 units at a seasonally adjusted annualized rate. The median price of homes sold in September—\$296,090—was also up from August, but was down 7.3 percent from a year earlier. The median number of days needed to sell a home improved to 33.6 days, a 27-percent drop from 12 months earlier.

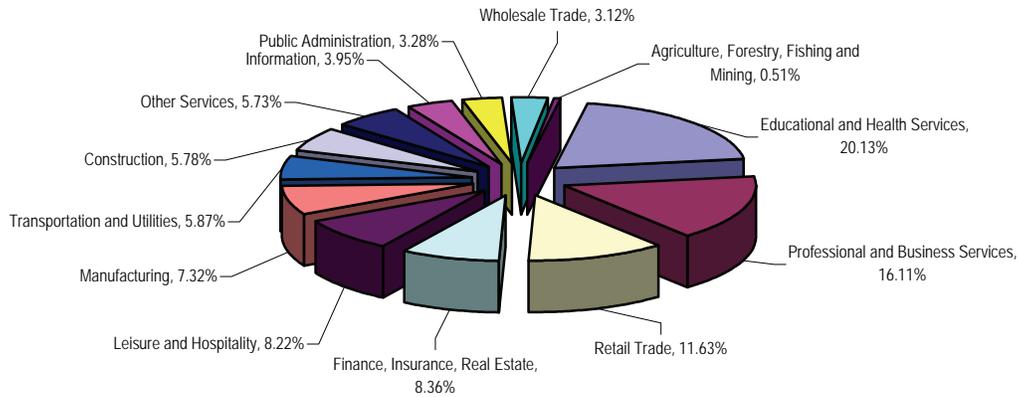


(Source: State of California Department of Finance)

San Mateo County Economy

The County of San Mateo (County) is one of the nine counties in the San Francisco Bay Area. The County is made up of twenty cities and towns, including Millbrae, and a large unincorporated area that includes La Honda, Pescadero, Montara, Moss Beach, El Granada, and Fair Oaks. The large mountainous part of the County and the San Francisco Airport location are also unincorporated areas. The County occupies 449 square miles on a peninsula bounded by San Francisco to the north, Santa Clara County to the south, San Francisco Bay to the east, and the Pacific Ocean to the west. Though sandwiched between two large urban areas, the County is a pleasant mix of suburban and rural areas. Most of the County’s 745,858 residents live in the suburban corridor east of the Santa Cruz Mountains, which bisects the County. The western part of the County remains primarily rural and has some of California’s most beautiful coastline. San Mateo is the 14th most populous among California’s 58 counties.

San Mateo County Employment by Industry 2009 Average



(Source: San Mateo County / State of California Employment Development Department)

Labor Force: San Mateo County's labor force is 364,921 and the largest sectors are Education and Health Services with 73,449 employed, followed by Professional and Business Services with 58,794 employed, and Retail Trade with 42,458 employed.

City of Millbrae

While the global stock market plunge has shown improvement, banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation. Although, the City currently enjoys a stable but weakening economic environment and local indicators point to a slow but full recovery, the financial status and budget outlook are continuously monitored.

The City faces significant fiscal challenges that include:

- Labor, Health Care and Pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- As part of the fiscal year 2009-2010 State Budget and trailer bill was passed in July 2009 (ABX4-26) authorizing a property tax revenue transfer from the Redevelopment Agency in the amount of \$1,201,952 to ERAF by May 10, 2010. The California Redevelopment Association has filed a lawsuit in Sacramento Superior Court challenging this raid of local Redevelopment Funds
- Develop an appropriate strategy to fund the Other Post-Employment Benefits (OPEB) obligation

ATTACHMENT B

MAJOR INITIATIVES FOR THE YEAR

Wastewater Treatment Plant Renovation

The City's Waste Water collection system and treatment plant renovation project is underway. New, up-to-date treatment technology that is more energy efficient and capable of meeting increasingly stringent Federal, State, and local clean water regulations will replace deteriorated and obsolete plant equipment and components. The total project budget is \$35 million.

- The City purchased 1.3 acres of land adjacent to the renovation project from California Department of Transportation. This site will be utilized for the construction of a 1.2 million gallon underground waste water holding tank and the new operations building
- On April 8, 2009 the City awarded URS Corporation the construction management oversight contract. The contract is \$2.8 million
- The City secured a loan in the amount of \$34 million from the California State Revolving Fund to finance the renovation project. Draws on the State Loan accrue interest at the rate of 1% per annum. Accrued interest will be added to the principal balance of the Loan. Loan repayment commences 12 months after Project completion. The Loan will be repaid over 20 years in equal annual payments
- On September 22, 2009 the City awarded West Bay Builders of Novato the construction contract for the Waste Water plant renovation project. The contract is \$20.5 million.

Street Repair Projects

The City received a grant in the amount of \$124 thousand to resurface Skyline Boulevard. The project included the installation of a Class II bicycle facility. The project was completed in July 2009.

Water and Pump Station Projects

The City replaced approximately 5,300 feet of 4-inch water mains with new 6-inch mains in the Marino Vista neighborhood. The new 6-inch mains will increase water delivery to those "low pressure" zones and the project was completed in conjunction with the scheduled resurfacing of the street.

The City completed the construction of a new building at the Madera Pump Station located near the intersection of Murchison and Madera. The new building enclosed the water pumping station and related electronic controls and equipment. The new building will also serve as a "muffler" to reduce the noise impact to adjacent neighbors when the water pumps and generator are operating.

Fire Assessment Parcel Tax

With the sunset of the Fire Assessment parcel tax scheduled for July 2009, and the loss of revenues due to the economic climate and a growing structural budget deficit, a ballot measure was placed before the voters in May 2009 to approve the renewal of the parcel tax. The residents of Millbrae demonstrated their support in passing the measure on July 14, 2009.

Energy Milestone

The City of Millbrae has been widely recognized as a leader in pioneering new technology that uses kitchen grease waste from local restaurants to generate clean power. The City has turned 1,018,615 gallons of kitchen grease waste into energy to power its Waste Water treatment plant. To put that in perspective, one million gallons of grease is enough to completely fill 7,000 bathtubs. With that much grease being kept out of the landfill and transformed into clean energy, the City is making an impact and protecting the environment.

The new cogeneration facility and grease receiving station, which began accepting grease in January 2007, features a wide variety of environmental and economic benefits.

- Reduces carbon dioxide emissions by almost 1.2 million pounds annually, equivalent to planting about 166 acres of trees
- Produces 1.7 million kilowatt-hours each year from a renewable resource, reduces air pollution, and keeps waste grease out of the landfill
- The \$6.1 million project—plus ongoing maintenance, repair, and renovation—is entirely self funded through reduced electric purchase costs and revenue from waste grease haulers
- Reduces sanitary sewer system and treatment plant operating and maintenance costs

With interest growing internationally in renewable energy, this state-of-the art project has received considerable attention from diverse media sources as well as inquiries from other cities around the globe. Millbrae was recognized for its efforts with a 2007 Sustainable San Mateo County Award.

Redevelopment Agency

The City of Millbrae Redevelopment Agency was created in 1988 under the provisions of the Community Redevelopment Law (California Health and Safety Code 33000) to assist in eliminating blight, and revitalizing areas that are determined to be in a declining condition, with desired development, reconstruction and rehabilitation including but not limited to: residential, commercial, industrial and retail. Projects and accomplishments during the year include the following:

- The Agency executed a Field License Agreement with the Millbrae School District for fifteen years with a three year renewal option. The agreement includes the renovation of the athletic fields and the maintenance and operation of Taylor, Green Hills, Spring Valley, Lomita Park and Meadows Schools. Phase 1 of the renovation project has been completed on three school fields; Phase 2 renovation design, and bidding, will take place in January 2010.
- The Park Broadway condominium project, 110 residential units including 11 live work lofts, has been completed and a majority of the units have been sold. Option and regulatory documents have been executed to provide low and moderate-income homebuyers, homeownership opportunities, utilizing the Low and Moderate Income Housing Funds. The Agency will established equity sharing with the homebuyers, restrict resale prices, and will have first right of refusal to repurchase the units.
- The 88 South Broadway residential project has been completed. The Agency provided ten (10) low and moderate-income homebuyers, homeownership opportunities, utilizing the Low and Moderate Income Housing Funds. The Agency established equity sharing with the homebuyers, restricted resale prices, and has first right of refusal to repurchase the units.

- The Millbrae Paradise (formerly Belamor) condominium project is under construction with 143 residential units and 22,000 square feet of retail space. The Agency will consider executing an option and regulatory documents for low and moderate income units similar those done at 88 South Broadway and Park Broadway
- Last fiscal year the Agency working with BRIDGE Housing acquired the Dolores Lia residential property of 27 apartment units on El Camino Real. BRIDGE Housing will own, operate and convert the project to condominiums, for sale to low and moderate income homebuyers. Due to the current economic climate the conversion project has been postponed and the units are currently rented to low and moderate income tenants.
- The Agency has allowed the Exclusive Negotiating Rights Agreement with Fancher et al to lapse. Due to the current crisis within the Banking, Credit, and Equity Markets there are no immediate financing opportunities within sight. Fancher offered the Agency assignment of several purchase contracts. The Agency accepted the 100 El Camino Real property, (known as Zack's) and escrow closed in October of 2008. A Tenant Termination Agreement was negotiated with the existing tenant.

ATTACHMENT C

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal, State and local financial assistance, the City is responsible for ensuring an adequate internal control structure is in place and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

Budget Process and Controls

The Budget process is the formal method through which the City establishes its goals, program priorities, and identifies the resources required to achieve the desired service levels for the upcoming fiscal periods. Essentially, it is a process through which policy is made, programs are articulated, and resources are identified in order to put them into effect.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the Fund and Department level. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end; however, outstanding encumbrances generally are re-appropriated, with City Council approval, as part of the following year's budget.

Cash Management Policies and Practices

During the year, temporarily idle cash is invested in the Local Agency Investment Fund (LAIF), the San Mateo County Investment Pool, or Certificates of Deposits.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, the majority of deposits are either insured by Federal Depository Insurance or collateralized. Nearly all investments held by the City at June 30, 2009, are classified in the category of lowest custodial credit risk as defined by the Government Accounting Standards Board (GASB).

The basic objectives of Millbrae's investment program are, in order of priority:

1. Safety
2. Liquidity, and
3. Yield

The Investment Policy is reviewed annually to ensure consistency with respect to the overall objectives of safety, liquidity and yield, and relevance to current laws and financial trends. Proposed amendments to the Policy are prepared by the Finance Department and reviewed and approved by the City Manager and the City Council.

Risk Management

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non-profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. The ABAG Plan provides \$10 million of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 deductible. The City has also purchased excess coverage insurance for worker's compensation claims from CSAC EIA with a \$300,000 deductible. In addition, various risk control techniques, including annual safety audits and employee accident prevention training, have been implemented to minimize losses.

Note: As demonstrated by the statements included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ATTACHMENT D

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The firm of Maze and Associates was awarded the auditing contract by the City Council. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements and supplemental information is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Millbrae for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Millbrae has received a Certificate of Achievement for fifteen (15) consecutive years. We believe this CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting this report for consideration to GFOA to determine eligibility for another certificate.

Note: The City has tried to refrain from duplicating information contained in the Management Discussion and Analysis (MD&A) or in the notes to the financial statements.

DIRECTORY OF CITY OFFICIALS

MAYOR

Robert G. Gottschalk

MEMBERS OF THE CITY COUNCIL

Paul Seto
Marge Colapietro
Daniel F. Quigg
Gina Papan

ELECTED OFFICER

Mary Vella Treseler
City Treasurer

COUNCIL APPOINTED OFFICERS

Marcia Raines
City Manager

Joan Cassman
City Attorney

AGENCY AND DEPARTMENT DIRECTORS

Jeffrey W. Killian
Assistant City Manager

LaRae Brown
Finance Director

Deborah Konkol
City Clerk

Dennis Haag
Fire Chief

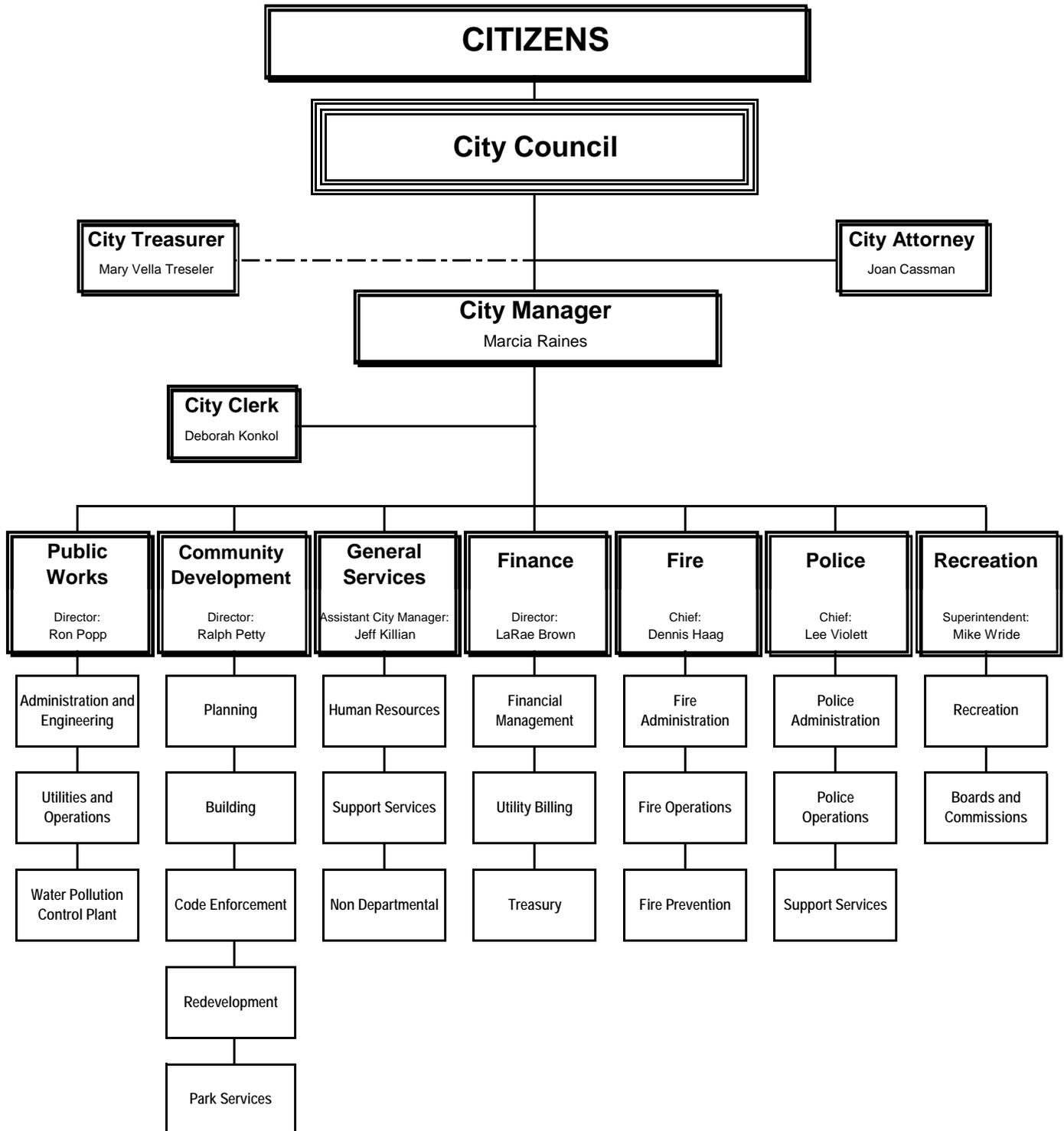
Lee Violett
Police Chief

Ralph Petty
Community Development and Parks Director

Ron Popp
Public Works Director

Mike Wride
Recreation Superintendent

ORGANIZATION CHART





City of Millbrae

Our Values

We are committed to the following values which are key to achievement of our Mission

- **Quality:**
We will produce nothing less than superior, high quality products and services. The public and our colleagues deserve nothing less.
- **Customer Service:**
Service to people is what we're about. We will provide products and services which meet the changing needs of the community. We will always provide services with respect, courtesy, warmth and responsiveness
- **Integrity and Honesty:**
Honesty, openness, fair-dealing and the highest ethical behavior are the foundation for our work
- **Innovation:**
We encourage our colleagues and the public to suggest new ideas for improving our products and services, and for doing things more efficiently and effectively
- **Teamwork:**
Teamwork is each of us working together to reach a common goal. Teamwork is accomplished when each member contributes their unique abilities, actively communicates and supports each other
- **Colleagues:**
We recognize, from managers to line workers, we are colleagues working toward a common goal, accomplishment of the City's overall mission. Each of us should share in the City's success which we make possible
- **Pride and Enjoyment In Our Work:**
We believe our work should be a source of personal enjoyment and satisfaction. We accept the challenge to promote a work place in which pride, personal enjoyment, and satisfaction can flourish
- **Action Orientation:**
We are an organization which is decisive. We will act without delay, after considering alternative and implications. We are proud of our ability to respond quickly and effectively to emergencies and changing priorities
- **Citizen Participation:**
We are committed to keeping the public informed by using a variety of communication networks. Effective public policy depends on achievement of community consensus
- **Cultural Diversity:**
The world in which we live is always changing. We recognize the need to adapt to meet all new challenges within our community and surrounding region. We will be sensitive to the differing cultural and personal needs of our community
- **Legal Responsibility:**
We accept the challenge to actively participate in legislative activities; supporting that with which we agree and opposing that with which we disagree. We will endeavor to know and comply with all Federal and State mandates
- **Regional Responsibility:**
Our City is a part of a large, interdependent metropolitan area. We will actively participate in regional planning to serve the best interests of our City and the region
- **Planning:**
We are a forward-looking organization, continuously assessing trends and developments which will impact our Mission. We seek to satisfy current needs in a manner which helps obtain our long-range goals



City of Millbrae

Our Purposes

The purpose of the City of Millbrae municipal government is to provide the conditions necessary for a high quality of life and prosperity for Millbrae residents, businesses and institutions.

A high quality of life and community prosperity are based upon:

- ***Democratic, Local, Self-government:***

Determination of needs, priorities, and policies by local residents through democratically elected representatives

- ***Public Health and Safety:***

Providing an environment free from disease, pollution, crime, fire and conditions injurious to public health and well being

- ***Physical, Cultural, and Social Well-Being:***

Providing facilities and programs for our residents to help meet their needs for socialization, recreation, and cultural and spiritual growth

- ***Economic Prosperity:***

To create conditions which will promote strong sales and trade in our business sector, and a strong tax base to support local government services

- ***Environmental Protection:***

To promote conservation of our natural environment and resources, and to promote an attractive, uncluttered, well maintained and landscaped urban environment

- ***Public Facilities and Infrastructure:***

To provide, maintain and operate public facilities and infrastructure essential to serving and supporting the public and private sectors of the City

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Millbrae
California

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

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.



A handwritten signature in black ink, appearing to read "M. L. R. T.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS**

To the City Council
City of Millbrae, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae's at June 30, 2009 and the results of its operations and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009, on our consideration of the City of Millbrae's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 11, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Management's Discussion and Analysis and the budgetary comparison for the General Fund and major special revenue funds are required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Millbrae. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical section listed in the Table of Contents was not audited by us, and we do not express an opinion on this information.

Yard & Associates

October 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Millbrae's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the City's financial activities for the fiscal year ending June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's Financial Statements, the related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The City's cumulative Fund Balances increased \$575 thousand (2.80%) to \$21.11 million compared to \$20.54 million for the prior Fiscal Year.
- The City's total assets exceed its total liabilities by \$78.6 million as of June 30, 2009, compared to \$74.0 million at June 30, 2008. This represents a 6.19% increase.
- The City has secured a loan in the amount of \$34 million from the California State Revolving Fund to fund the Waste Water Treatment Plant renovation project. Draws on the State loan accrue interest at the rate of 1% per annum. Accrued interest will be added to the principal balance. The loan will be repaid over 20 years and repayment commences 12 months after Project completion.
- As a participant in the San Mateo County Investment Pool, with investments in and the subsequent bankruptcy of Lehman Brothers, the City's portion of the cash loss for Fiscal Year 2008-2009 was \$949,865. In addition, the Educational Revenue Augmentation Fund (ERAF) revenue was reduced by \$17,546 to reflect the City's share of the San Mateo County Investment Pool loss in Lehman Brothers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. In addition, this report includes the required and supplementary information. The diagram below outlines the elements of the Comprehensive Annual Financial Report.

City of Millbrae Comprehensive Annual Financial Report (CAFR)

Comprehensive Annual Financial Report (CAFR)	<i>Introductory Section</i>	INTRODUCTORY SECTION			
	<i>Financial Section</i>	MANAGEMENT'S DISCUSSION AND ANALYSIS			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Assets	Governmental Funds		Proprietary Funds
			Balance Sheet		Statement of Net Assets
			Reconciliation of the Governmental Funds Balance Sheet		Statement of Revenue, Expenses, and Changes in Fund Net Assets
		Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance		Statement of Cash Flows
			Reconciliation of the Net Change in Fund Balances		
		NOTES TO THE FINANCIAL STATEMENTS			
	REQUIRED SUPPLEMENTAL INFORMATION				
INFORMATION ON INDIVIDUAL NON-MAJOR FUNDS AND OTHER SUPPLEMENTARY INFORMATION					
<i>Statistical Section</i>	STATISTICAL SECTION				

The Government-wide Financial Statements provide a long-term view of all the City’s activities, including all the capital assets and long-term liabilities.

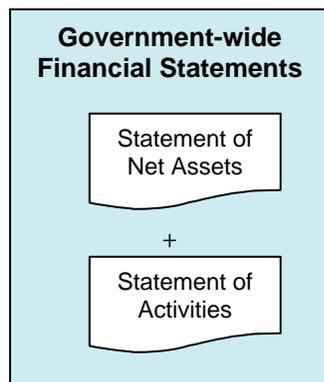
The Fund Financial Statements report the City’s operations in detail and the focus is primarily on the short-term activities of the City’s General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term liabilities.

The diagram below outlines the major features of both the Government-wide and Fund Financial Statements

	Government-wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Entity	The day to day operating activities of the City for Governmental Services	The day to day operating activities of the City, for Business-type enterprises
Basis of Accounting	Accrual	Modified Accrual	Accrual
Accounting Method	All Revenues and Expenses are recorded, regardless of when the Cash transactions occur	Revenue is recorded when Cash is received, Expenditures are recorded when services or supplies have been received and the liability is due and payable	All Revenues and Expenses are recorded, regardless of when the Cash transactions occur
Measurement Focus	All Economic Resources	Current Financial Resources	All Economic Resources
Type of Asset and Liability Information	All Assets, Capital, and Short and Long-term Liabilities	Current Assets and Liabilities due during the year or soon thereafter	All Assets, Capital, and Short and Long-term Liabilities

Government-wide Financial Statements

The Government-wide Financial Statements consist of the following two financial statements: 1) Statement of Net Assets; and 2) Statement of Activities. Both are designed to provide readers a broad overview of the City’s financial activities and position, in a manner similar to the financial statements for a private-sector company.



The **Statement of Net Assets** presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of an improving or deteriorating financial position.

The **Statement of Activities** presents information on the changes to net assets that occurred during the reporting period. All changes to net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for items that may only result in cash flows in future fiscal periods, such as revenues

pertaining to uncollected taxes, and expenses pertaining to earned but unused vacation and sick leave.

Both of the Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The *Governmental Activities* of the City include General Government, Public Safety, Highways and Streets, Recreation and Culture, Community and Economic Development, and Capital Improvements. The *Business-type Activities* of the City include a Municipal Water System, Waste Water Treatment Facility, and Storm Drain Maintenance and Improvements.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groups of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives in accordance with special regulations, restrictions, or limitations. A fund is a separate accounting entity with a self-balancing set of accounts. The City, like other State and Local Governments, utilizes fund accounting to ensure and demonstrate finance related legal compliance. All of the Funds within the City can be divided into the following two categories: Governmental Funds and Proprietary Funds.

<p><u>Fund</u></p> <p>A separate accounting entity with a self-balancing set of accounts</p> <p><u>Fund Categories</u></p> <p>Governmental Funds Proprietary Funds</p>
--

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as Governmental Activities in the Government-wide Financial Statements. Most of the City's basic services are reported in Governmental Funds. However, unlike the Government-wide Financial Statements, the Governmental Fund Financial Statements focus on the near-term inflow and outflows of resources, as well as on the balances of resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements.

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance, provide detailed information on Major Funds. The concept and the determination of Major Funds has been established by criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, (GASB 34)" and represent the major activities of the City for the year. Major Funds include: the General Fund, Special Revenue Funds, Capital Projects, Debt Service, and the City of Millbrae Redevelopment Agency (RDA) as a blended component unit. Major Funds are presented individually, while the activities of Non-Major Funds are presented in summary. Non-Major Fund detailed activity is provided in the form of combining statements elsewhere in this report. Major Funds may change from year to year as a result of changes in the City's activities.

The focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements; therefore it is useful to compare the information presented for Governmental Funds with similar information presented for Governmental Activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City adopts an annual appropriated budget, and a budgetary comparison schedule has been provided in the required supplementary information to demonstrate compliance with the budget.

Proprietary Funds

Proprietary Funds are generally used to account for services for which the City charges customers, either outside customers, or internal departments or agencies of the City. The City maintains the following two types of Proprietary Funds:

Enterprise Funds

Enterprise Funds are utilized to report the same functions presented as Business-type Activities in the Government-wide Financial Statements. Enterprise Funds are supported by fees paid by users based on the amount of service received. The City utilizes Enterprise Funds for the following:

Municipal Water System	To account for the administration, operation, and distribution of the City's Municipal Water System
Wastewater Treatment	To account for the administration, collection, and treatment of the City's Sanitation System
Storm Drains	To account for the administration, operation, maintenance and improvements of the City's Storm Drains

Internal Service Funds

Internal Service Funds are utilized to account for the financing of services and supplies provided by one department or agency, to other departments or agencies of the City on a cost-reimbursement basis. These services predominantly benefit governmental rather than Business-type functions; therefore they are included within the Governmental Activities in the Government-wide Financial Statements. The Internal Service Funds are combined into a single, aggregated presentation, in the Proprietary Fund Financial Statements. Internal Service Fund detailed activity is provided in the form of combining statements elsewhere in this report. The City utilizes Internal Service Funds for the following:

Municipal Garage	To account for the purchase and maintenance of all motor vehicles except fire engines
General Liability	To account for the resources, claims, and payment of Liability Insurance premiums
Worker's Compensation	To account for the resources, claims, and payment of Workers' Compensation
Unemployment Insurance	To account for the accumulation, claims and payment of Unemployment Insurance

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provides additional information that is essential to fully understand the data presented in the Government-wide and Fund Financial statements.

Required Supplemental Information

This section contains the Budget versus Actual Statements for the General Fund, Special Revenue Fund, and the Redevelopment Agency.

Other Information

In addition to the Financial Statements and accompanying notes, this section presents the combining statements and schedules for Non-Major Governmental Funds, Special Revenue Funds, Debt Service Funds, and the Internal Service Funds.

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

As noted earlier, Net Assets may serve over time as a useful indicator of the Government's financial position. As shown in the table below, the City's assets exceeded liabilities by \$78.6 million as of June 30, 2009 compared to \$74.0 million at June 30, 2008. This represents a 6.19% increase.

NET ASSETS

June 30, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other Assets	42,618,033	38,310,141	9,942,072	9,285,125	52,560,105	47,595,266
Capital Assets	61,640,411	63,486,533	20,609,107	17,933,311	82,249,518	81,419,844
TOTAL ASSETS	104,258,444	101,796,674	30,551,179	27,218,436	134,809,623	129,015,110
LIABILITIES						
Short-Term Liabilities	2,176,137	1,394,604	4,206,564	230,486	6,382,701	1,625,090
Long-Term Liabilities	37,879,482	38,224,974	5,779,389	9,992,882	43,658,871	48,217,856
Other Liabilities	5,092,630	4,388,522	1,072,894	759,874	6,165,524	5,148,396
TOTAL LIABILITIES	45,148,249	44,008,100	11,058,847	10,983,242	56,207,096	54,991,342
NET ASSETS						
Investment in Capital Assets net of related Debt	48,838,998	49,324,811	10,942,939	12,105,284	59,781,937	61,430,095
Restricted Net Assets:						
Capital Projects	35,083	36,516			35,083	36,516
Debt Service	6,143,437	4,770,387			6,143,437	4,770,387
Redevelopment	2,109,769	6,142,776			2,109,769	6,142,776
Special Revenue		6,688,104				6,688,104
AB 2928 grant	1,480,967				1,480,967	
Gax tax	536,486				536,486	
Developer fee - operating	4,058,646				4,058,646	
Measure A	735,669				735,669	
Unrestricted Net Assets	(4,828,860)	(9,174,020)	8,549,393	4,129,910	3,720,533	(5,044,110)
TOTAL NET ASSETS	59,110,195	57,788,574	19,492,332	16,235,194	78,602,527	74,023,768

The largest portion of the City's net assets reflects its \$59.8 million (76.1%) investment in capital assets (e.g. land, buildings, and equipment); less any related outstanding debt used to acquire those assets. This is a decrease of \$1.65 million over prior year end balance of \$61.4 million and represents the debt service payment for the 2008 Subordinate Waste water Revenue Notes due April 2010 for \$4.22 million. The City utilizes capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

Restricted Net Assets of \$15.1 million (25.5%) represents resources that are subject to external restrictions as to how they may be utilized. The Unrestricted Net Assets deficit of \$4.83 million in Governmental Activities is primarily attributed to long-term debt, thereby not requiring liquidation of current assets. At the end of the Fiscal Year 2008-2009, the City had positive balances in all three categories of Net Assets, both for the Government as a whole, as well as for its separate Governmental and Business-type Activities.

CHANGE IN NET ASSETS

June 30, 2009

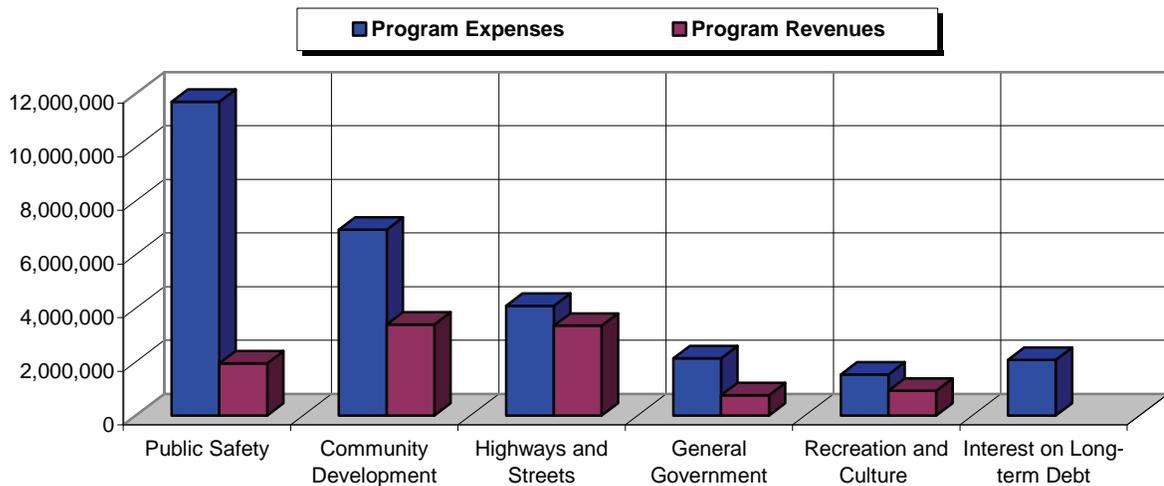
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program Revenue:						
Charges for Service	8,675,879	4,118,475			8,675,879	4,118,475
Operating Contributions and Grants	1,711,444	1,150,168			1,711,444	1,150,168
Municipal Water System			5,705,477	4,905,912	5,705,477	4,905,912
Waste Water Treatment			6,437,268	5,834,414	6,437,268	5,834,414
Storm Drain			233,057	226,560	233,057	226,560
General Revenue:						
Property Taxes	7,643,109	7,291,836			7,643,109	7,291,836
Incremental Property Tax	5,454,341	4,627,537			5,454,341	4,627,537
Sales Tax	2,444,946	2,177,427			2,444,946	2,177,427
Transient Occupancy Tax	2,807,377	3,269,459			2,807,377	3,269,459
Franchise Tax	672,548	702,124			672,548	702,124
Other Taxes	736,866	770,534			736,866	770,534
Motor Vehicle In-Lieu	72,790	93,080			72,790	93,080
Investment Earnings	(190,316)	1,044,544	26,091	224,000	(164,225)	1,268,544
Miscellaneous	261,216	675,424	829,898	80,326	1,091,114	755,750
TOTAL REVENUES	30,290,200	25,920,608	13,231,791	11,271,212	43,521,991	37,191,820
EXPENSES						
General Government	2,136,800	2,116,426			2,136,800	2,116,426
Public Safety	11,699,838	9,886,957			11,699,838	9,886,957
Highway and Streets	4,092,505	4,302,593			4,092,505	4,302,593
Recreation & Culture	1,535,138	1,524,120			1,535,138	1,524,120
Community Development	6,931,259	5,063,792			6,931,259	5,063,792
Interest on Long-Term Debt	2,081,610	2,511,595			2,081,610	2,511,595
Municipal Water System			4,445,889	4,167,081	4,445,889	4,167,081
Waste Water Treatment			5,635,264	5,163,835	5,635,264	5,163,835
Storm Drain			384,929	451,588	384,929	451,588
TOTAL EXPENSES	28,477,150	25,405,483	10,466,082	9,782,504	38,943,232	35,187,987
Excess Before Transfers	1,813,050	515,125	2,765,709	1,488,708	4,578,759	2,003,833
Transfers	(491,429)	(371,584)	491,429	371,584		
CHANGE IN NET ASSETS	1,321,621	143,541	3,257,138	1,860,292	4,578,759	2,003,833
Net Assets at Beginning of Year	57,788,574	57,645,033	16,235,194	14,374,902	74,023,768	72,019,935
NET ASSETS AT YEAR END	59,110,195	57,788,574	19,492,332	16,235,194	78,602,527	74,023,768

Analysis of the Changes in Net Assets

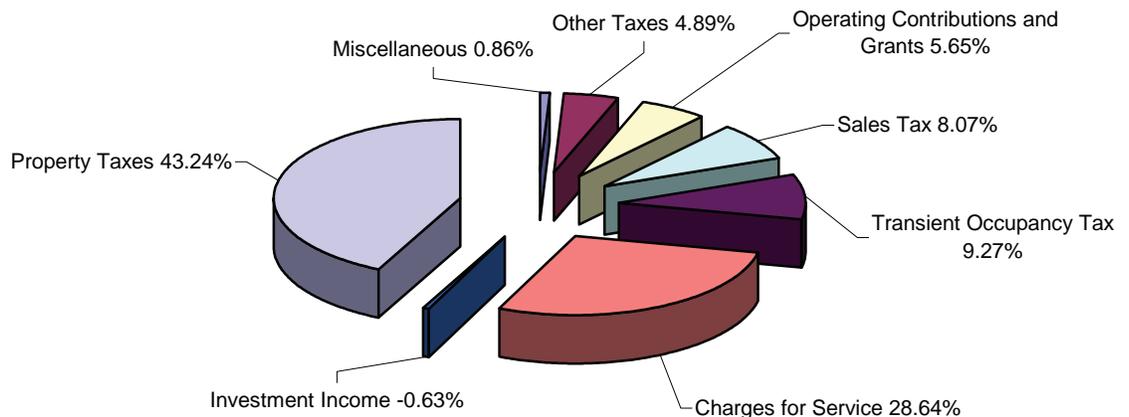
As shown in the table above the City's overall Change in Net Assets was \$4.58 million for fiscal year 2008-2009. The Net Assets at year end for Governmental Activities of \$59.11 million represents a 2.29% increase over the prior year total of \$57.79 million. The City's Business-type Activities year end Net Assets total of \$19.49 million represents a 20.06% increase over the prior year end total of \$16.24 million.

A discussion of the changes in both the Governmental and Business-type Activities is presented on the following pages.

Governmental Activities PROGRAM EXPENSES AND PROGRAM REVENUES



Governmental Activities REVENUES BY SOURCE



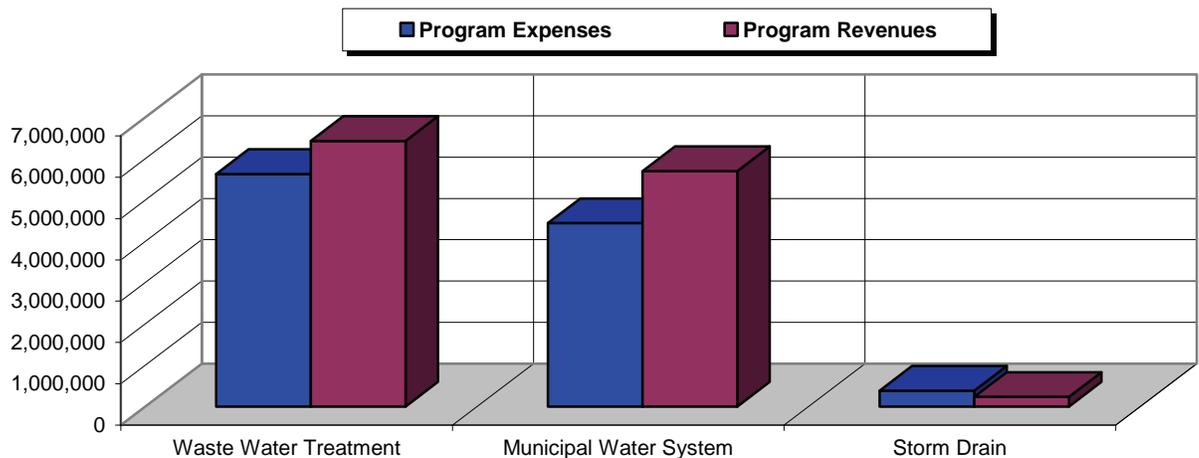
Governmental Activities increased the City's total Net Assets by \$1.32 million to \$59.11 million during fiscal year 2008-2009, compared to the increase of \$143 thousand during fiscal year 2007-2008. Key factors contributing to the variance from the prior year are as follows:

- Overall, Governmental Activities revenue increased by approximately \$4.37 million and, and expenses increased by \$3.07 million. This resulted in a net asset increase of \$1.30 million before transfers at the end of fiscal year 2008-2009
- Property Tax revenue increased \$1.18 million (9.88%) during this fiscal year as a result of increases in property valuations
- Sales Tax increased \$267 thousand (12.29%) although Transient Occupancy Tax saw a decreased of \$462 thousand (-14.13%) during this fiscal year
- Charges for Services increased \$4.56 million (110.66%) and reflect increases in Engineering, Planning, and Building activity, and \$2.4 million received for Housing and Developer fees
- Investment Earnings were down by \$1.23 million (-118.22%) and reflect the City's share of the Lehman Brothers bankruptcy loss, for funds held in the San Mateo County Investment Pool. The total cash loss on all City investments was \$949,865. In addition, the Educational Revenue Augmentation Fund (ERAF) revenue was reduced by \$17,546 to reflect the City's share of the San Mateo County investment loss in Lehman Brothers

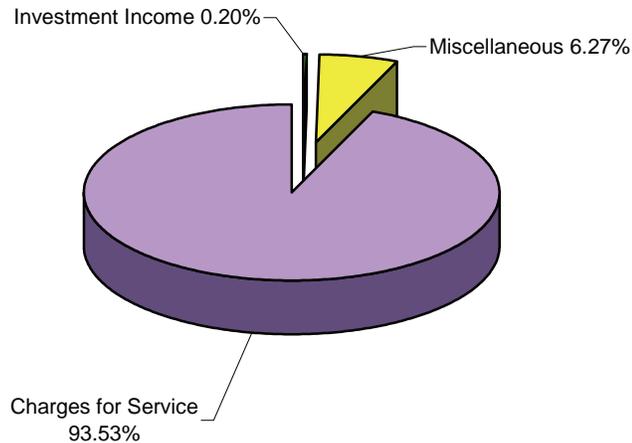
The charts shown previously illustrate the City's Governmental Expenses and Revenues by Program, and Revenues by Source. As shown, Public Safety has the largest program expenses at forty one percent (41.09%), followed by Community Development at twenty four percent (24.34%), Highways and Streets with fourteen percent (14.37%), General Government at eight percent (7.50%) and Culture and Recreation with five percent (5.39%). General Revenues such as property tax, business tax, and sales tax are not shown by Program, but are used to support program activities citywide. For Governmental Activities, Property Taxes were the largest single source of funds (43.24%) followed by Charges for Service (28.64%) and Other Taxes (22.23%) (Transient Occupancy 9.27%; Sales Tax 8.07%; and Other Taxes 4.89%), in fiscal year 2008-2009.

Business-type Activities

PROGRAM EXPENSES AND PROGRAM REVENUES



**Business-type Activities
REVENUES BY SOURCE**



Business-type Activities increased the City's total Net Assets by \$3.26 million to \$19.50 million during fiscal year 2008-2009, compared to the increase of \$1.86 million during fiscal year 2007-2008. Key factors contributing to the increase from the prior year are as follows:

- Overall, Business-type Activities revenue increased by approximately \$1.96 million, and expenses increased by \$684 thousand. This resulted in net asset increase of \$1.28 million before transfers at the end of fiscal year 2008-2009
- Waste Water Treatment revenue increased \$603 thousand (10.33%) as a result of an increase in rates and ongoing active delinquent collections. Expenses within the Waste Water Treatment increased by \$471 thousand (9.31%) during this fiscal year
- Municipal Water System revenue increased by approximately \$800 thousand (16.30%) as a result of an increase in rates and ongoing active delinquent collections. Expenses within the Municipal Water System increased by \$279 thousand (6.69%) during this fiscal year
- Storm Drain revenues increased by \$6 thousand dollars (2.87%) and expenses decreased by \$67 thousand (-14.76%) during this fiscal year

The charts shown previously illustrate the City's Business-type Activities Expenses and Revenues by Program, and Revenues by Source. As shown, Waste Water Treatment has the largest program expenses at fifty four percent (53.84%), followed by the Municipal Water System at forty two percent (42.48%), and Storm Drain with four percent (3.68%). General Revenues such as Investment Earnings, and Miscellaneous Revenue are not shown by Program, but are used to support Business-type activities. For Business-type Activities, Investment Earnings were \$26 thousand (0.20%) and Miscellaneous Revenue was \$830 thousand (6.27%) in fiscal year 2008-2009.

GOVERNMENTAL AND PROPRIETARY FUND ANALYSIS

As noted earlier, the City utilizes fund accounting to ensure and demonstrate legal compliance and to aid financial management by segregating transactions related to specific governmental activities, functions or objectives.

Governmental Funds

The focus of the City's Governmental Funds Statement is to provide information on near-term inflows, outflows, and balance of resources available. This type of information is useful in assessing the City's financing requirements. In particular, Unreserved Fund Balance may serve as a useful measure of a Government's net resources available at the end of the fiscal year. The types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

At the end of fiscal year 2008-2009 the City's Governmental Funds reported a combined ending Fund Balance of \$21.11 million, a increase of \$575 thousand (2.80%) over the prior year end balance of \$20.53 million.

Comparative Analysis of Changes in Governmental Fund Balances

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balance for Governmental Funds at fiscal year end 2009 and the previous fiscal year end, 2008.

Governmental Funds
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 June 30, 2009

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2009	2008	2009	2008	2009	2008
General Fund	17,461,827	16,812,171	17,613,650	18,607,641	(151,823)	(1,795,470)
Redevelopment Agency Special Revenue	1,053,754	1,027,452	2,990,934	2,442,826	(1,937,180)	(1,415,374)
Millbrae Station Area	2,531,745	442,902	824,171	544,968	1,707,574	(102,066)
Redevelopment Agency Debt Service	4,423,106	4,045,803	3,070,727	3,135,140	1,352,379	910,663
Redevelopment Agency Capital Project	3,144,062	1,228,270	5,239,889	3,229,445	(2,095,827)	(2,001,175)
Other Governmental Funds	9,445,927	6,026,700	7,745,758	4,084,978	1,700,169	1,941,722
TOTAL	38,060,421	29,583,298	37,485,129	32,044,998	575,292	(2,461,700)

The General Fund had an ending Fund Balance of \$2.75 million, a decrease of \$152 thousand over the prior year end balance of \$2.90 million. The Redevelopment Agency Special Revenue Fund had an ending Fund Balance of negative - \$59 thousand, a decrease of \$1.94 million over the prior year end balance of \$1.88 million. The Millbrae Station Area had an ending Fund Balance of \$4.06 million, an increase of \$1.71 million over the prior year end balance of \$2.35 million. The Redevelopment Agency Debt Service Fund had an ending Fund Balance of \$5.08 million, an increase of \$1.35 million over the prior year end balance of \$3.73 million. The Redevelopment Agency Capital Project Fund had an ending Fund Balance of \$2.17 million, a decrease of \$2.10 million over the prior year end balance of \$4.26 million. Other Governmental Funds has a combined ending Fund Balance of \$7.12 million, an increase of \$1.70 million over the prior year end balance of \$5.42 million.

The expenditures in the Redevelopment Agency reflect the property purchase at 100 El Camino Real (Millbrae) for \$1.34 million and \$3.93 million equity sharing with Low and Moderate Income homebuyers for ten units at 88 South Broadway (Millbrae). The Agency established equity sharing with the homebuyers, that includes restricted resale prices, and the Agency has first right of refusal to repurchase the units.

The table below provides a comparison of the General Fund Revenues and Expenditures for fiscal year 2008-2009 versus fiscal year 2007–2008.

Comparative Analysis of Changes in the General Fund Balance

The General Fund is the chief operating fund of the City and the following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund Balance at fiscal year end 2009 and the previous fiscal year end, 2008.

GENERAL FUND REVENUE AND EXPENDITURE COMPARISON June 30, 2009				
	General Fund		Dollar Variance	Percentage Variance
	2009	2008		
REVENUES				
Property Taxes	7,023,315	6,664,306	359,009	5.39%
Sales Tax	2,444,946	2,177,427	267,519	12.29%
Transient Occupancy Tax	2,807,377	3,269,459	(462,082)	-14.13%
Franchise Taxes	672,548	702,124	(29,576)	-4.21%
Other Taxes	676,140	681,673	(5,533)	-0.81%
Licenses and Permits	356,830	468,691	(111,861)	-23.87%
Charges for Service	1,083,516	1,169,376	(85,860)	-7.34%
Fines and Forfeitures	771,323	576,367	194,956	33.82%
Use of Money and Property	534,310	544,102	(9,792)	-1.80%
Grants and Intergovernmental	158,019	125,546	32,473	25.87%
Miscellaneous	60,134	51,208	8,926	17.43%
TOTAL REVENUES	16,588,458	16,430,279	158,179	0.96%
EXPENDITURES				
General Government	1,801,585	1,846,271	(44,686)	-2.42%
Public Safety	10,234,747	9,714,103	520,644	5.36%
Highway and Streets	1,290,619	1,387,702	(97,083)	-7.00%
Culture and Recreation	8,808	10,731	(1,923)	-17.92%
Community Development	1,726,137	1,931,908	(205,771)	-10.65%
Capital Outlay	189,417	786,783	(597,366)	-75.93%
Debt Service:				
Principal	819,604	787,426	32,178	4.09%
Interest and Fiscal Charges	10,336	12,360	(2,024)	-16.38%
TOTAL EXPENDITURES	16,081,253	16,477,284	(396,031)	-2.40%
OTHER FINANCING SOURCES (USES)				
Proceeds Sale Capital Assets	1,000		1,000	
Transfers In	872,369	381,892	490,477	128.43%
Transfers Out	(1,532,397)	(2,130,357)	597,960	-28.07%
TOTAL OTHER FINANCING SOURCES (USES)	(659,028)	(1,748,465)	1,089,437	100.36%
NET CHANGE / FUND BALANCE	(151,823)	(1,795,470)		
BEGINNING FUND BALANCE	2,900,789	4,696,259		
ENDING FUND BALANCE	2,748,966	2,900,789		

As shown on the table above the General Fund had an ending Fund Balance of \$2.75 million, a decrease of \$152 thousand (-5.23%) over the prior year ending balance of \$2.9 million. This decrease represents overtime to fill positions due to increased worker's compensation claims.

As a measure of the General Fund's liquidity, it may be useful to compare both the Total Fund Balance and the Unreserved / Designated Fund Balance to Total Fund Expenditures (total expenditures plus other financing uses).

**GENERAL FUND EXPENDITURES
FUND BALANCE COMPARISON**

	2009	2008	
Expenses	17,613,650	18,607,641	
Total Fund Balance	2,748,966	2,900,789	
PERCENTAGE	15.61%	15.59%	
Expenses	17,613,650	18,607,641	
Unreserved / Designated Fund Balance	1,567,044	1,684,476	
PERCENTAGE	8.90%	9.05%	

At June 30, 2009, the General Fund had a reserve balance of \$1.18 million for encumbrances and advances to other funds, a decrease of \$34 thousand (-2.83%) over the prior year reserve balance of \$1.22 million.

General Fund Budgetary Revenue and Expenditure Changes

The variance between the final amended total General Fund Revenue Budget and the actual results was a decrease of \$31 thousand and represents gas tax revenue.

Proprietary Funds

The City's Proprietary Fund Statements provide the same type of information found in the Government-wide Financial Statements under *Business-type Activities* column, but include more detail.

The following table shows actual revenues, expenses and results of operations for the fiscal year 2008-2009.

PROPRIETARY FUNDS						
June 30, 2009						
	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Assets
Municipal Water System	5,710,971	4,483,054	1,227,917	(10,952)	(41,845)	1,175,120
Waste Water Treatment	6,548,445	5,213,056	1,335,389	315,418	248,764	1,899,571
Storm Drains	265,896	420,746	(154,850)	(16,552)	284,510	113,108
Internal Service Funds	1,956,431	2,059,118	(102,687)	(52,402)	(18,835)	(173,924)
TOTALS	14,481,743	12,175,974	2,305,769	235,512	472,594	3,013,875

At the end of fiscal year 2008-2009, total net assets for the Municipal Water System were \$11.48 million, an increase of \$1.18 million (11.40%) over the prior year balance of \$10.3 million; Waste Water Treatment total net assets were \$7.43 million, an increase of \$1.90 million (34.32%) over the prior year balance of \$5.53 million; Storm Drains total net assets were \$586 thousand, an increase of \$113 thousand (23.94%) over the prior year balance of \$473 thousand; and the Internal Service Funds total net assets were \$1.23 million a decrease of \$174 thousand (-12.39%) over the prior year balance of \$1.40 million and represents increased worker's compensation claims.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets includes land, buildings and improvements, furniture, fixtures and equipment, automobiles and trucks, and infrastructure. Capital Assets for Governmental and Business-type Activities are presented below.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

June 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	14,885,484	14,885,484	1,785,218	1,500,500	16,670,702	16,385,984
Land Improvements	278,590	301,943		181,672	278,590	483,615
Construction in Progress			2,791,228		2,791,228	0
Building and Improvements	16,578,020	16,968,784	2,900,579	3,005,787	19,478,599	19,974,571
Furniture, Fixtures and Equipment	1,717,584	2,475,181	6,652,523	8,403,688	8,370,107	10,878,869
Automobiles and Trucks	914,469	1,245,383	18,784	4,718	933,253	1,250,101
Infrastructure	27,266,264	27,609,758	6,460,775	4,836,946	33,727,039	32,446,704
TOTAL	61,640,411	63,486,533	20,609,107	17,933,311	82,249,518	81,419,844

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2009, increased by \$830 thousand (1.02%) to \$82.25 million (net of accumulated depreciation). The Construction in Progress represents the design costs incurred to date for the renovation and modernization of the City's Waste Water Treatment facilities.

The City depreciates Capital Assets utilizing the straight-line depreciation method. The cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

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

Additional information on the City's Capital Assets can be found in Note 6 of this report.

Debt Administration

The City and Redevelopment Agency debt obligations are in the form of Certificates of Participation (COP), General Obligation Bonds (GOB), Tax Allocation Bonds, Loans, Capital Lease Obligations and Revenue Notes.

The following table summarizes the outstanding long-term debt at June 30, 2009.

LONG-TERM LIABILITIES						
June 30, 2009						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
1999 Certificates of Participation: Police Expansion	3,135,000	3,270,000			3,135,000	3,270,000
2001 General Obligation Bonds: Public Library	10,345,000	10,415,000			10,345,000	10,415,000
2001 Natural Disaster Loan	400,000	600,000			400,000	600,000
2004 Pension Obligation Bonds	14,633,198	14,521,489			14,633,198	14,521,489
2005 Tax Allocation Bonds: Redevelopment	8,270,000	8,370,000			8,270,000	8,370,000
2005 Bank Loan: Cogeneration Project			5,599,218	5,828,027	5,599,218	5,828,027
2006 Lease Purchase: Phone System	97,018	146,622			97,018	146,622
2007 Lease Purchase: Fire Apparatus	176,049	257,873			176,049	257,873
2007 Lease Purchase: Police Vehicles	37,097	72,227			37,097	72,227
2008 Subordinate Wastewater Revenue Notes			3,965,000	3,965,000	3,965,000	3,965,000
TOTAL	37,093,362	37,653,211	9,564,218	9,793,027	46,657,580	47,446,238

As of June 30, 2009, Governmental Activities outstanding long-term debt was \$37.1 million and Business-Type Activities had \$9.56 million of long-term debt, for combined total of \$46.66 million. During the year \$1.67 million long-term debt was retired, while \$883 thousand was added (accrued value - 2004 Pension Obligation Bonds), resulting in a net decrease of \$788 thousand (-1.66%).

Additional information about the City's long-term obligations can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's financial status and budget outlook are continuously monitored, as the City faces significant fiscal challenges. These include:

- Labor, Health Care and Pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- As part of the fiscal year 2009-2010 State Budget a trailer bill was passed in July 2009 (ABX4-26) authorizing a property tax revenue transfer from the Redevelopment Agency in the amount of \$1,201,952 to ERAF by May 10, 2010. The California Redevelopment Association has filed a lawsuit in Sacramento Superior Court challenging this raid of local Redevelopment Funds.

- Develop an appropriate strategy to fund the Other Post-Employment Benefits (OPEB) obligation.

The economy of the City and other major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. We hope that the proceeding information has provided a general overview of the City's overall financial status. Requests for additional information, and questions or comments regarding this report should be addressed to:

City of Millbrae
Finance Department
Attn: LaRae Brown
621 Magnolia Avenue
Millbrae, CA 94030

CITY OF MILLBRAE

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

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

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

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

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities. The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

Both of these Statements include the financial activities of the City, and the City of Millbrae Redevelopment Agency, which is legally separate but are component unit of the City because it is controlled by the City, which is financially accountable for the activities of this entity.

CITY OF MILLBRAE
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations (Note 3)	\$19,274,227	\$6,352,803	\$25,627,030
Cash with fiscal agent (Note 3)	3,706,710	1	3,706,711
Receivables:			
Taxes	613,223		613,223
Accounts - net	102,879	2,926,348	3,029,227
Accrued interest	96,248		96,248
Due from other governmental agencies	989,704	20,146	1,009,850
Loans (Note 5)	8,731,708		8,731,708
Internal balances (Note 4D)	(642,774)	642,774	
Prepaid pension obligations (Note 8C)	8,621,517		8,621,517
Land held for resale (Note 7)	1,124,591		1,124,591
Capital assets (Note 6):			
Non-depreciable capital assets	14,885,484	4,576,446	19,461,930
Depreciable capital assets, net	46,754,927	16,032,661	62,787,588
	<u>104,258,444</u>	<u>30,551,179</u>	<u>134,809,623</u>
Total Assets			
LIABILITIES			
Accounts payable and accrued payroll	1,496,713	717,822	2,214,535
Interest payable	436,497	79,232	515,729
Deposits	1,849,092	275,840	2,124,932
Unearned revenue	314,741		314,741
Compensated absences (Note 1G):			
Due within one year	876,237		876,237
Due in more than one year	1,102,337	420,555	1,522,892
Noncurrent portion of accrued self-insurance (Note 12)	995,587		995,587
Long-term debt (Note 8):			
Portion due within one year	1,299,900	4,206,564	5,506,464
Portion due in more than one year	35,793,462	5,358,834	41,152,296
Net other postemployment benefit obligation (Note 11)			
Due in more than one year	983,683		983,683
	<u>45,148,249</u>	<u>11,058,847</u>	<u>56,207,096</u>
Total Liabilities			
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	48,838,998	10,942,939	59,781,937
Restricted for:			
Special assessment capital projects	35,083		35,083
Debt service	6,143,437		6,143,437
Redevelopment	2,109,769		2,109,769
AB 2928 grant	1,480,967		1,480,967
Gas tax	536,486		536,486
Developer fee - operating	4,058,646		4,058,646
Measure A	735,669		735,669
	<u>15,100,057</u>		<u>15,100,057</u>
Total Restricted Net Assets			
Unrestricted	(4,828,860)	8,549,393	3,720,533
	<u>\$59,110,195</u>	<u>\$19,492,332</u>	<u>\$78,602,527</u>
Total Net Assets			

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
General government	\$2,136,800	\$732,766	\$28,429	(\$1,375,605)		(\$1,375,605)
Public safety	11,699,838	1,829,118	\$118,366	(9,752,354)		(9,752,354)
Highways and streets	4,092,505	1,905,241	1,447,583	(739,681)		(739,681)
Culture and recreation	1,535,138	893,629	35,445	(606,064)		(606,064)
Community development	6,931,259	3,315,125	81,621	(3,534,513)		(3,534,513)
Interest on long-term debt	2,081,610			(2,081,610)		(2,081,610)
Total Governmental Activities	28,477,150	8,675,879	1,711,444	(18,089,827)		(18,089,827)
Business-type Activities:						
Municipal water system	4,445,889	5,705,477			\$1,259,588	1,259,588
Municipal waste water treatment facility	5,635,264	6,437,268			802,004	802,004
Storm drain	384,929	233,057			(151,872)	(151,872)
Total Business-type Activities	10,466,082	12,375,802			1,909,720	1,909,720
Total	\$38,943,232	\$21,051,681	\$1,711,444	(18,089,827)	1,909,720	(16,180,107)
General revenues:						
Taxes:						
Property taxes				7,643,109		7,643,109
Incremental property tax				5,454,341		5,454,341
Sales taxes				2,444,946		2,444,946
Transient occupancy tax				2,807,377		2,807,377
Franchise tax				672,548		672,548
Other taxes				736,866		736,866
Motor vehicle in-lieu, unrestricted				72,790		72,790
Investment earnings				(190,316)	26,091	(164,225)
Miscellaneous				261,216	829,898	1,091,114
Transfers (Note 4C)				(491,429)	491,429	
Total general revenues and transfers				19,411,448	1,347,418	20,758,866
Change in Net Assets				1,321,621	3,257,138	4,578,759
Net Assets-Beginning				57,788,574	16,235,194	74,023,768
Net Assets-Ending				\$59,110,195	\$19,492,332	\$78,602,527

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2009. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General Fund is established to account for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, highway and street, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND

To account for property tax increments received by the Millbrae Redevelopment Agency to use for Low and Moderate-Income Housing Programs.

MILLBRAE STATION AREA DEVELOPER FEE – OPERATING SPECIAL REVENUE FUND

To account for the fees collected from the developers for the operation of the Millbrae Station Area development project.

REDEVELOPMENT AGENCY DEBT SERVICE FUND

To account for the accumulation of resources for payment of principal and interest on Millbrae Redevelopment Agency debt. The Agency receives revenues from property tax increments.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

To account for the Millbrae Redevelopment Agency's resources for administrative costs, capital projects and long-term debt obligation.

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Redevelopment Agency Debt Service Fund
ASSETS				
Cash and investments (Note 3)	\$2,130,089		\$3,753,302	\$5,744,729
Cash with fiscal agent (Note 3)	20,192		1,280,833	545,002
Receivables:				
Taxes	586,174			
Accounts - net	41,594			
Accrued interest	96,248			
Due from other funds (Note 4A)	39,433			701,702
Due from other governmental agencies	139,579			
Loans (Note 5)		\$8,731,708		
Advances to other funds (Note 4B)	1,040,100			
Land held for resale (Note 7)				
	<u>\$4,093,409</u>	<u>\$8,731,708</u>	<u>\$5,034,135</u>	<u>\$6,991,433</u>
LIABILITIES				
Accounts payable and accrued payroll	\$780,918	\$5,048	\$8,622	\$220,556
Due to other funds (Note 4A)		\$701,702		
Deposits	387,509		966,867	
Deferred revenue		8,084,108		
Unearned revenue	176,016			
Advances from other funds (Note 4B)				1,690,100
	<u>1,344,443</u>	<u>8,790,858</u>	<u>975,489</u>	<u>1,910,656</u>
FUND BALANCES				
Fund balance (Note 9)				
Reserved for:				
Encumbrances	141,822	45,760	16,738	
Debt service				5,080,777
Advances and loans receivable	1,040,100	647,600		
Land held for resale				
Unreserved:				
Designated				
Other post employment benefits	1,532,462			
Operating contingency	34,582			
Undesignated, reported in:				
Special Revenue Funds		(752,510)	4,041,908	
Capital Projects Funds				
	<u>2,748,966</u>	<u>(59,150)</u>	<u>4,058,646</u>	<u>5,080,777</u>
Total Fund Balances (Deficit)	<u>\$4,093,409</u>	<u>\$8,731,708</u>	<u>\$5,034,135</u>	<u>\$6,991,433</u>
Total Liabilities and Fund Balances	<u>\$4,093,409</u>	<u>\$8,731,708</u>	<u>\$5,034,135</u>	<u>\$6,991,433</u>

See accompanying notes to financial statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$1,058,295	\$5,428,417 1,860,683	\$18,114,832 3,706,710
10,200	27,049 48,691	613,223 100,485 96,248 741,135
1,124,591	850,125	989,704 8,731,708 1,040,100 1,124,591
<u>\$2,193,086</u>	<u>\$8,214,965</u>	<u>\$35,258,736</u>
\$24,167	\$426,385 39,433 494,716	\$1,465,696 741,135 1,849,092 8,084,108
24,167	138,725	314,741 1,690,100
<u>24,167</u>	<u>1,099,259</u>	<u>14,144,872</u>
220,909	1,975,461 1,062,660	2,400,690 6,143,437 1,687,700
1,124,591		1,124,591
823,419	2,978,115 1,099,470	1,532,462 34,582 6,267,513 1,922,889
<u>2,168,919</u>	<u>7,115,706</u>	<u>21,113,864</u>
<u>\$2,193,086</u>	<u>\$8,214,965</u>	<u>\$35,258,736</u>

CITY OF MILLBRAE
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances reported on the Governmental Funds Balance Sheet \$21,113,864

Amounts reported for Governmental Activities in the Statement of Net Assets
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
therefore are not reported in the Governmental Funds 60,299,223

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to
charge the costs of certain activities, such as insurance and central services and maintenance
to individual governmental funds. The net current assets of the Internal Service Funds are therefore
included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	1,159,395
Accounts receivable	2,394
Internal balances	7,226
Capital assets	1,341,188
Accounts payable	(31,017)
Interest payable	(5,068)
Compensated absences	(28,323)
Accrued self-insurance	(995,587)
Long-term debt	(213,146)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently
are taken into revenue in the Statement of Activities. 8,084,108

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
reported in the Funds:

Prepaid pension obligation	8,621,517
Long-term debt	(36,880,216)
Net OPEB Obligation	(983,683)
Compensated absences	(1,950,251)
Interest payable	(431,429)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$59,110,195

See accompanying notes to financial statements

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Redevelopment Agency Debt Service Fund
REVENUES				
Property tax	\$7,023,315	\$1,085,325		\$4,341,303
Sales tax	2,444,946			
Transient occupancy tax	2,807,377			
Franchise tax	672,548			
Other taxes	676,140			
Licenses and permits	356,830		\$161,665	
Charges for services	1,083,516		2,390,235	
Fines and forfeitures	771,323		83,264	
Use of money and property	534,310	(31,571)	(103,419)	(75,726)
Grants and intergovernmental	158,019			
Miscellaneous	60,134			
Total Revenues	<u>16,588,458</u>	<u>1,053,754</u>	<u>2,531,745</u>	<u>4,265,577</u>
EXPENDITURES				
Current:				
General government	1,801,585			
Public safety	10,234,747			
Highways and streets	1,290,619		1,497	
Culture and recreation	8,808			
Community development	1,726,137	163,514	121,162	3,782
Payments to property tax pass-throughs		302,714		1,651,969
Capital outlay	189,417	114,221	6,872	
Debt service:				
Principal	819,604			99,762
Interest and fiscal charges	10,336			463,050
Total Expenditures	<u>16,081,253</u>	<u>580,449</u>	<u>129,531</u>	<u>2,218,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>507,205</u>	<u>473,305</u>	<u>2,402,214</u>	<u>2,047,014</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,000			
Transfers in (Note 4C)	872,369			157,529
Transfers (out) (Note 4C)	(1,532,397)	(2,410,485)	(694,640)	(852,164)
Total Other Financing Sources (Uses)	<u>(659,028)</u>	<u>(2,410,485)</u>	<u>(694,640)</u>	<u>(694,635)</u>
NET CHANGE IN FUND BALANCES	(151,823)	(1,937,180)	1,707,574	1,352,379
BEGINNING FUND BALANCES	<u>2,900,789</u>	<u>1,878,030</u>	<u>2,351,072</u>	<u>3,728,398</u>
ENDING FUND BALANCES (DEFICIT)	<u><u>\$2,748,966</u></u>	<u><u>(\$59,150)</u></u>	<u><u>\$4,058,646</u></u>	<u><u>\$5,080,777</u></u>

See accompanying notes to financial statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$647,507	\$13,097,450
		2,444,946
		2,807,377
		672,548
	382,646	1,058,786
	111,200	629,695
	2,745,526	6,219,277
	-	854,587
(\$113,046)	91,497	302,045
	1,644,463	1,802,482
46,231	132,872	239,237
<u>(66,815)</u>	<u>5,755,711</u>	<u>30,128,430</u>
		1,801,585
	433,903	10,668,650
	702,922	1,995,038
	1,433,193	1,442,001
998,426	240,151	3,253,172
		1,954,683
3,937,944	1,399,076	5,647,530
	205,000	1,124,366
	721,133	1,194,519
<u>4,936,370</u>	<u>5,135,378</u>	<u>29,081,544</u>
<u>(5,003,185)</u>	<u>620,333</u>	<u>1,046,886</u>
		1,000
3,210,877	3,690,216	7,930,991
<u>(303,519)</u>	<u>(2,610,380)</u>	<u>(8,403,585)</u>
<u>2,907,358</u>	<u>1,079,836</u>	<u>(471,594)</u>
(2,095,827)	1,700,169	575,292
<u>4,264,746</u>	<u>5,415,537</u>	<u>20,538,572</u>
<u>\$2,168,919</u>	<u>\$7,115,706</u>	<u>\$21,113,864</u>

CITY OF MILLBRAE
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the Statement of Activities
 JUNE 30, 2008
 FOR THE YEAR ENDED JUNE 30, 2009

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$575,292

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay and other capitalized expenditures are therefore added back to fund balance 1,648,531
 Retirement of capital assets, net (1,168,524)

Depreciation expense is deducted from the fund balance (2,437,414)
 (Depreciation expense is net of internal service fund depreciation of \$161,989 which has already been allocated to serviced funds)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment and forgiveness of debt principal are added back to fund balance 1,124,366
 Interest expense are deducted from fund balance (5,144)

ACCRUAL OF NON-CURRENT ITEMS

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

Internal balances (76,565)
 Deferred revenue 4,021,002
 Compensated absences 1,390
 Unpaid interest added to long-term debt (881,709)
 Reduction in long-term debt 200,000
 Amortization of prepaid pension obligation (529,223)
 Net OPEB (983,683)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds (166,698)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,321,621

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal 2009.

MUNICIPAL WATER SYSTEM FUND

To account for activities related to providing water service to the Millbrae residents.

MUNICIPAL WASTE WATER TREATMENT FACILITY FUND

To account for services of the collection, treatment and administration of the City's sanitation system.

STORM DRAIN FUND

To account for the resources and costs of maintenance and improvements of the City's storm drains.

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 3)	\$2,402,457	\$3,837,982	\$112,364	\$6,352,803	\$1,159,395
Cash with fiscal agent (Note 3)		1		1	
Receivables:					
Accounts - net	1,312,561	1,613,787		2,926,348	2,394
Due from other governmental agencies		12,171	7,975	20,146	
Total Current Assets	3,715,018	5,463,941	120,339	9,299,298	1,161,789
Total Noncurrent Assets:					
Advances to other funds (Note 4B)	650,000			650,000	
Capital assets (Note 6)					
Non-depreciable capital assets	100,770	4,475,676		4,576,446	
Depreciable capital assets, net	7,647,561	7,893,702	491,398	16,032,661	1,341,188
Total Assets	12,113,349	17,833,319	611,737	30,558,405	2,502,977
LIABILITIES					
Current Liabilities:					
Accounts payable	229,429	480,782	7,611	717,822	31,017
Interest payable		79,232		79,232	5,068
Deposits	258,878	16,962		275,840	
Long-term debt due within one year (Note 8)		4,206,564		4,206,564	122,987
Total Current Liabilities	488,307	4,783,540	7,611	5,279,458	159,072
Noncurrent Liabilities:					
Compensated absences (Note 1G)	145,029	257,062	18,464	420,555	28,323
Accrued self-insurance (Note 12)					995,587
Long-term debt (Note 8)					
Due in more than one year		5,358,834		5,358,834	90,159
Total Noncurrent Liabilities	145,029	5,615,896	18,464	5,779,389	1,114,069
Total Liabilities	633,336	10,399,436	26,075	11,058,847	1,273,141
NET ASSETS (Note 9)					
Invested in capital assets, net of related debt	7,647,561	2,803,980	491,398	10,942,939	1,128,042
Unrestricted	3,832,452	4,629,903	94,264	8,556,619	101,794
Total Net Assets	\$11,480,013	\$7,433,883	\$585,662	19,499,558	\$1,229,836
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.				(7,226)	
Net assets business-type activities				\$19,492,332	

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
OPERATING REVENUES					
Water sales	\$5,705,477			\$5,705,477	
Sewer service fees		\$6,437,268		6,437,268	
Equipment rental					\$688,265
Interdepartmental charges					1,200,756
Storm drain fees			\$233,057	233,057	
Miscellaneous	5,494	111,177	32,839	149,510	67,410
Total Operating Revenues	5,710,971	6,548,445	265,896	12,525,312	1,956,431
OPERATING EXPENSES					
Personnel services	1,456,788	2,839,234	198,455	4,494,477	448,490
Contractual services	499,919	842,211	154,401	1,496,531	143,147
Materials, supplies and other services	424,282	500,764	20,634	945,680	164,802
Water purchases	1,786,614			1,786,614	
Depreciation	295,451	730,402	40,233	1,066,086	194,135
Utilities		300,445	7,023	307,468	15,324
Insurance premiums and claims	20,000			20,000	1,093,220
Total Operating Expenses	4,483,054	5,213,056	420,746	10,116,856	2,059,118
Operating Income (Loss)	1,227,917	1,335,389	(154,850)	2,408,456	(102,687)
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets					2,005
Miscellaneous		680,388		680,388	
Interest revenue	(10,952)	53,595	(16,552)	26,091	(40,235)
Interest expense		(418,565)		(418,565)	(14,172)
Total Nonoperating Revenues (Expenses)	(10,952)	315,418	(16,552)	287,914	(52,402)
Income (Loss) Before Transfers	1,216,965	1,650,807	(171,402)	2,696,370	(155,089)
Transfers in (Note 4C)		250,001	284,510	534,511	213,624
Transfers out (Note 4C)	(41,845)	(1,237)		(43,082)	(232,459)
Net transfers	(41,845)	248,764	284,510	491,429	(18,835)
Change in net assets	1,175,120	1,899,571	113,108	3,187,799	(173,924)
BEGINNING NET ASSETS	10,304,893	5,534,312	472,554		1,403,760
ENDING NET ASSETS	\$11,480,013	\$7,433,883	\$585,662		\$1,229,836
Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net income of certain internal service funds is reported with the business-type activities which those funds service				69,339	
Change in net assets of business-type activities				\$3,257,138	

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$5,570,090	\$6,338,738	\$253,360	\$12,162,188	\$1,955,234
Payments to suppliers	(2,734,730)	(1,347,924)	(178,442)	(4,261,096)	(351,566)
Payments to employees	(1,440,716)	(2,862,133)	(201,414)	(4,504,263)	(434,893)
Other receipts		680,388		680,388	
Claims paid					(711,418)
	<u>1,394,644</u>	<u>2,809,069</u>	<u>(126,496)</u>	<u>4,077,217</u>	<u>457,357</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payments		(1,456,904)	(246,427)	(1,703,331)	
Interfund receipts					
Transfers in		250,001	284,510	534,511	213,624
Transfers (out)	(41,845)	(1,237)		(43,082)	(232,459)
	<u>(41,845)</u>	<u>(1,208,140)</u>	<u>38,083</u>	<u>(1,211,902)</u>	<u>(18,835)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(1,751,513)	(1,966,253)	(24,116)	(3,741,882)	(303,415)
Principal payments on capital debt		(229,304)		(229,304)	(116,954)
Interest paid		(391,858)		(391,858)	(10,452)
	<u>(1,751,513)</u>	<u>(2,587,415)</u>	<u>(24,116)</u>	<u>(4,363,044)</u>	<u>(430,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investment with fiscal agent		240,207		240,207	
Interest	(10,952)	53,595	(16,552)	26,091	(40,235)
	<u>(10,952)</u>	<u>293,802</u>	<u>(16,552)</u>	<u>266,298</u>	<u>(40,235)</u>
Net Cash Flows	<u>(409,666)</u>	<u>(692,684)</u>	<u>(129,081)</u>	<u>(1,231,431)</u>	<u>(32,534)</u>
Cash and investments at beginning of period	<u>2,812,123</u>	<u>4,530,666</u>	<u>241,445</u>	<u>7,584,234</u>	<u>1,191,929</u>
Cash and investments at end of period	<u>\$2,402,457</u>	<u>\$3,837,982</u>	<u>\$112,364</u>	<u>\$6,352,803</u>	<u>\$1,159,395</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$1,227,917	\$1,335,389	(\$154,850)	\$2,408,456	(\$102,687)
Adjustments to reconcile operating income (Loss) to cash flows from operating activities:					
Depreciation	295,451	730,402	40,233	1,066,086	194,135
Miscellaneous non-operating revenue		680,388		680,388	
Change in assets and liabilities:					
Receivables, net	(150,664)	(203,707)		(354,371)	(1,197)
Due from other governmental agencies		1,030	(2,574)	(1,544)	
Accounts payable	(3,915)	294,466	6,190	296,741	(28,293)
Compensated absences	16,072	(22,899)	(2,959)	(9,786)	13,597
Refundable deposits	9,783	(6,000)	(12,536)	(8,753)	381,802
	<u>\$1,394,644</u>	<u>\$2,809,069</u>	<u>(126,496)</u>	<u>\$4,077,217</u>	<u>\$457,357</u>
NONCASH TRANSACTION					
Retirement of discounts		<u>\$1,677</u>			

See accompanying notes to financial statements

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Millbrae was incorporated as a general law city in 1948. The City operates under the Council-Administrator form of government and provides the following services: public safety (police and fire), highways and streets, sewer, water, recreation, public improvements, planning and zoning, building inspections, general administration services, and redevelopment.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. *Reporting Entity*

The financial statements of the City of Millbrae include the financial activities of the City and the Millbrae Redevelopment Agency.

The Millbrae Redevelopment Agency is a separate government entity created in 1988 under the provisions of the Community Redevelopment Law (California Health and Safety Code) to assist in revitalizing of areas within the City of Millbrae which are determined to be in a declining condition. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The Redevelopment Agency's financial activities have been aggregated and merged (termed "blended") with those of the City in the accompanying financial statements. Specifically they are included the Redevelopment Agency Housing Special Revenue Fund, the Redevelopment Agency Capital Project Fund and the Redevelopment Agency Debt Service Fund.

Financial statements for the Agency may be obtained from the City of Millbrae at 621 Magnolia Avenue, Millbrae, California, 94030.

B. *Basis of Presentation*

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

The City's major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

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

GENERAL FUND - The General Fund is established to account for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, highway and street, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND- To account for property tax increments received by the Millbrae Redevelopment Agency to use for Low and Moderate Income Housing Programs.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MILLBRAE STATION AREA DEVELOPER FEE – OPERATING SPECIAL REVENUE FUND - To account for the fees collected from the developers for the operation of the Millbrae Station Area development project.

REDEVELOPMENT AGENCY DEBT SERVICE FUND - To account for the accumulation of resources for payment of principal and interest on Millbrae Redevelopment Agency debt. The Agency receives revenues from **property tax increments**.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND - To account for the Millbrae Redevelopment Agency's resources for administrative costs, capital projects and long-term debt obligation.

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

MUNICIPAL WATER SYSTEM FUND - To account for activities related to providing water service to the Millbrae residents.

MUNICIPAL WASTE WATER TREATMENT FACILITY FUND - To account for services of the collection, treatment and administration of the City's sanitation system

STORM DRAIN FUND - To account for the resources and costs of maintenance and improvements of the City's storm drains

The City also reports the following fund types:

Internal Service Funds. The funds account for garage services, workers' compensation, general liability and unemployment insurance; all of which are provided to other departments on a cost-reimbursement basis.

D. Basis of Accounting

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are property, sales, transient occupancy and franchise taxes, special assessments, licenses for services and interest revenue. Fines, permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

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

E. Revenue Recognition for Water and Sewer Enterprise Funds

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of a fiscal period are accrued.

F. Property Tax

State Constitution Article 13 provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. At the time of transfer of ownership, assessed value is calculated at 100% of market value as defined by the above-referenced Article 13; otherwise assessed value is calculated as the lesser of 100% of market value or 2% over the prior year assessed value. The State Legislature has determined the method of distribution of receipts from a \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter-approved debt.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Compensated Absences*

Compensated absences comprise unpaid vacation and the vested portion of sick leave which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. Compensated absences are reported in governmental funds only if they have matured. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets. The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type	Total
Beginning Balance	\$1,966,367	\$430,341	\$2,396,708
Additions	1,040,668	310,638	1,351,306
Payments	(1,028,461)	(320,424)	(1,348,885)
Ending Balance	\$1,978,574	\$420,555	\$2,399,129
Current Portion	\$876,237		\$876,237

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

In even numbered years, the City Manager submits to the City Council a proposed biennial operating budget for the ensuing two fiscal years. The operating budget includes proposed expenditures and the means of financing them and is subject to public hearings where comments are obtained for consideration. Council adopts the budget through passage of a budget resolution at which time the proposed expenditures become appropriations to various Funds and City Departments. The budget is effective the following July 1, and may be amended by subsequent City Council resolutions.

The City Manager is also authorized by the City Council to approve appropriation transfers between Funds, Departments, Divisions, Programs and Accounts up to and including \$50,000. Such transfers in excess of \$50,000 must be approved by the City Council/Agency Board by resolution. The level of control (i.e., the level at which expenditures may not legally exceed appropriations) is the Fund. All appropriations remaining at year-end lapse, except purchases in progress. With City Council approval, prior year unexpended and open project and grant appropriations will be rolled-over into the new fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Projects Funds (which are budgeted on project length basis).

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Encumbrances

The City uses an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

NOTE 3 - CASH AND INVESTMENTS

The City invests all funds, except cash with fiscal agents, in investment pools. The goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time. The City’s investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The City’s cash and investments consist of the following at June 30, 2009:

	Cash and Investments		Total
	Available for Operations	With Fiscal Agents	
Investments:			
Local Agency Investment Fund	\$16,935,721		\$16,935,721
San Mateo County Investment Fund	6,199,925		6,199,925
Certificates of deposits	1,033,702	\$839,004	1,872,706
Money Market Funds		2,867,707	2,867,707
Petty Cash	1,500		1,500
Cash in banks	1,456,182		1,456,182
 Total cash and investments	 \$25,627,030	 \$3,706,711	 \$29,333,741

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

A. Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings are acceptable of the issuers are acceptable to the City. The following also identifies certain provisions of the City and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This does not address the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Entity's investment policy.

Authorized Investments

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Allowed in Portfolio	Maximum Investment in One Issuer
California Local Agency Investment Fund	N/A	N/A	\$15 million/account	None
San Mateo County Pool	N/A	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Obligations	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	40%	30%
Collateralized Certificates of Deposit with Banks or Savings & Loans	2 years	AA	30%	None
Negotiable Certificates of Deposit	2 years	N/A	30%	None
Commercial Paper	270 days	A1	25%	10%
Government Securities Fund	2 years	N/A	None	None
Repurchase Agreements	30 days	N/A	None	None
Money Market Funds	N/A	N/A	None	None

The City did not enter into any reverse repurchase agreements during the year ended June 30, 2009.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
		Two highest rating category
Local Agency Municipal Bonds	N/A	N/A
U.S. Treasury Obligations	N/A	N/A
State of California Obligations	N/A	A2/A
California Local Agency Obligations	N/A	N/A
U.S. Agency Securities	N/A	N/A
Bankers' Acceptances	1 year	A1
Commercial Paper	270 days	A1
Short-Term Certificates of Deposit	1 year	A-1
Repurchase Agreements	30 days	A
Money Market Mutual Funds	N/A	AA-M
Collateralized Bank Deposits	N/A	N/A
California Local Agency Investment Fund	N/A	N/A
Unsecured CD's, deposit accounts, time deposits, bankers acceptances	30 days	A-1
Special Revenue Bonds	N/A	AA
Prefunded Municipal Obligations	N/A	AAA
FDIC insured deposit	N/A	N/A

There are no restrictions on the maximum amount invested in each security type or a maximum that can be invested in any one issuer.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the City's investments by maturity:

	12 Months or less	13 to 24 Months	25 to 36 Months	Total
Local Agency Investment Fund	\$16,935,721			\$16,935,721
San Mateo County Investment Fund	6,199,925			6,199,925
Certificates of Deposits	1,086,108	\$494,668	\$291,930	1,872,706
Money Market Funds	2,867,707			2,867,707
Petty Cash	1,500			1,500
Cash in banks	1,456,182			1,456,182
Total Cash and Investments	<u>\$28,547,143</u>	<u>\$494,668</u>	<u>\$291,930</u>	<u>\$29,333,741</u>

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2009 for each investment type:

Investment Type	AAAm	Total
Money Market Funds	<u>\$50,722</u>	<u>\$50,722</u>
<i>Not rated:</i>		
Local Agency Investment Fund		16,935,721
San Mateo County Investment Fund		6,199,925
Certificates of deposits		1,872,706
Money Market Funds		2,816,985
Petty Cash		1,500
Cash in banks		1,456,182
Total Cash and Investments		<u>\$29,333,741</u>

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the City's cash on deposit. All of the City's deposits are either insured by the Federal Depository

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the City's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City, including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

F. *Local Agency Investment Fund*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2009, these investments matured in an average of 235 days.

G. *San Mateo County Investment Fund*

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2009, these investments matured in an average of 1 year.

Money Market Funds are available for withdrawal on demand.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2009 interfund balances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Non Major Governmental Funds	\$39,433
Redevelopment Agency Debt Service Fund	Redevelopment Agency Special Revenue Fund	701,702
		\$741,135

B. Advances (Long-Term Interfund Receivable/Payables)

The City has an agreement with the Millbrae Redevelopment Agency under which the City has agreed to advance up to \$3,000,000 to the Agency to be used to fund legal services, special reports, public hearings, and general administrative expenditures of the Agency. Advances bear annual interest at the higher of 6% or the rate interest is earned on the City's investment in the Local Agency Investment Fund. The agreements do not specify a due date for repayment of advances.

At June 30, 2009 outstanding balances from the above advances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Redevelopment Agency Debt Service Fund	\$1,040,100
Municipal Water System Enterprise Fund	Redevelopment Agency Debt Service Fund	650,000
		\$1,690,100

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	\$600,000 A
	Redevelopment Agency Capital Projects Fund	52,370 A
	Internal Service Funds	220,000 B
Redevelopment Agency Debt Service Fund	Redevelopment Agency Special Revenue Fund	118,884 C
	Redevelopment Agency Capital Projects Fund	38,645 G
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Special Revenue Fund	2,291,600 D
	Redevelopment Agency Debt Service Fund	852,164 D
	Non Major Funds	67,112 E
Municipal Waste Water Treatment Facility Enterprise Fund	Non Major Funds	250,000 A
Storm Drain Enterprise Fund	General Fund	284,510 A
Internal Service Funds	General Fund	103,194 A
	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	94,640 A
	Municipal Water Treatment Facility Enterprise Fund	2,095 A
	Municipal Waste Water Treatment Facility Enterprise Fund	1,237 A
	Internal Service Funds	12,459 A
Non-Major Governmental Funds	General Fund	1,144,696 A, B
	Redevelopment Agency Capital Projects Fund	212,504 F
	Municipal Water Treatment Facility Enterprise Fund	39,750 A
	Non Major Governmental Funds	<u>2,293,268</u> A
	Total Interfund Transfers	<u><u>\$8,679,126</u></u>

The reasons for these transfers are set forth below:

- A To fund administrative expenditures
- B To fund Police and Fire Department's worker's compensation
- C Reoccurring transfer
- D To fund redevelopment activities
- E To fund street light pole
- F To fund street repairs
- G One time transfer

D. Internal Balances

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 5 - LOANS RECEIVABLE

A. *Low-and-Moderate-Income First Time Home Buyer Program*

The Low and Moderate Income First Time Home Buyer Program was established to provide mortgages for up to 20 employees of School Districts located within the City. In order to qualify participants must be employees of these Districts and they must be home buyers in low and moderate-income housing developments who do not qualify for a home purchase without down payment assistance. These loans bear no interest nor require payments for the first ten years of the loan or until the participant ceases employment with the District, whichever is earlier. After that date the loans bear a negotiated interest rate and require monthly interest payments. The loans are secured by second deeds of trust, require the principal balance to be paid at the end of the thirty year term and must be repaid in full if the property is sold to an unqualified buyer. At June 30, 2009, First Time Home Buyer Loans in the amount of \$647,600 were outstanding.

B. *Dolores Lia Apartments Loan*

During the fiscal year ended June 30, 2009, the City entered into a loan agreement with a developer, a California nonprofit public benefit corporation, in which the City would provide a loan of up to \$5 million for the Dolores Lia Apartment project. The developer will own, operate and convert the project to condominiums for sale to low and moderate income homebuyers. A loan repayment of \$1.8 million is expected upon sale of the converted units. The remaining \$3.2 million will be secured first by a note and deed of trust with the developer and then by notes and deeds of trust by the unit owners for at least forty five years. As of June 30, 2009, the amount of loans receivable was \$4,154,068.

C. *Below Market Rate Loan*

The Redevelopment Agency sponsors a program that provides homeownership opportunities to individuals and families of moderate-income by offering below-market rate deferred payment financing. The Redevelopment Agency provided below-market rate/deferred payment financing for ten (10) units located at 88 South Broadway. The loans have a term of forty-five (45) years, and provided the Owner is not in default, no interest shall accrue on the principle balance of the loan. Upon the expiration of the forty-five (45) year agreement, the Owner may renew for an additional forty-five (45) years. The loan, together with sale proceeds exceeding the Resale Affordable Price, is payable in full upon the sale, encumbrance or other Transfer of Property.

NOTE 6 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as those assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years.

During the fiscal year ended June 30, 2009 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34. The results of this study were included in the City's financial reports for the fiscal year ended June 30, 2009, and resulted in accounting adjustments in governmental activities. The results of these accounting adjustments are reported as GASB 34 Implementation Adjustments.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

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

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

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

Water and Waste Water Mains, Lines and Trunks	15-20 years
Buildings and Improvements	50-65 years
Furniture, Fixtures and Equipment	5-20 years
Automobiles and Trucks	2-10 years
Infrastructure	20-65 years

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2009 comprise:

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Governmental activities				
Capital assets not being depreciated:				
Land	\$14,885,484			\$14,885,484
Total capital assets not being depreciated	14,885,484			14,885,484
Capital assets being depreciated:				
Land Improvements	951,985			951,985
Building and Improvements	20,246,540	\$16,595		20,263,135
Furniture, Fixtures and Equipment	4,434,363	96,174	(\$793,445)	3,737,092
Automobiles and Trucks	919,775	10,101	(386,926)	542,950
Infrastructure	53,136,353	1,525,661	(143,886)	54,518,128
Total capital assets being depreciated	79,689,016	1,648,531	(1,324,257)	80,013,290
Less accumulated depreciation for:				
Land Improvements	650,042	23,628	(275)	673,395
Building and Improvements	3,320,436	405,757		3,726,193
Furniture, Fixtures and Equipment	2,302,652	256,132	(119,777)	2,439,007
Automobiles and Trucks	518,145	26,628	(35,681)	509,092
Infrastructure	25,526,595	1,725,269		27,251,864
Total accumulated depreciation	32,317,870	2,437,414	(155,733)	34,599,551
Net Governmental Fund Program Capital assets	62,256,630	(788,883)	(1,168,524)	60,299,223
Internal Service Fund Capital Assets				
Building and Improvements	80,065			80,065
Furniture, Fixtures and Equipment	558,187	107,348		665,535
Automobiles and Trucks	2,601,987	553,295	(109,022)	3,046,260
Total capital assets being depreciated	3,240,239	660,643	(109,022)	3,791,860
Less accumulated depreciation for:				
Building and Improvements	37,385	1,602		38,987
Furniture, Fixtures and Equipment	214,717	43,221	(11,902)	246,036
Automobiles and Trucks	1,758,234	453,831	(46,416)	2,165,649
Total accumulated depreciation	2,010,336	498,654	(58,318)	2,450,672
Net Internal Service Capital Assets Being Depreciated	1,229,903	161,989	(50,704)	1,341,188
Governmental activity capital assets, net	\$63,486,533	(\$626,894)	(\$1,219,228)	\$61,640,411

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2008	Increases	Decreases	Transfers	Balance at June 30, 2009
Business-type activities					
Capital assets not being depreciated:					
Land	\$1,500,500		(\$23,255)	\$307,973	\$1,785,218
Construction in Progress		\$866,611		1,924,617	2,791,228
Total capital assets not being depreciated	<u>1,500,500</u>	<u>866,611</u>	<u>(23,255)</u>	<u>2,232,590</u>	<u>4,576,446</u>
Capital assets, being depreciated:					
Land Improvements	307,973			(307,973)	
Building and Improvements	5,877,357				5,877,357
Furniture, Fixtures and Equipment	15,541,393	222,254		(1,073,465)	14,690,182
Automobiles and Trucks	51,557	18,810			70,367
Infrastructure	10,732,955	1,947,127			12,680,082
Total capital assets being depreciated	<u>32,511,235</u>	<u>2,188,191</u>		<u>(1,381,438)</u>	<u>33,317,988</u>
Less accumulated depreciation for:					
Land Improvements	126,301			(126,301)	
Building and Improvements	2,871,570	105,208			2,976,778
Furniture, Fixtures and Equipment	7,137,705	780,177		119,777	8,037,659
Automobiles and Trucks	46,839	4,744			51,583
Infrastructure	5,896,009	201,334	(4,337)	126,301	6,219,307
Total accumulated depreciation	<u>16,078,424</u>	<u>1,091,463</u>	<u>(4,337)</u>	<u>119,777</u>	<u>17,285,327</u>
Business-type activity capital assets, net	<u>\$17,933,311</u>	<u>\$1,963,339</u>	<u>(\$18,918)</u>	<u>\$731,375</u>	<u>\$20,609,107</u>

A. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities	
General Government	\$95,310
Public Safety	222,221
Highways and Streets	1,951,428
Culture and Recreation	26,081
Community Development	142,374
Capital assets held by the City's Internal Service Funds	<u>194,135</u>
Total Governmental Activities	<u><u>\$2,631,549</u></u>
 Business-Type Activities	
Municipal Water System	\$295,451
Municipal Wastewater Treatment Facility	730,402
Storm Drain	<u>40,233</u>
Total Business-Type Activities	<u><u>\$1,066,086</u></u>

NOTE 7 - PROPERTY HELD FOR RESALE

The Redevelopment Agency has purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
Governmental Activity Debt:						
2001 Public Library General Obligation Bonds						
Public Library Project 5.12%-8.5%, due 8/1/2036	\$10,600,000	\$10,415,000		\$70,000	\$10,345,000	\$85,000
2004 Pension Obligation Bonds Series A-2						
4.35%-6.58%, due 6/1/2034	11,521,630	14,521,489	\$881,709	770,000	14,633,198	795,000
1999 Certificates of Participation						
4.5-5.875%, due 3/1/2024	4,105,000	3,270,000		135,000	3,135,000	140,000
Natural Disaster Assistance Loan						
5.39%, due 6/9/2011	2,686,858	600,000		200,000	400,000	
2005 Redevelopment Agency Tax Allocation Bonds						
3.0-4.5%, due 8/1/2035	8,590,000	8,370,000		100,000	8,270,000	105,000
2006 Lease Purchase Financing - Phone System						
4.56%, due 06/30/2011	246,658	146,622		49,604	97,018	51,913
Internal Service Fund:						
2007 Lease Purchase Financing - Fire Apparatus						
4.97%, due 01/12/2011	430,463	257,873		81,824	176,049	85,890
2007 Lease Purchase Financing - Police Vehicles						
5.60%, due 02/27/2010	144,669	72,227		35,130	37,097	37,097
Total Governmental Activity Debt		<u>\$37,653,211</u>	<u>\$881,709</u>	<u>\$1,441,558</u>	<u>\$37,093,362</u>	<u>\$1,299,900</u>
Business-Type Activity Debt:						
Enterprise Funds:						
2005 Bank Loan - Cogeneration Project						
4.75%, due 4/27/2025	\$6,486,209	\$5,856,256		\$229,305	\$5,626,951	\$241,564
Discounts and loss on refunding, net of amortization		(28,229)		1,676	(26,553)	
2008 Bank Loan - Wastewater Revenue Notes						
3.50%, due 4/1/2010	3,965,000	3,965,000			3,965,000	3,965,000
Total Business-Type Activity Debt		<u>\$9,793,027</u>		<u>\$230,981</u>	<u>\$9,565,398</u>	<u>\$4,206,564</u>

B. Public Library Project General Obligation Bonds

On August 7, 2001, the City issued 2001 General Obligation Bonds in the amount of \$10,600,000. The Bond proceeds were used to renovate, and construct an expansion area of the Millbrae Public Library. Semi-annual interest payments are due each February 1 and August 1, and principal is due on August 1 repayable from General Fund revenues until August 1, 2036. These bonds are repayable from a voter-approved tax levied for that purpose. The City has covenanted to direct the County to levy ad valorem taxes upon all property within the City subject to taxation. The total principal and interest remaining to be paid on the bonds is \$20,086,979. Principal and interest paid for the current year was \$605,224.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

C. 2004 Pension Obligation Bonds

On June 29, 2004, the California Statewide Communities Development Authority issued the 2004 Series A-2 Capital Appreciation Bonds in the amount of \$18,529,195, of which \$11,521,630 was the City's portion. The bond proceeds were used to prepay the unfunded liability of the Miscellaneous and Safety Pension Plans through the California Public Employees' Retirement System. As of June 30, 2009, prepaid pension obligations amounted to \$8,621,517.

The Bonds unaccrued discount totaled \$17,516,802 at June 30, 2009. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. Repayments of the accreted principal commenced June 1, 2008.

D. 1999 Certificates of Participation

On December 21, 1999 the City issued Certificates of Participation (COPs) in the amount of \$4,105,000. COPs proceeds were used for financing the expansion and renovation of the police department, construction of a community room, funding a reserve fund, and payment for costs of issuing the COPs.

Interest payments due on March 1 and September 1 of each year and principal due on March 1 are repayable from General Fund revenue.

E. Natural Disaster Assistance Loan

On June 9, 2001, the City obtained a loan from the Governor's Office of Emergency Services. The loan was used to repair and restore public facilities as a result of a landslide. Principal and interest payments were deferred for 3 years with annual interest payments. In fiscal year 2005, the loan agreement was amended to defer repayment until May 2009. The City did not make any payment during fiscal year 2009.

Interest payments are due annually May 9 and outstanding principal is due May 9, 2011. However, the City's obligation to make any annual interest payment or any payment of the outstanding principal are conditioned upon certain minimum level of the City's General Fund. In any year during the term of the loan that the General Fund does not meet or exceed the minimum level, the City's annual obligation for that year will be voided and forgiven.

F. 2005 Redevelopment Agency Tax Allocation Bonds

On January 13, 2005, the Redevelopment Agency issued 2005 Redevelopment Agency Tax Allocation Bonds in the original principal amount of \$8,590,000. The proceeds were used to repay the 1993 Tax Allocation Bonds and to finance redevelopment activities in the project area. As a result, the 1993 Bonds were called on March 1, 2005. Interest payments are due each February 1 and August 1 and principal payments are due each August 1. These debt service payments are pledged by a security interest in and lien on Tax Revenues, as defined by the bond Indenture, which excludes 20% of set-aside deposited in the low and Moderate Income Housing Fund; and pass through payments which are required to be paid to other public agencies under the tax sharing agreements unless subordinated.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

The total principal and interest remaining to be paid on the bonds is \$14,353,311. Principal and interest paid for the current year was \$562,812.

For the fiscal year ended June 30, 2009, tax increment revenue, less 20% set-aside deposited into the low and moderate housing special revenue fund and pass-through payments, amounted to \$2,386,620 which represented coverage of 4.2 over \$562,812 in debt service.

G. 2006 Lease Purchase Financing – Phone System

On April 25, 2006 the City entered into a capital lease purchase agreement in amount of \$246,658 for the purchase, installation, training and maintenance of a new phone system. Principal and interest payments are due monthly until June 30, 2011 at the interest rate of 4.56%.

H. 2007 Lease Purchase Financing – Fire Apparatus

On January 12, 2007 the City entered into a capital lease purchase agreement in amount of \$430,463 for the purchase of a set of fire apparatus to be housed in the main fire station in the City. Principal and interest payments are due annually until January 12, 2011 at the interest rate of 4.97%.

I. 2007 Lease Purchase Financing – Police Vehicle

On February 22, 2007 the City entered into a capital lease purchase agreement in amount of \$144,669 for the purchase of six 2007 police vehicles. Principal and interest payments are due annually until February 27, 2010 at the interest rate of 5.60%.

J. 2005 Bank Loan

On April 27, 2005 the City obtained a bank loan in the principal amount of \$6,486,209. Proceeds from the loan were used to repay the outstanding 1997 Bank Loan and to provide funding for the Wastewater System Cogeneration Project.

Under the 2005 Bank Loan, principal and interest are due each April 27 and October 27 until 2025.

K. 2008 Subordinate Wastewater Revenue Notes

On May 15, 2008, the City issued 2008 Wastewater Revenue Notes in the principal amount of \$3,695,000. The proceeds were used to finance the acquisition and construction of certain improvements to the City's Wastewater System, to refinance certain indebtedness of the Wastewater System and to pay costs of issuance of the Notes. Subordinate revenues of the Wastewater System are irrevocably pledged towards debt service for repayment. Interest payments are due each April 1 and the principal payment is due April 1, 2010.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

M. Debt Service Requirements

Annual debt service requirements are shown below:

Year ending June 30:	Governmental Activities			Business-Type Activities		
	Principal (A)	Interest	Total	Principal	Interest	Total
2010	\$1,299,900	\$1,075,636	\$2,375,536	\$4,206,564	\$403,165	\$4,609,729
2011	1,385,264	1,048,674	2,433,938	253,175	252,779	505,954
2012	1,315,000	1,022,314	2,337,314	265,342	240,610	505,952
2013	1,775,000	998,967	2,773,967	278,096	227,856	505,952
2014	1,440,000	974,896	2,414,896	291,463	214,490	505,953
2015-2019	8,245,000	4,476,015	12,721,015	1,681,409	848,356	2,529,765
2020-2024	10,390,000	3,600,732	13,990,732	2,126,240	403,525	2,529,765
2025-2029	11,305,000	2,569,739	13,874,739	489,662	17,472	507,134
2030-2034	14,130,000	1,488,962	15,618,962			
2035-2037	3,325,000	230,995	3,555,995			
Total	<u>\$54,610,164</u>	<u>\$17,486,929</u>	<u>\$72,097,093</u>	<u>\$9,591,951</u>	<u>\$2,608,253</u>	<u>\$12,200,204</u>

(A) Includes unaccreted discount totaling \$17,516,802

N. Debt without City Commitment

On September 1, 1997 the City sponsored the issuance of the City of Millbrae Residential Facility Revenue Bonds, Series 1997A which were issued in the aggregate principal amount of \$30,000,000 to assist a developer in financing the cost of site acquisition, demolition and construction of a 158 unit assisted living facility and parking garage. The Bonds are payable solely out of the revenues from operating the facility and the project is pledged as security for the Bonds. The City has no legal or moral liability with respect to the payment of this debt. The outstanding principal balance at June 30, 2009 was \$26,152,000.

NOTE 9 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate-income purposes.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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

B. Fund Balance

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent amounts that are legally restricted to a specific use or are not available for appropriation of expenditure. The remainder is unreserved.

Portions of unreserved fund balance may be designated by the City Council or management for tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned. Such plans or intent are subject to change, have not been legally authorized, and may not result in expenditures.

Grants and transfers restricted for use as proprietary fund type capital expenditures are reflected as contributed capital upon expenditure of funds for capital assets.

C. Reservations

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

Reserved for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long-term obligations.

Reserved for **capital outlay** is the portion of fund balance legally restricted for use on capital outlay projects.

Reserved for **advances and loans receivable** are the portions of fund balance that are not available for appropriation.

Reserved for land held for resale is the carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

D. Designations

Designated for **PERS health insurance** is the portion of fund balance to be used for OPEB costs.

Designated for **operating contingency** is the portion of fund balance to be used for future operating contingency.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 10 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2009, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	2.4%-3%	2.0%-2.7%
Required employee contribution rates	9.000%	8.000%
Required employer contribution rates	Police: 16.876%	11.913%
	Fire: 19.579%	

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 10 - RETIREMENT BENEFITS (Continued)

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety Plan</i>			
June 30, 2007	\$882,281	100%	\$882,281
June 30, 2008	831,630	100%	831,630
June 30, 2009	903,754	100%	903,754
<i>Miscellaneous Plan</i>			
June 30, 2007	\$878,797	100%	\$878,797
June 30, 2008	758,864	100%	758,864
June 30, 2009	795,044	100%	795,044

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Gain and losses that occur in the operation of risk pool are amortized over a rolling thirty year period.

The City prepaid its pension contributions with proceeds from the Pension Obligation Bonds (See Note 8). These prepaid contributions are reflected in the accompanying financial statements as Prepaid Pension Obligations which amounted to \$8,621,517 at June 30, 2009. During fiscal 2008-2009, the amortization of the prepayment increased the actuarially required contributions by \$529,223 to arrive at Annual Pension Costs of \$1,698,798.

As required by new State law, effective July 1, 2005, the City's Safety and Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry to these pools was that the City true-up any unfunded liability in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS.

The schedule of funding progress presents 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. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 10 - RETIREMENT BENEFITS (Continued)

State-wide pool Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2005	\$1,325,510,754	\$1,105,298,221	\$220,212,533	83.4%	\$161,446,071	136.4%
2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.9%
2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.7%

The City's Safety Plan represents approximately 2%, 3%, and 2% of the State-wide pool for the years ended June 30, 2007, 2006, and 2005, respectively, based on covered payroll of \$4,894,470, \$4,617,484 and \$3,850,096 for those years.

State-wide pool Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2005	\$872,346,612	\$729,556,809	\$142,789,803	83.6%	\$203,995,039	70.0%
2006	1,280,157,040	1,069,546,974	210,610,066	83.5%	304,898,179	69.1%
2007	1,627,025,950	1,362,059,317	264,966,633	83.7%	376,292,121	70.4%

The City's Miscellaneous Plan represents approximately 2%, 2%, and 3% of the State-wide pool for the years ended June 30, 2007, 2006, and 2005, respectively, based on covered payroll of \$6,673,755, \$6,508,989 and \$5,564,036 for those years.

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

C. *Deferred Compensation Plan*

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 11 –POST-EMPLOYMENT BENEFITS

During fiscal year 2009, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do affect prior years financial statements. Required disclosures are presented below.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

Eligibility	<ul style="list-style-type: none"> • Service (50 & 5 years CalPERS service) or Disability retirement • Retire directly from City under CalPERS
Management & Confidential	<p>PEMHCA Unequal Method:</p> <ul style="list-style-type: none"> • Actives: City contributes premium up to CalPERS Blue Shield Family Premium for employees (\$1,457.48 in 2009) • Retirees: City contribution equal to 5% of active contribution times years of participation in PEMHCA (max \$100/month annual increase) • Management & Confidential joined PEMHCA in 1986 • City pays premium and reimburses Medicare Parts A & B • Total City payments not to exceed unequal method benefit caps: <p style="text-align: right;">2007: \$ 607.50 2008: \$ 707.50 2009: \$ 807.50</p>
Police Officer	City contributes greater of PEMHCA minimum (\$101 in 2009) and vesting benefit.
Firefighter	<ul style="list-style-type: none"> • City contributes maximum monthly amount of \$221.50, reduced by PEMHCA minimum, if applicable • Retirees not in PEMHCA receive \$221.50
Sanitation	<ul style="list-style-type: none"> • PEMHCA minimum
Teamsters	<ul style="list-style-type: none"> • Teamsters Local 856 Health & Welfare Trust • Retiree pays full premium • Possible Implied Subsidy cost
Surviving Spouse Benefit	<ul style="list-style-type: none"> • 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity

As of June 30, 2009, approximately 54 participants were eligible to receive benefits.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3% general inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over fixed 30 year amortization period.

B. Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. In fiscal year 2009, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC) and Annual OPEB cost	\$ 1,296,000
Contributions made:	
City portion of current year premiums paid	<u>312,317</u>
Increase (decrease) in net OPEB obligation	983,683
Net OPEB Obligation (Asset) at June 30, 2008	<u> </u>
Net OPEB Obligation (Asset) at June 30, 2009	<u><u>\$ 983,683</u></u>

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

The Plan's annual required contributions and actual contributions for the years ended June 30, 2009 are set forth below (in thousands):

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net OPEB Obligation
6/30/2009	\$1,296,000	\$312,317	24%	\$983,683

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2009 actuarial study is presented below:

(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
1/1/2009	\$0	\$14,171	(\$14,171)	0.00%	\$8,602	(164.7%)

At June 30, 2009, the City designated \$1,532,462 of its General Fund balance for this postemployment benefit.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 12 - RISK MANAGEMENT

A. Insurance Coverage

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$15,000,000 of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 deductible. ABAG Plan also provides \$1,000,000 of employee theft coverage in the excess of the city's \$5,000 deductible. For the year ended June 30, 2009, the City paid ABAG Plan \$224,805 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

The City has also purchased excess coverage insurance for worker's compensation claims from an independent commercial insurance company with \$300,000 self-insured retention. For the past three fiscal years, the amount of settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

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

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

	Fiscal 2008-2009			Fiscal 2007-2008 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$573,892	\$39,893	\$613,785	\$520,378
Net change in:				
Liability for current fiscal year claims	257,703	67,002	324,705	193,685
Liability for prior fiscal year claims and claims incurred but not reported (IBNR)	720,527	142,736	863,263	301,774
Claims paid	(658,122)	(148,044)	(806,166)	(402,052)
Balances, end of year	<u>\$894,000</u>	<u>\$101,587</u>	<u>\$995,587</u>	<u>\$613,785</u>

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

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

A. *City/County Association of Governments of San Mateo County (C/CAG)*

City/County Association of Governments of San Mateo County was formed in 1990 between the County and various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$83,773 for the year ended June 30, 2009. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

B. *Transportation System Management*

Transportation Systems Management (TSM) was established in 1991 by the Cities of South San Francisco, Brisbane, Colma, Daly City, Half Moon Bay, Millbrae, Pacifica and San Bruno for the purpose of mitigating traffic congestion. Financial statements for TSM may be obtained from SamTrans, 401 Marina Boulevard, South San Francisco, CA 94080.

NOTE 14 – CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 15 – SUBSEQUENT EVENT

A. AB26 4X

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes which had been received in fiscal year 2006-07 by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in AB26 4X, the Agency's SERAF's are estimated to be \$1,201,952 in fiscal year 2009-10 and \$247,461 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 39% of the Agency's cash and investments available for operations at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

B. 2009 State Water Resources Control Board Loan

On October 1, 2009 the City of Millbrae entered into a loan agreement with the State Water Resources Control Board, to fund the Water Pollution Control Plant Renovation Project. Under the agreement, the State Water Board agrees to provide project funds in the amount of \$34,000,000. The project funds will be repaid at an interest rate of one percent (1%) per annum. Repayment of project funds together with all interest accruing will be repaid in annual installments, beginning one year after the completion of the Water Pollution Control Plant.

REQUIRED SUPPLEMENTARY INFORMATION

**MAJOR GOVERNMENTAL FUNDS, BUDGET VERSUS ACTUAL-GENERAL FUND AND
SPECIAL REVENUE FUNDS**

General Fund - The General Fund is established to account for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, highway and street, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

Redevelopment Agency Special Revenue Fund- To account for property tax increments received by the Millbrae Redevelopment Agency to use for Low and Moderate-Income Housing Programs.

Millbrae Station Area Developer Fee – Operating Special Revenue Fund - To account for the fees collected from the developers for the operation of the Millbrae Station Area development project.

CITY OF MILLBRAE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$6,842,900	\$7,023,315	\$7,023,315	
Sales tax	2,696,363	2,476,055	2,444,946	(\$31,109)
Transient occupancy tax	3,071,170	2,807,377	2,807,377	
Franchise tax	652,720	672,548	672,548	
Other taxes	690,500	676,140	676,140	
Licenses and permits	476,243	356,830	356,830	
Charges for services	983,819	1,083,516	1,083,516	
Fines and forfeitures	402,265	771,323	771,323	
Use of money and property	546,610	534,310	534,310	
Grants and intergovernmental	225,238	158,019	158,019	
Miscellaneous	51,500	60,134	60,134	
	16,639,328	16,619,567	16,588,458	(31,109)
EXPENDITURES:				
Current:				
General government:				
City council	149,488	118,318	118,318	
City clerk	250,712	222,327	222,327	
Treasurer	12,231	10,620	10,620	
Administration	138,315	151,912	151,912	
Attorney	182,380	276,189	276,189	
General services:				
Finance	1,158,019	762,509	762,509	
Human resource	217,235	248,383	248,383	
General government building	69,942	141,614	141,614	
Non-departmental	72,245	(130,287)	(130,287)	
	2,250,567	1,801,585	1,801,585	
Public safety:				
Police	4,648,415	5,249,990	5,249,990	
Fire	4,663,233	4,984,757	4,984,757	
	9,311,648	10,234,747	10,234,747	
Highways and streets:				
Engineering	677,948	605,741	605,741	
Maintenance	819,267	684,878	684,878	
	1,497,215	1,290,619	1,290,619	
Culture and recreation	12,000	8,808	8,808	
Community development	1,904,812	1,726,137	1,726,137	
Capital outlay	147,571	189,417	189,417	
Debt service:				
Principal	661,615	819,604	819,604	
Interest and fiscal charges	168,647	10,336	10,336	
	15,954,075	16,081,253	16,081,253	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	685,253	538,314	507,205	(31,109)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		1,000	1,000	
Transfers in	122,217	872,369	872,369	
Transfers (out)	(1,021,552)	(1,532,397)	(1,532,397)	
	(899,335)	(659,028)	(659,028)	
NET CHANGE IN FUND BALANCES	(\$214,082)	(\$120,714)	(151,823)	(\$31,109)
BEGINNING FUND BALANCE			2,900,789	
ENDING FUND BALANCE			\$2,748,966	

CITY OF MILLBRAE
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
GOVERNMENTAL REVENUES				
Property tax	\$855,360	\$1,085,325	\$1,085,325	
Use of money and property	101,961	(31,571)	(31,571)	
Total Revenues	957,321	1,053,754	1,053,754	
EXPENDITURES				
Community development	180,595	163,514	163,514	
Payments to property tax pass through		302,714	302,714	
Capital outlay		114,221	114,221	
Total Expenditures	180,595	580,449	580,449	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	776,726	473,305	473,305	
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(118,886)	(2,410,485)	(2,410,485)	
Total Other Financing Sources (Uses)	(118,886)	(2,410,485)	(2,410,485)	
NET CHANGE IN FUND BALANCES	\$657,840	(\$1,937,180)	(1,937,180)	
BEGINNING FUND BALANCE			1,878,030	
ENDING FUND BALANCE			(\$59,150)	

CITY OF MILLBRAE
MILLBRAE STATION AREA DEVELOPER FEE - OPERATING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
GOVERNMENTAL REVENUES				
Licenses and permits		\$161,665	\$161,665	
Charges for services		2,390,235	2,390,235	
Fines and forfeitures		83,264	83,264	
Use of money and property		(\$103,419)	(103,419)	
Total Revenues		<u>2,531,745</u>	<u>2,531,745</u>	
EXPENDITURES				
Highway and streets		1,497	1,497	
Community development	\$449,685	121,162	121,162	
Capital outlay		6,872	6,872	
Total Expenditures	<u>449,685</u>	<u>129,531</u>	<u>129,531</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(449,685)</u>	<u>2,402,214</u>	<u>2,402,214</u>	
OTHER FINANCING SOURCES (USES)				
Transfers (out)		(694,640)	(694,640)	
Total Other Financing Sources (Uses)		<u>(694,640)</u>	<u>(694,640)</u>	
NET CHANGE IN FUND BALANCES	<u><u>(\$449,685)</u></u>	<u><u>\$1,707,574</u></u>	<u>1,707,574</u>	
BEGINNING FUND BALANCE			<u>2,351,072</u>	
ENDING FUND BALANCE			<u><u>\$4,058,646</u></u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

In even numbered years, the City Manager submits to the City Council a proposed biennial operating budget for the ensuing two fiscal years. The operating budget includes proposed expenditures and the means of financing them and is subject to public hearings where comments are obtained for consideration. Council adopts the budget through passage of a budget resolution at which time the proposed expenditures become appropriations to various Funds and City Departments. The budget is effective the following July 1, and may be amended by subsequent City Council resolutions.

The City Manager is also authorized by the City Council to approve appropriation transfers between Funds, Departments, Divisions, Programs and Accounts up to and including \$50,000. Such transfers in excess of \$50,000 must be approved by the City Council/Agency Board by resolution. The level of control (i.e., the level at which expenditures may not legally exceed appropriations) is the Fund. All appropriations remaining at year-end lapse, except purchases in progress. With City Council approval, prior year unexpended and open project and grant appropriations will be rolled-over into the new fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Projects Funds (which are budgeted on project length basis).

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

Redevelopment Agency Debt Service Fund-To account for the accumulation of resources for payment of principal and interest on the Millbrae Redevelopment Agency debt. The Agency receives revenues from property tax increment.

CITY OF MILLBRAE
REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GOVERNMENTAL REVENUES				
Property tax	\$3,289,510	\$4,341,303	\$4,341,303	
Use of money and property	143,716	(75,726)	(75,726)	
Total Revenues	<u>3,433,226</u>	<u>4,265,577</u>	<u>4,265,577</u>	
EXPENDITURES				
Community development		3,782	3,782	
Payments to property tax pass-throughs	1,038,091	1,651,969	1,651,969	
Debt service:				
Principal	100,000	99,762	99,762	
Interest and fiscal charges	462,812	463,050	463,050	
Total Expenditures	<u>1,600,903</u>	<u>2,218,563</u>	<u>2,218,563</u>	
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,832,323</u>	<u>2,047,014</u>	<u>2,047,014</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in	118,886	157,529	157,529	
Transfers (out)	(852,164)	(852,164)	(852,164)	
Total Other Financing Sources (Uses)	<u>(733,278)</u>	<u>(694,635)</u>	<u>(694,635)</u>	
NET CHANGE IN FUND BALANCES	<u>\$1,099,045</u>	<u>\$1,352,379</u>	1,352,379	
BEGINNING FUND BALANCE			<u>3,728,398</u>	
ENDING FUND BALANCE			<u>\$5,080,777</u>	

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

COPS & Other Grants - To account for federal moneys received for public safety programs.

Measure A - To account for additional sales tax imposed to provide resources for street and highway improvements.

Noise Insulation Grant - To account for grants received from Federal Aviation Administration and City and County of San Francisco for an airport noise abatement program.

Gas Tax - To account for gasoline tax allocated by State for street and highway maintenance and improvements.

AB2928 Grant – To account for grants received from AB2928.

Special Recreation - To account for fees and charges and expenditures for recreation and leisure programs.

Integrated Waste Management - To account for moneys to be reimbursed by fee charges for integrated waste management program.

Other - To account for moneys received from the Asset Forfeitures Grants,

Sister City - To account for resources received from two sister cities, Malta and La Serena, which are used for activities relation to these two sister cities.

Park Improvement - To account for resources received from sale of park property, which can be used only for park improvements purposes.

Joint Fire Training - To account for joint training services between the City of San Bruno, City of San Mateo, and the Central County Fire Department.

Debt Service Funds

1999 Certificates of Participation (COPS) - To account for the accumulation of resources for, and payment of, the 1999 Certificates of Participation principal and interest.

Library Bonds – To account for the accumulation of resources for, and payment of principal and interest on, the City's 2001 general obligation bond issued for the Millbrae Public Library Project.

Capital Project Funds

Developer Fee - To account for the fees collected from the developers for the capital activities of the Millbrae Station Area development project.

Special Assessment District - To account for Plaza Bay Special Assessment District resources.

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Noise Insulation Grant	Gas Tax
ASSETS				
Cash and investments		\$708,833	\$18,669	\$516,790
Cash with fiscal agent				
Receivables:				
Taxes		27,049		
Accounts - net				
Due from other governmental agencies	\$94,284			31,975
Total Assets	\$94,284	\$735,882	\$18,669	\$548,765
LIABILITIES				
Accounts payable		\$213		\$12,279
Due to other funds				
Deposits				
Unearned revenue				
Total Liabilities		213		12,279
FUND BALANCE				
Fund balances:				
Reserved for				
Encumbrances		11,193		57,697
Debt service				
Unreserved:				
Undesignated	\$94,284	724,476	\$18,669	478,789
Total Fund Balances	94,284	735,669	18,669	536,486
Total Liabilities and Fund Balances	\$94,284	\$735,882	\$18,669	\$548,765

SPECIAL REVENUE FUNDS

AB2928 Grant	Special Recreation	Integrated Waste Management	Other	Sister City	Park Improvement	Joint Fire Training
\$1,283,539	\$173,059	\$133,507	\$1,780,933	\$7,963	\$5,622	\$31,590
549,399	16,909 1,075	30,779 5,553	116,506		1,003	51,333
<u>\$1,832,938</u>	<u>\$191,043</u>	<u>\$169,839</u>	<u>\$1,897,439</u>	<u>\$7,963</u>	<u>\$6,625</u>	<u>\$82,923</u>
\$351,971	\$38,095	\$3,284	\$18,639 39,433	\$156		\$227
	14,222 138,725	15,550				
<u>351,971</u>	<u>191,042</u>	<u>18,834</u>	<u>58,072</u>	<u>156</u>		<u>227</u>
94,670		75,453	1,736,448			
<u>\$1,386,297</u>	<u>1</u>	<u>75,552</u>	<u>102,919</u>	<u>\$7,807</u>	<u>\$6,625</u>	<u>82,696</u>
<u>1,480,967</u>	<u>1</u>	<u>151,005</u>	<u>1,839,367</u>	<u>7,807</u>	<u>6,625</u>	<u>82,696</u>
<u>\$1,832,938</u>	<u>\$191,043</u>	<u>\$169,839</u>	<u>\$1,897,439</u>	<u>\$7,963</u>	<u>\$6,625</u>	<u>\$82,923</u>

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECTS FUNDS</u>		Total Nonmajor Governmental Funds
	<u>1999 COPS</u>	<u>Library Bonds</u>	<u>Developer Fee</u>	<u>Special Assessment District</u>	
ASSETS					
Cash and investments	\$58,684	\$679,445	(\$5,300)	\$35,083	\$5,428,417
Cash with fiscal agent	324,531		1,536,152		1,860,683
Receivables:					
Taxes					27,049
Accounts - net					48,691
Due from other governmental agencies					850,125
Total Assets	<u>\$383,215</u>	<u>\$679,445</u>	<u>\$1,530,852</u>	<u>\$35,083</u>	<u>\$8,214,965</u>
LIABILITIES					
Accounts payable			\$1,521		\$426,385
Due to other funds					39,433
Deposits			464,944		494,716
Unearned revenue					138,725
Total Liabilities			<u>466,465</u>		<u>1,099,259</u>
FUND BALANCE					
Fund balances:					
Reserved for					
Encumbrances					1,975,461
Debt service	\$383,215	\$679,445			1,062,660
Unreserved:					
Undesignated			1,064,387	\$35,083	4,077,585
Total Fund Balances	<u>383,215</u>	<u>679,445</u>	<u>1,064,387</u>	<u>35,083</u>	<u>7,115,706</u>
Total Liabilities and Fund Balances	<u>\$383,215</u>	<u>\$679,445</u>	<u>\$1,530,852</u>	<u>\$35,083</u>	<u>\$8,214,965</u>

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Noise Insulation Grant	Gas Tax
GOVERNMENTAL REVENUES				
Property tax				
Other taxes		\$382,646		
License and permits				
Charges for services				
Use of money and property	(\$4,439)	(37,754)	(\$1,024)	(\$6,228)
Grants and intergovernmental	94,284			384,325
Miscellaneous				
Total Revenues	89,845	344,892	(1,024)	378,097
EXPENDITURES				
Current:				
Public safety	144,054			
Highways and streets		62,546		312,769
Culture and recreation				
Community development			6,061	
Capital outlay		309,464		
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	144,054	372,010	6,061	312,769
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(54,209)	(27,118)	(7,085)	65,328
OTHER FINANCING SOURCES (USES)				
Transfers in	148,716	517		
Transfers (out)		(904,150)	(345)	(67,112)
Total Other Financing Sources (Uses)	148,716	(903,633)	(345)	(67,112)
NET CHANGE IN FUND BALANCES	94,507	(930,751)	(7,430)	(1,784)
BEGINNING FUND BALANCES (DEFICITS)	(223)	1,666,420	26,099	538,270
ENDING FUND BALANCES (DEFICITS)	\$94,284	\$735,669	\$18,669	\$536,486

<u>AB2928 Grant</u>	<u>Special Recreation</u>	<u>Integrated Waste Management</u>	<u>Other</u>	<u>Sister City</u>	<u>Park Improvement</u>	<u>Joint Fire Training</u>
			\$31,896			\$205,332
(\$7,869)	\$708,095	\$248,339	1,911	(\$398)	(\$196)	
938,222	183,548	(4,672)	194,451			
69,000	15,628	17,553	30,008	3,803	14,289	
<u>999,353</u>	<u>923,043</u>	<u>261,220</u>	<u>258,266</u>	<u>3,405</u>	<u>14,093</u>	<u>205,332</u>
955		306,775	19,877			215,090
	1,429,062		7	4,124		
1,043,749		15,000	223,485		7,468	
			8,438	22,215		
<u>1,044,704</u>	<u>1,429,062</u>	<u>321,775</u>	<u>251,807</u>	<u>26,339</u>	<u>7,468</u>	<u>215,090</u>
(45,351)	(506,019)	(60,555)	6,459	(22,934)	6,625	(9,758)
1,125,750	600,526		1,398,150	14,215		92,454
			(8,773)			
<u>1,125,750</u>	<u>600,526</u>		<u>1,389,377</u>	<u>14,215</u>		<u>92,454</u>
1,080,399	94,507	(60,555)	1,395,836	(8,719)	6,625	82,696
400,568	(94,506)	211,560	443,531	16,526		
<u>\$1,480,967</u>	<u>\$1</u>	<u>\$151,005</u>	<u>\$1,839,367</u>	<u>\$7,807</u>	<u>\$6,625</u>	<u>\$82,696</u>

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECTS FUNDS</u>		Total Nonmajor Governmental Funds
	1999 COPS	Library Bonds	Developer Fee	Special Assessment District	
GOVERNMENTAL REVENUES					
Property tax		\$647,507			\$647,507
Other taxes					382,646
License and permits			\$79,304		111,200
Charges for services			1,583,760		2,745,526
Use of money and property	\$7,769	(18,360)	(19,358)	(\$1,433)	91,497
Grants and intergovernmental					1,644,463
Miscellaneous					132,872
Total Revenues	<u>7,769</u>	<u>629,147</u>	<u>1,643,706</u>	<u>(1,433)</u>	<u>5,755,711</u>
EXPENDITURES					
Current:					
Public safety			74,759		433,903
Highways and streets					702,922
Culture and recreation					1,433,193
Community development			3,137		240,151
Capital outlay			210		1,399,076
Debt service:					
Principal	135,000	70,000			205,000
Interest and fiscal charges	187,158	533,975			721,133
Total Expenditures	<u>322,158</u>	<u>603,975</u>	<u>78,106</u>		<u>5,135,378</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(314,389)</u>	<u>25,172</u>	<u>1,565,600</u>	<u>(1,433)</u>	<u>620,333</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	309,888				3,690,216
Transfers (out)			(1,630,000)		(2,610,380)
Total Other Financing Sources (Uses)	<u>309,888</u>		<u>(1,630,000)</u>		<u>1,079,836</u>
NET CHANGE IN FUND BALANCES	(4,501)	25,172	(64,400)	(1,433)	1,700,169
BEGINNING FUND BALANCES (DEFICITS)	<u>387,716</u>	<u>654,273</u>	<u>1,128,787</u>	<u>36,516</u>	<u>5,415,537</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$383,215</u>	<u>\$679,445</u>	<u>\$1,064,387</u>	<u>\$35,083</u>	<u>\$7,115,706</u>

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

SPECIAL REVENUE FUNDS

	COPS & OTHER GRANTS			MEASURE A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes				\$351,537	\$382,646	\$31,109
License and permits						
Charges for services						
Use of money and property	(\$4,441)	(\$4,439)	\$2	(37,754)	(37,754)	
Grants and intergovernmental	94,284	94,284				
Miscellaneous						
Total Revenues	89,843	89,845	2	313,783	344,892	31,109
EXPENDITURES						
Current:						
Public safety:						
Police	144,054	144,054				
Fire						
Highways and streets						
Engineering						
Maintenance				62,546	62,546	
Culture and recreation						
Community development						
Capital outlay				309,464	309,464	
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	144,054	144,054		372,010	372,010	
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(54,211)	(54,209)	2	(58,227)	(27,118)	31,109
OTHER FINANCING SOURCES (USES)						
Transfers in	148,716	148,716		517	517	
Transfers (out)				(904,150)	(904,150)	
Total Other Financing Sources (Uses)	148,716	148,716		(903,633)	(903,633)	
NET CHANGE IN FUND BALANCES	\$94,505	94,507	\$2	(\$961,860)	(930,751)	\$31,109
BEGINNING FUND BALANCES (DEFICITS)		(223)			1,666,420	
ENDING FUND BALANCES (DEFICITS)		\$94,284			\$735,669	

SPECIAL REVENUE FUNDS

NOISE INSULATION GRANT			GAS TAX			AB2928 GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
(\$1,024)	(\$1,024)		(\$6,235)	(\$6,228)	\$7	(\$7,870)	(\$7,869)	\$1
			384,325	384,325		938,222	938,222	
						69,000	69,000	
<u>(1,024)</u>	<u>(1,024)</u>		<u>378,090</u>	<u>378,097</u>	<u>7</u>	<u>999,352</u>	<u>999,353</u>	<u>1</u>
			312,769	312,769		955	955	
6,061	6,061					1,043,749	1,043,749	
<u>6,061</u>	<u>6,061</u>		<u>312,769</u>	<u>312,769</u>		<u>1,044,704</u>	<u>1,044,704</u>	
<u>(7,085)</u>	<u>(7,085)</u>		<u>65,321</u>	<u>65,328</u>	<u>7</u>	<u>(45,352)</u>	<u>(45,351)</u>	<u>1</u>
						1,125,750	1,125,750	
(345)	(345)		(67,112)	(67,112)				
<u>(345)</u>	<u>(345)</u>		<u>(67,112)</u>	<u>(67,112)</u>		<u>1,125,750</u>	<u>1,125,750</u>	
<u>(\$7,430)</u>	<u>(7,430)</u>		<u>(\$1,791)</u>	<u>(1,784)</u>	<u>\$7</u>	<u>\$1,080,398</u>	<u>1,080,399</u>	<u>\$1</u>
	26,099			538,270			400,568	
	<u>\$18,669</u>			<u>\$536,486</u>			<u>\$1,480,967</u>	

(Continued)

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS					
	SPECIAL RECREATION			INTEGRATED WASTE MANAGEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services	\$708,095	\$708,095		\$248,339	\$248,339	
Use of money and property	183,545	183,548	\$3	(4,674)	(4,672)	\$2
Grants and intergovernmental	15,628	15,628		17,553	17,553	
Miscellaneous	15,772	15,772				
Total Revenues	<u>923,040</u>	<u>923,043</u>	<u>3</u>	<u>261,218</u>	<u>261,220</u>	<u>2</u>
EXPENDITURES						
Current:						
Public safety:						
Police						
Highways and streets						
Engineering				306,775	306,775	
Maintenance						
Culture and recreation	1,429,062	1,429,062				
Community development						
Capital outlay				15,000	15,000	
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,429,062</u>	<u>1,429,062</u>		<u>321,775</u>	<u>321,775</u>	
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(506,022)</u>	<u>(506,019)</u>	<u>3</u>	<u>(60,557)</u>	<u>(60,555)</u>	<u>2</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	600,526	600,526				
Transfers (out)						
Total Other Financing Sources (Uses)	<u>600,526</u>	<u>600,526</u>				
NET CHANGE IN FUND BALANCES	<u>\$94,504</u>	<u>94,507</u>	<u>\$3</u>	<u>(\$60,557)</u>	<u>(60,555)</u>	<u>\$2</u>
BEGINNING FUND BALANCES		<u>(94,506)</u>			<u>211,560</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$1</u>			<u>\$151,005</u>	

SPECIAL REVENUE FUNDS

OTHER			SISTER CITY			PARK IMPROVEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$31,896	\$31,896							
1,911	1,911		(\$396)	(\$398)	(\$2)	(\$196)	(\$196)	
194,451	194,451							
30,008	30,008		\$3,803	3,803		14,289	14,289	
<u>258,266</u>	<u>258,266</u>		<u>3,407</u>	<u>3,405</u>	(2)	<u>14,093</u>	<u>14,093</u>	
4,035	4,035							
15,842	15,842							
7	7		4,124	4,124				
223,485	223,485					\$7,468	7,468	
8,438	8,438		22,215	22,215				
<u>251,807</u>	<u>251,807</u>		<u>26,339</u>	<u>26,339</u>		<u>7,468</u>	<u>7,468</u>	
6,459	6,459		(22,932)	(22,934)	(2)	6,625	6,625	
1,398,150	1,398,150		14,215	14,215				
(8,773)	(8,773)							
<u>1,389,377</u>	<u>1,389,377</u>		<u>14,215</u>	<u>14,215</u>				
<u>\$1,395,836</u>	<u>1,395,836</u>		<u>(\$8,717)</u>	<u>(8,719)</u>	<u>(\$2)</u>	<u>\$6,625</u>	<u>6,625</u>	
	443,531			16,526				
	<u>\$1,839,367</u>			<u>\$7,807</u>			<u>\$6,625</u>	

(Continued)

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	JOINT FIRE TRAINING			1999 COPS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services	\$205,332	\$205,332				
Use of money and property				\$7,768	\$7,769	\$1
Grants and intergovernmental						
Miscellaneous						
Total Revenues	<u>205,332</u>	<u>205,332</u>		<u>7,768</u>	<u>7,769</u>	<u>1</u>
EXPENDITURES						
Current:						
Public safety						
Public safety	215,090	215,090				
Highways and streets						
Public safety						
Public safety						
Culture and recreation						
Community development						
Capital outlay						
Debt service:						
Principal				135,000	135,000	
Interest and fiscal charges				187,158	187,158	
Total Expenditures	<u>215,090</u>	<u>215,090</u>		<u>322,158</u>	<u>322,158</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(9,758)</u>	<u>(9,758)</u>		<u>(314,390)</u>	<u>(314,389)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	91,707	92,454	747	309,888	309,888	
Transfers (out)						
Total Other Financing Sources (Uses)	<u>91,707</u>	<u>92,454</u>	<u>747</u>	<u>309,888</u>	<u>309,888</u>	
NET CHANGE IN FUND BALANCES	<u>\$81,949</u>	<u>82,696</u>	<u>\$747</u>	<u>(\$4,502)</u>	<u>(4,501)</u>	<u>\$1</u>
BEGINNING FUND BALANCES					387,716	
ENDING FUND BALANCES (DEFICITS)		<u>\$82,696</u>			<u>\$383,215</u>	

DEBT SERVICE FUNDS

LIBRARY BONDS

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$647,507	\$647,507	
(18,361)	(18,360)	\$1
<u>629,146</u>	<u>629,147</u>	<u>1</u>
70,000	70,000	
<u>533,975</u>	<u>533,975</u>	
<u>603,975</u>	<u>603,975</u>	
<u>25,171</u>	<u>25,172</u>	<u>1</u>
<u>\$25,171</u>	25,172	<u>\$1</u>
	<u>654,273</u>	
	<u>\$679,445</u>	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City's Internal Service Funds are as follows:

Municipal Garage - To account for the purchase and maintenance of all motor vehicles.

Unemployment Insurance - To account for the accumulation of the payment of resources for unemployment claims against the City.

Workers' Compensation - To account for the resources and uses for the payment of workers' compensation claims against the City.

General Liability - To account for resources and uses for the payment of liability insurance premiums and claims against the City.

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Municipal Garage</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and investments	\$320,861		\$745,116	\$93,418	\$1,159,395
Receivable:					
Accounts - net	2,394				2,394
Total Current Assets	<u>323,255</u>		<u>745,116</u>	<u>93,418</u>	<u>1,161,789</u>
Noncurrent Assets:					
Capital assets					
Depreciable capital assets, net	1,341,188				1,341,188
Total Assets	<u>1,664,443</u>		<u>745,116</u>	<u>93,418</u>	<u>2,502,977</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	26,546		141	4,330	31,017
Interest payable	5,068				5,068
Long-term debt due within one year	122,987				122,987
Total Current Liabilities	<u>154,601</u>		<u>141</u>	<u>4,330</u>	<u>159,072</u>
Noncurrent Liabilities:					
Compensated absences	28,323				28,323
Accrued self-insurance			894,000	101,587	995,587
Long-term debt:					
Due in more than one year	90,159				90,159
Total Liabilities	<u>273,083</u>		<u>894,141</u>	<u>105,917</u>	<u>1,273,141</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,128,042				1,128,042
Unrestricted	263,318		(149,025)	(12,499)	101,794
Total Net Assets (Deficits)	<u>\$1,391,360</u>		<u>(\$149,025)</u>	<u>(\$12,499)</u>	<u>\$1,229,836</u>

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
OPERATING REVENUES					
Equipment rental	\$688,265				\$688,265
Interdepartmental charges		\$13,869	\$761,883	\$425,004	1,200,756
Miscellaneous	66,900		510		67,410
Total Operating Revenues	755,165	13,869	762,393	425,004	1,956,431
OPERATING EXPENSES					
Personnel services	240,457		113,494	94,539	448,490
Contractual services	81,031	29	47,633	14,454	143,147
Materials, supplies and other services	160,846		3,956		164,802
Depreciation	194,135				194,135
Utilities	15,324				15,324
Insurance premiums and claims		34,719	720,291	338,210	1,093,220
Total Operating Expenses	691,793	34,748	885,374	447,203	2,059,118
Operating Income (Loss)	63,372	(20,879)	(122,981)	(22,199)	(102,687)
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	2,005				2,005
Interest revenue	(8,564)	(369)	(26,809)	(4,493)	(40,235)
Interest expense	(14,172)				(14,172)
Total Nonoperating Revenues (Expenses)	(20,731)	(369)	(26,809)	(4,493)	(52,402)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	42,641	(21,248)	(149,790)	(26,692)	(155,089)
Transfers in	202,050	11,574			213,624
Transfers (out)	(53)		(220,000)	(12,406)	(232,459)
Transfers	201,997	11,574	(220,000)	(12,406)	(18,835)
Change in Net Assets	244,638	(9,674)	(369,790)	(39,098)	(173,924)
BEGINNING NET ASSETS	1,146,722	9,674	220,765	26,599	1,403,760
ENDING NET ASSETS (DEFICIT)	\$1,391,360	\$1,229,836	(\$149,025)	(\$12,499)	\$1,229,836

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$753,968	\$13,869	\$762,393	\$425,004	\$1,955,234
Payments to suppliers	(250,727)	(29)	(51,574)	(49,236)	(351,566)
Payments to employees	(226,860)		(113,494)	(94,539)	(434,893)
Claims paid		(34,719)	(400,183)	(276,516)	(711,418)
Cash Flows from Operating Activities	<u>276,381</u>	<u>(20,879)</u>	<u>197,142</u>	<u>4,713</u>	<u>457,357</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	202,050	11,574			213,624
Transfers (out)	(53)		(220,000)	(12,406)	(232,459)
Cash Flows from Noncapital Financing Activities	<u>201,997</u>	<u>11,574</u>	<u>(220,000)</u>	<u>(12,406)</u>	<u>(18,835)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(303,415)				(303,415)
Interest payment on capital debt	(10,452)				(10,452)
Principal payments on capital debt	(116,954)				(116,954)
Cash Flows from Capital and Related Financing Activities	<u>(430,821)</u>				<u>(430,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	(8,564)	(369)	(26,809)	(4,493)	(40,235)
Cash Flows from Investing Activities	<u>(8,564)</u>	<u>(369)</u>	<u>(26,809)</u>	<u>(4,493)</u>	<u>(40,235)</u>
Net Cash Flows	38,993	(9,674)	(49,667)	(12,186)	(32,534)
Cash and investments at beginning of period	<u>281,868</u>	<u>9,674</u>	<u>794,783</u>	<u>105,604</u>	<u>1,191,929</u>
Cash and investments at end of period	<u>\$320,861</u>		<u>\$745,116</u>	<u>\$93,418</u>	<u>\$1,159,395</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$63,372	(\$20,879)	(\$122,981)	(\$22,199)	(\$102,687)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	194,135				194,135
Change in assets and liabilities:					
Accounts receivable	(1,197)				(1,197)
Accounts payable	6,474		15	(34,782)	(28,293)
Compensated absences	13,597				13,597
Accrued self-insurance			320,108	61,694	381,802
Cash Flows from Operating Activities	<u>\$276,381</u>	<u>(20,879)</u>	<u>\$197,142</u>	<u>\$4,713</u>	<u>\$457,357</u>

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Ratio of Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin
5. Sewer Fund Revenue Bond and Loan Coverage
6. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

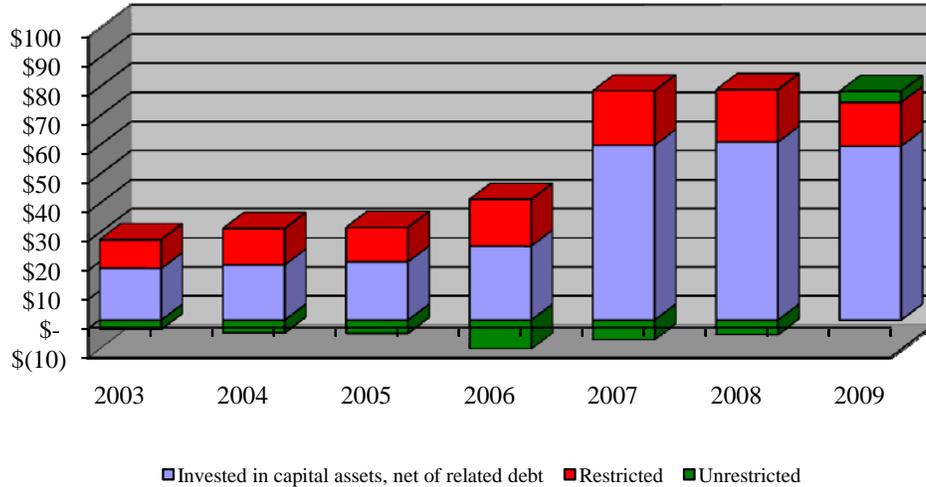
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF MILLBRAE
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)
(Dollars in millions)



	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$6.7	\$7.9	\$8.8	\$8.7	\$49.6	\$49.0	\$48.8
Restricted	9.9	12.5	11.8	16.0	18.7	17.6	15.1
Unrestricted	(6.8)	(8.6)	(8.6)	(10.3)	(10.7)	(8.7)	(4.8)
Total governmental activities net assets	\$9.8	\$11.8	\$12.0	\$14.4	\$57.6	\$57.9	\$59.1
Business-type activities							
Invested in capital assets, net of related debt	\$11.0	\$11.0	\$11.2	\$16.7	\$10.4	\$12.1	\$10.9
Unrestricted	3.6	4.2	4.0	(0.6)	4.0	4.1	8.5
Total business-type activities net assets	\$14.6	\$15.2	\$15.2	\$16.1	\$14.4	\$16.2	\$19.4
Primary government							
Invested in capital assets, net of related debt	\$17.7	\$18.9	\$20.0	\$25.4	\$60.0	\$61.1	\$59.7
Restricted	9.9	12.5	11.8	16	19	18	15.1
Unrestricted	(3.2)	(4.4)	(4.6)	(11)	(7)	(5)	3.7
Total primary government net assets	\$24.4	\$27.0	\$27.2	\$30.5	\$72.0	\$74.1	\$78.5

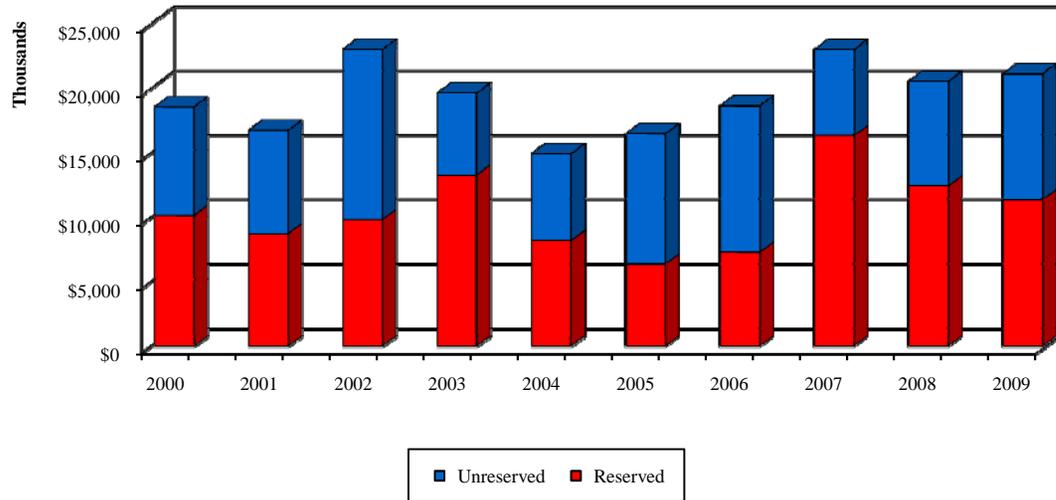
CITY OF MILLBRAE
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses							
Governmental Activities:							
General Government	\$1.4	\$1.3	\$1.4	\$1.8	\$1.9	\$2.1	\$2.1
Public Safety	8.9	9.0	8.8	8.8	6.4	10.0	11.7
Highway and Streets	4.1	1.8	1.6	1.5	5.6	4.3	4.1
Culture and Recreation	2.9	2.6	3.1	2.1	1.5	1.5	1.5
Community Development	1.5	1.3	2.0	3.0	5.3	5.1	6.9
Interest on Long-Term Debt	1.3	1.6	1.5	2.9	2.0	2.5	2.1
Total Governmental Activities Expenses	<u>20.1</u>	<u>17.6</u>	<u>18.4</u>	<u>20.1</u>	<u>22.7</u>	<u>25.5</u>	<u>28.4</u>
Business-Type Activities:							
Municipal Water System	3.0	3.6	3.5	3.5	3.8	4.2	4.4
Municipal Wastewater Treatment Facility	3.5	3.7	3.9	4.4	5.2	5.1	5.6
Storm Drain	0.3	0.3	0.3	0.4	0.4	0.5	0.4
Total Business-Type Activities Expenses	<u>6.8</u>	<u>7.6</u>	<u>7.7</u>	<u>8.3</u>	<u>9.4</u>	<u>9.8</u>	<u>10.4</u>
Total Primary Government Expenses	<u>26.9</u>	<u>25.2</u>	<u>26.1</u>	<u>28.4</u>	<u>32.1</u>	<u>35.3</u>	<u>38.8</u>
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	0.3	0.1	0.1	0.3	0.3	0.7	0.7
Public Safety	0.6	0.7	0.5	0.7	1.1	1.2	1.8
Highway and Streets	0.0	0.2	0.2	0.3	0.8	0.4	1.9
Culture and Recreation	0.5	0.8	0.7	0.9	0.8	0.7	0.9
Community Development	0.6	1.8	0.5	0.6	2.0	1.1	3.3
Operating Grants and Contributions	1.6	1.3	1.3	2.8	1.8	1.2	1.7
Capital Grants and Contributions	1.6						
Total Government Activities Program Revenues	<u>5.2</u>	<u>4.9</u>	<u>3.3</u>	<u>5.6</u>	<u>6.8</u>	<u>5.3</u>	<u>10.3</u>
Business-Type Activities:							
Charges for Services:							
Municipal Water System	3.2	4.0	3.6	3.9	4.4	4.9	5.7
Municipal Wastewater Treatment Facility	3.7	3.8	3.8	4.5	5.0	5.8	6.5
Storm Drain	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Operating Grants and Contributions							
Capital Grants and Contributions		0.2					
Total Business-Type Activities Program Revenue	<u>7.1</u>	<u>8.2</u>	<u>7.6</u>	<u>8.6</u>	<u>9.6</u>	<u>10.9</u>	<u>12.4</u>
Total Primary Government Program Revenues	<u>12.3</u>	<u>13.1</u>	<u>10.9</u>	<u>14.2</u>	<u>16.4</u>	<u>16.2</u>	<u>22.7</u>
Net (Expense)/Revenue							
Governmental Activities	(14.9)	(12.7)	(15.1)	(14.5)	(15.9)	(20.2)	(18.1)
Business-Type Activities	0.3	0.6	(0.1)	0.3	0.2	1.1	2.0
Total Primary Government Net Expense	<u>(\$14.6)</u>	<u>(\$12.1)</u>	<u>(\$15.2)</u>	<u>(\$14.2)</u>	<u>(\$15.7)</u>	<u>(\$19.1)</u>	<u>(\$16.1)</u>

CITY OF MILLBRAE
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)
(continued)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes:							
Property Taxes	\$5.4	\$5.6	\$8.5	\$9.6	\$10.9	\$11.9	\$13.1
Sales Taxes	2.0	2.0	1.9	2.2	2.4	2.2	2.4
Motor Vehicle In-Lieu	1.2	1.0	0.5	0.1	0.1	0.1	0.1
Transient Occupancy Tax	2.2	2.2	2.3	2.6	2.9	3.3	2.8
Other Taxes	1.1	1.0	1.2	1.7	1.4	1.5	1.4
Interest Earnings	1.0	0.3	0.7	0.5	1.2	1.0	(0.2)
Other	0.4	2.5	0.2	0.2	0.4	0.7	0.3
Transfers	0.1			(0.1)		(0.3)	(0.5)
Total Government Activities	<u>13.4</u>	<u>14.6</u>	<u>15.2</u>	<u>16.8</u>	<u>19.3</u>	<u>20.4</u>	<u>19.4</u>
Business-Type Activities:							
Interest Earnings	0.3	0.1	0.2	0.2	0.2	0.2	
Miscellaneous				0.3	0.3	0.1	0.8
Transfers and Other	(0.1)			0.1	0.3	0.4	0.5
Total Business-Type Activities	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.6</u>	<u>0.8</u>	<u>0.7</u>	<u>1.3</u>
Total Primary Government	<u>13.6</u>	<u>14.7</u>	<u>15.4</u>	<u>17.4</u>	<u>20.1</u>	<u>21.1</u>	<u>20.7</u>
Change in Net Assets							
Governmental Activities	(1.5)	1.9	0.1	2.3	3.4	0.2	1.3
Business-Type Activities	0.5	0.7	0.1	0.9	1.0	1.8	3.3
Total Primary Government	<u>(\$1.0)</u>	<u>\$2.6</u>	<u>\$0.2</u>	<u>\$3.2</u>	<u>\$4.4</u>	<u>\$2.0</u>	<u>\$4.6</u>

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



	Fiscal Year Ended June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$1,427,152	\$1,334,159	\$1,162,649	\$1,096,756	\$1,086,073	\$1,435,087	\$1,305,552	\$1,714,021	\$1,216,313	\$1,181,922
Unreserved	2,175,437	2,058,866	612,204	203,942	(665,816)	117,878	1,399,190	2,982,238	1,684,476	1,567,044
Total General Fund	<u>\$3,602,589</u>	<u>\$3,393,025</u>	<u>\$1,774,853</u>	<u>\$1,300,698</u>	<u>\$420,257</u>	<u>\$1,552,965</u>	<u>\$2,704,742</u>	<u>\$4,696,259</u>	<u>\$2,900,789</u>	<u>\$2,748,966</u> (a)
All Other Governmental Funds										
Reserved	\$8,700,789	\$7,378,615	\$8,643,242	\$12,167,422	\$7,094,675	\$4,920,951	\$5,994,916	\$14,623,608	\$11,216,290	\$10,174,496
Unreserved, reported in:										
Special revenue funds	1,484,525	1,886,324	882,049	6,496,194	6,827,715	4,145,428	8,575,778	4,042,908	5,411,096	6,267,513
Capital project funds	4,768,211	4,095,787	11,735,854	(334,836)	579,509	5,846,761	1,359,947	(362,503)	1,010,397	1,922,889
Total all other governmental funds	<u>\$14,953,525</u>	<u>\$13,360,726</u>	<u>\$21,261,145</u>	<u>\$18,328,780</u>	<u>\$14,501,899</u>	<u>\$14,913,140</u>	<u>\$15,930,641</u>	<u>\$18,304,013</u>	<u>\$17,637,783</u>	<u>\$18,364,898</u>

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

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

	Fiscal Year Ended June 30,				
	2000	2001	2002	2003	2004
Revenues					
Taxes	\$11,789,763	\$12,090,514	\$11,029,412	\$10,990,862	\$11,338,355
Licenses, permits and fees	242,067	207,245	208,158	334,554	565,594
Charges for services	1,401,500	1,343,763	1,512,160	466,764	2,674,024
Fines and forfeitures	197,218	220,302	203,112	222,945	291,095
Use of money and property	923,482	1,419,444	1,327,625	1,200,849	426,685
Grants and intergovernmental	5,094,670	8,468,454	6,889,858	4,774,880	1,940,142
Miscellaneous	782,045	494,042	381,763	1,442,871	1,958,367
Total Revenues	<u>20,430,745</u>	<u>24,243,764</u>	<u>21,552,088</u>	<u>19,433,725</u>	<u>19,194,262</u>
Expenditures					
Current:					
General government	\$1,596,499	\$1,937,360	\$1,886,046	\$1,331,146	\$1,216,074
Public safety	7,050,614	7,789,589	8,147,357	8,410,205	8,333,506
Highways and streets	1,716,087	2,292,948	2,281,965	1,853,430	1,575,042
Culture and recreation	2,498,675	2,266,262	2,445,562	1,941,713	1,497,215
Community development	2,362,097	3,417,641	2,159,940	2,177,272	2,205,659
Capital outlay	2,320,605	9,727,417	8,398,219	4,635,161	7,767,178
Debt service:					
Principal repayment	1,200,729	345,000	335,000	370,000	420,000
Interest and fiscal charges	519,713	742,905	1,011,752	1,211,210	1,510,795
Total Expenditures	<u>19,265,019</u>	<u>28,519,122</u>	<u>26,665,841</u>	<u>21,930,137</u>	<u>24,525,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,165,726</u>	<u>(4,275,358)</u>	<u>(5,113,753)</u>	<u>(2,496,412)</u>	<u>(5,331,207)</u>
Other Financing Sources (Uses)					
Transfers in	2,095,624	1,497,150	1,768,029	4,477,250	904,673
Transfers (out)	(2,036,450)	(1,185,276)	(1,303,029)	(3,697,258)	(1,207,173)
Proceeds from long-term debt	4,105,000	2,161,121	331,000		11,521,630
Payment to retirement plan					(11,200,000)
Tax allocation bonds issued					
Library bonds			10,600,000		
Sale of capital assets					604,755
Total other financing sources (uses)	<u>4,164,174</u>	<u>2,472,995</u>	<u>11,396,000</u>	<u>779,992</u>	<u>623,885</u>
Net change in fund balances	<u>\$5,329,900</u>	<u>(\$1,802,363)</u>	<u>\$6,282,247</u>	<u>(\$1,716,420)</u>	<u>(\$4,707,322)</u>
Debt service as a percentage of noncapital expenditures	9.8%	4.0%	5.3%	7.8%	8.5%

Fiscal Year Ended June 30,

2005	2006	2007	2008	2009
\$14,291,554	\$16,191,092	\$17,815,200	\$19,167,621	\$20,081,107
349,179	474,612	1,044,495	530,799	629,695
1,379,653	1,840,334	2,957,931	2,275,012	6,219,277
203,223	358,782	700,717	592,195	854,587
807,830	763,161	1,562,303	1,443,506	302,045
2,004,196	1,129,260	1,271,907	1,295,216	1,802,482
369,532	229,921	406,738	792,893	239,237
<u>19,405,167</u>	<u>20,987,162</u>	<u>25,759,291</u>	<u>26,097,242</u>	<u>30,128,430</u>
\$1,162,097	\$1,475,679	\$1,731,518	\$1,846,271	\$1,801,585
8,346,122	8,414,172	8,758,410	9,851,524	10,668,650
1,336,560	1,430,631	1,803,807	2,175,594	1,995,038
1,695,953	2,057,200	1,306,120	1,456,488	1,442,001
3,027,175	3,391,005	4,373,645	5,071,248	5,207,855
3,909,191	663,204	2,157,024	1,666,662	5,647,530
5,330,000	807,350	379,928	1,150,376	1,124,366
1,205,110	1,231,034	1,238,788	1,227,636	1,194,519
<u>26,012,208</u>	<u>19,470,275</u>	<u>21,749,240</u>	<u>24,445,799</u>	<u>29,081,544</u>
<u>(6,607,041)</u>	<u>1,516,887</u>	<u>4,010,051</u>	<u>1,651,443</u>	<u>1,046,886</u>
1,515,967	2,696,763	2,081,633	3,461,056	7,930,991
(1,954,977)	(2,232,446)	(2,215,841)	(4,011,125)	(8,403,585)
	188,074	489,046	25,000	
8,590,000				
				1,000
<u>8,150,990</u>	<u>652,391</u>	<u>354,838</u>	<u>(525,069)</u>	<u>(471,594)</u>
<u>\$1,543,949</u>	<u>\$2,169,278</u>	<u>\$4,364,889</u>	<u>\$1,126,374</u>	<u>\$575,292</u>
33.6%	11.7%	9.2%	11.6%	9.2%

**CITY OF MILLBRAE
STATISTICS**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other	TOTAL Secured Property	TOTAL Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2000	1,502,591,917	200,476,816	15,088,282	48,360,421	1,766,517,436	50,653,981	1,817,171,417	1,817,171,417	0.20830%
2001	1,608,664,847	200,627,615	18,990,823	47,605,315	1,875,888,600	50,169,539	1,926,058,139	1,926,058,139	0.20390%
2002	1,737,618,409	206,401,619	20,210,975	55,944,473	2,020,175,476	56,459,257	2,076,634,733	2,076,634,733	0.20955%
2003	1,830,815,260	205,408,812	22,671,727	56,629,528	2,115,525,327	52,441,765	2,167,967,092	2,167,967,092	0.23229%
2004	1,991,744,482	213,193,265	23,896,936	58,133,646	2,286,968,329	51,586,538	2,338,554,867	2,338,554,867	0.23845%
2005	2,138,575,514	223,398,776	26,822,125	59,341,683	2,448,138,098	53,266,268	2,501,404,366	2,501,404,366	0.23911%
2006	2,327,641,820	233,450,555	27,468,703	60,471,807	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24221%
2007	2,530,096,235	261,604,654	36,210,882	78,491,214	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25105%
2008	2,731,897,346	263,281,277	36,695,559	94,020,849	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25621%
2009	2,965,203,996	302,246,936	39,991,380	119,619,183	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27802%

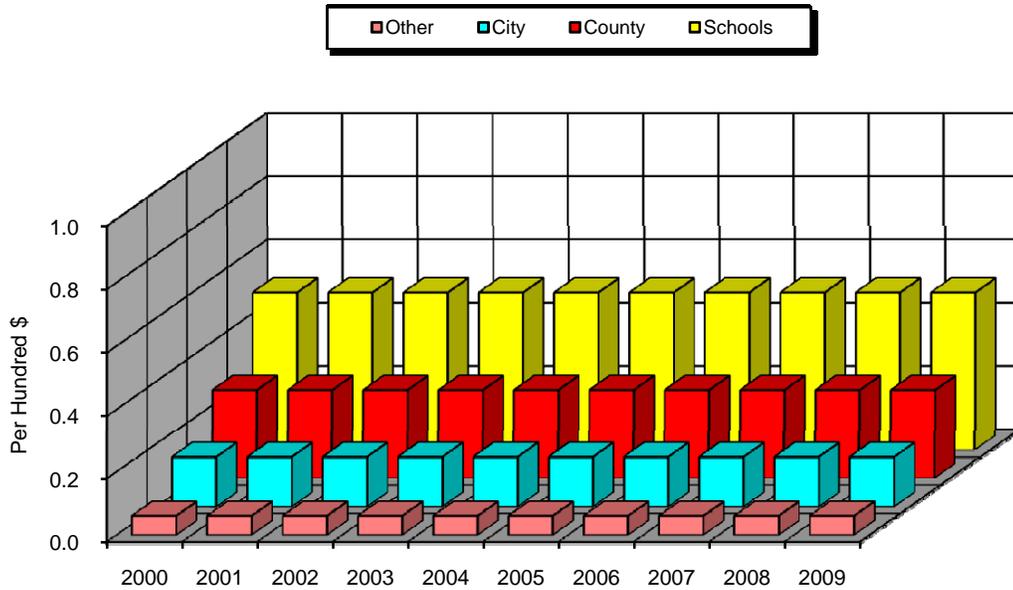
(a) The California State Constitution requires property to be assess at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and allocates a portion of that amount, by an annual calculation to all taxing entities within a tax rate area. The City of Millbrae encompasses more than fifteen (15) tax rate areas.

Sources: Hdl Coren & Cone
San Mateo County Assessor Combined Tax Rolls from 2000 - 2009

**CITY OF MILLBRAE
STATISTICS**

**PROPERTY TAX RATES ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	Schools	County	City	Other	Total Tax
2000	0.4995	0.2817	0.1579	0.0609	1.0000
2001	0.4995	0.2817	0.1579	0.0609	1.0000
2002	0.4995	0.2817	0.1579	0.0609	1.0000
2003	0.4995	0.2817	0.1579	0.0609	1.0000
2004	0.4995	0.2817	0.1579	0.0609	1.0000
2005	0.4995	0.2817	0.1579	0.0609	1.0000
2006	0.4995	0.2817	0.1579	0.0609	1.0000
2007	0.4995	0.2817	0.1579	0.0609	1.0000
2008	0.4995	0.2817	0.1579	0.0609	1.0000
2009	0.4995	0.2817	0.1579	0.0609	1.0000

Sources: Hdl Coren & Cone
San Mateo County Assessor Annual Tax Increment Tables

**CITY OF MILLBRAE
STATISTICS**

TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based on Net Values

Fiscal Year 2008 - 2009

Owner / Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Westin Bay Hotel Company	69,354,255	1.98%
Agnes Yui	34,365,268	0.98%
Magnolia of Millbrae, Inc.	26,938,598	0.77%
PPC Townsquare Venture LLC	26,055,000	0.74%
Marymount Greenhills LLC	20,948,050	0.60%
Braddock and Logan Group LP	20,100,000	0.57%
Millbrae Paradise LLC	15,616,404	0.45%
Simeon SPFVEF LLC	14,323,200	0.41%
Glenborough-Pauls Millbrae LLC	13,197,229	0.38%
Green Hills Country Club	11,353,859	0.32%
TOP TEN TOTAL	252,251,863	7.20%

Total Net Assessed Valuation:

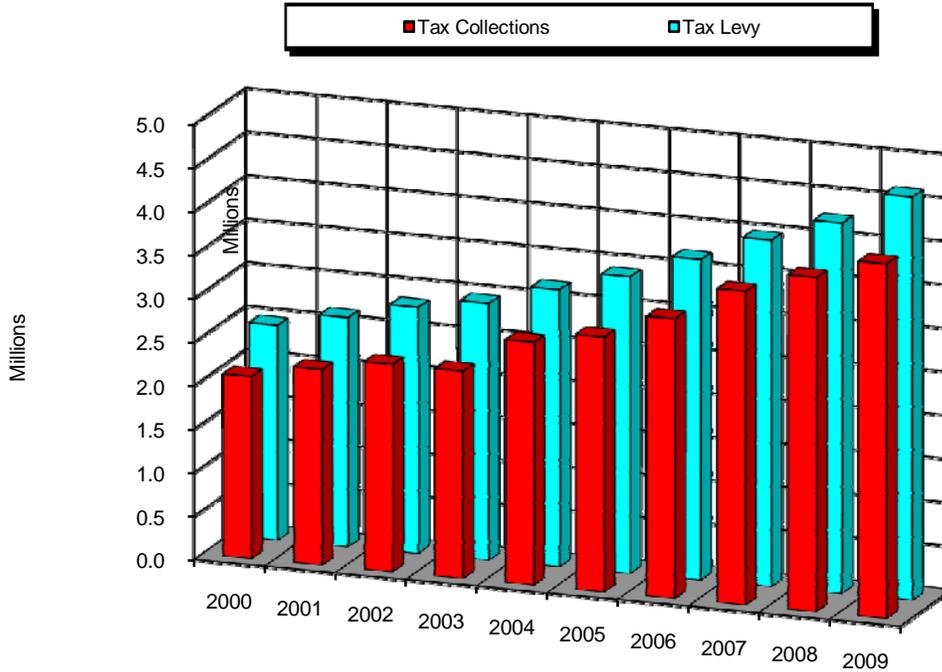
Fiscal Year 2008-2009 3,501,793,697

Note: Information for nine years ago is not available

Sources: Hdl Coren & Cone
San Mateo County Assessor 2008-2009 Combined Tax Rolls

**CITY OF MILLBRAE
STATISTICS**

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



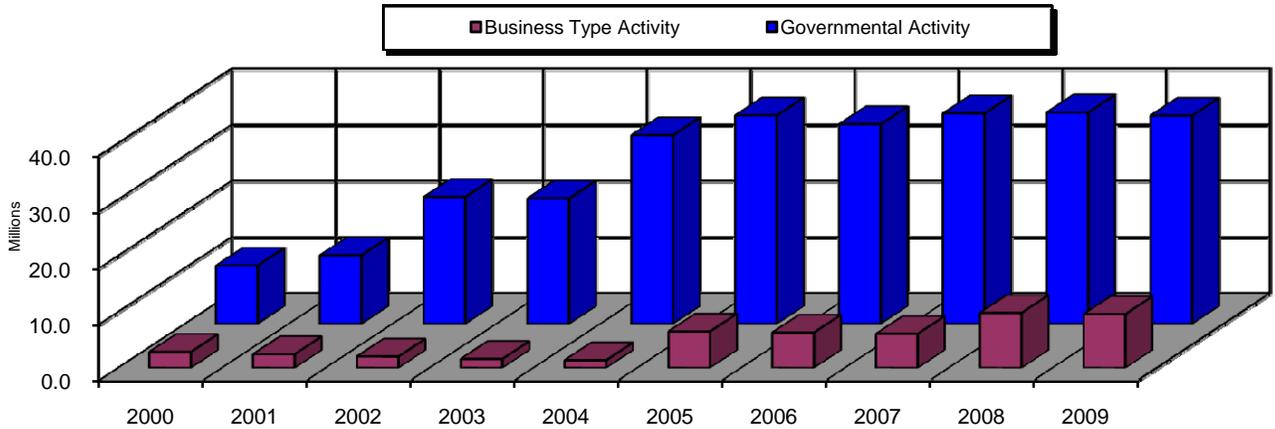
Fiscal Year	TOTAL Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	TOTAL Tax Collections	Percent of Tax Collected to Tax Levy
2000	2,469,184	2,036,108	82.4608%	55,515	2,091,623	84.7091%
2001	2,634,125	2,167,317	82.2784%	80,350	2,247,667	85.3288%
2002	2,829,892	2,336,584	82.5680%	46,414	2,382,998	84.2081%
2003	2,950,755	2,383,880	80.7888%	(3,194)	2,380,686	80.6806%
2004	3,182,827	2,623,965	82.4413%	165,925	2,789,890	87.6545%
2005	3,408,015	2,812,240	82.5184%	114,656	2,926,896	85.8827%
2006	3,682,039	2,952,070	80.1749%	258,862	3,210,932	87.2053%
2007	3,980,054	3,242,096	81.4586%	360,552	3,602,648	90.5176%
2008	4,251,621	3,461,893	81.4252%	375,457	3,837,350	90.2562%
2009	4,630,356	3,665,930	79.1717%	405,027	4,070,957	87.9189%

Note: During fiscal year 1995, the County began providing the City 100% of its Secured tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

Source: County of San Mateo Controller's Office
City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

**RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**



Governmental Activity

Fiscal Year	General Obligation Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Loans	TOTAL
2000	150,000		5,445,000	4,105,000	690,000		10,390,000
2001	120,000		5,300,000	4,055,000	570,000	2,177,623	12,222,623
2002	10,690,000		5,225,000	3,955,000	440,000	2,294,997	22,604,997
2003	10,660,000		5,130,000	3,850,000	300,000	2,419,056	22,359,056
2004	10,610,000	11,521,630	5,015,000	3,745,000	150,000	2,549,443	33,591,073
2005	10,555,000	11,657,290	8,590,000	3,635,000		2,686,858	37,124,148
2006	10,520,000	11,802,393	8,540,000	3,520,000		1,180,724	35,563,117
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
2009	10,345,000	14,633,198	8,270,000	3,135,000		710,164	37,093,362

Business Type Activity

Fiscal Year	Water Lease Purchase	Sanitation Loan and Bond	TOTAL	Total Primary Government	Percent of Personal Income (a)	Per Capita (a)
2000	622,953	2,214,800	2,837,753	13,227,753	0.03%	612
2001	425,502	2,018,500	2,444,002	14,666,625	0.03%	699
2002	218,021	1,811,300	2,029,321	24,634,318	0.04%	1,184
2003		1,592,600	1,592,600	23,951,656	0.05%	1,156
2004		1,361,700	1,361,700	34,952,773	0.07%	1,708
2005		6,486,209	6,486,209	43,610,357	0.08%	2,106
2006		6,286,001	6,286,001	41,849,118	0.08%	2,018
2007		6,076,171	6,076,171	43,540,111	0.08%	2,077
2008		9,793,026	9,793,026	47,446,237	0.07%	2,218
2009		9,564,218	9,564,218	46,657,580	0.07%	2,166

(a) Demographic Statistics for San Mateo County Personal Income and City of Millbrae population data

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

Sources: City of Millbrae Financial Records
State of California, Department of Finance (population)
U.S. Department of Commerce, Bureau of the Census (income)

**CITY OF MILLBRAE
STATISTICS**

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Storm Water / Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2000	150,000	0.01%	6.94
2001	120,000	0.01%	5.72
2002	10,690,000	0.51%	513.60
2003	10,660,000	0.49%	514.63
2004	10,610,000	0.45%	518.45
2005	10,555,000	0.42%	509.71
2006	10,520,000	0.39%	507.35
2007	10,475,000	0.35%	499.64
2008	10,415,000	0.33%	486.98
2009	10,345,000	0.30%	480.36

Sources: State of California, Department of Finance
Hdl Coren & Cone
San Mateo County Assessor Combined Tax Rolls from 1998-2009

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2009

2008 / 2009 Assessed Valuation:	3,501,793,697
Redevelopment Incremental Valuation:	<u>522,056,970</u>
ADJUSTED ASSESSED VALUATION:	<u><u>\$2,979,736,727</u></u>

	Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
San Mateo Community College District	634,554,994	2.318%	14,708,985
San Mateo Union High School District	180,749,950	6.722%	12,150,012
Millbrae School District Maintenance Assessment District	12,000,000	56.683%	6,801,960
City of Millbrae	10,345,000	100.00%	10,345,000
California Statewide Communities Development Authority Park Broadway Assessment District	1,666,170	100.00%	<u>1,666,170</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>\$45,672,126</u></u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	370,964,816	2.318%	8,598,964
San Mateo County Board of Education Certificates of Participation	13,350,000	2.318%	309,453
Millbrae School District Certificates of Participation	3,475,000	56.452%	1,961,707
San Mateo Union High School District Certificates of Participation	73,456,236	6.722%	4,937,728
City of Millbrae Certificates of Participation	3,135,000	100.00%	3,135,000
City of Millbrae Pension Obligations	10,284,556	100.00%	10,284,556
San Mateo County Mosquito Abatement District Certificates of Participation	540,000	3.231%	<u>17,447</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u><u>\$29,244,856</u></u>
COMBINED TOTAL DEBT			<u><u>\$74,916,982</u></u> (b)

RATIOS TO 2008 - 2009 ASSESSED VALUATION

Direct Debt (\$10,345,000)	0.30%
Total Direct and Overlapping Tax Assessment Debt	1.30%

RATIOS TO ADJUSTED ASSESSED VALUATION

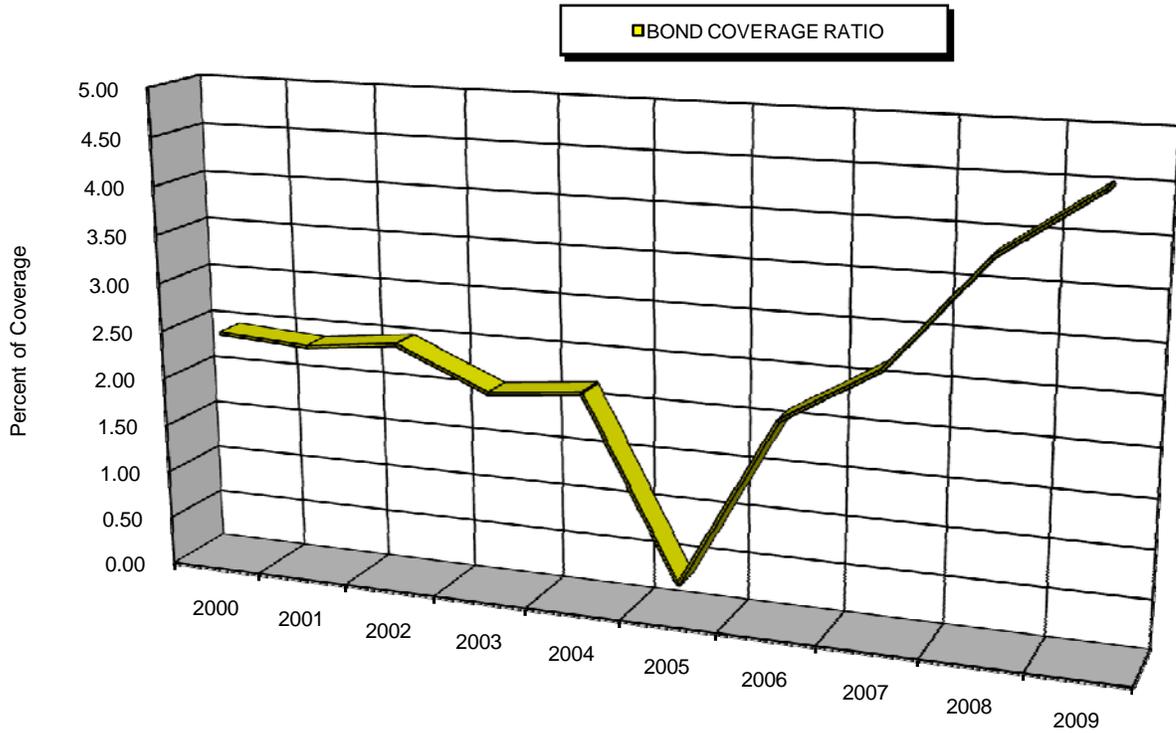
Combined Direct Debt (\$23,764,556)	0.80%
Combined Total Debt	2.45%

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

- (a) Percentage of overlapping agency's assessed valuation located within boundaries of the City
 (b) Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue, Tax Allocation Bonds and non-bonded Capital Lease Obligations

**CITY OF MILLBRAE
STATISTICS**

**SEWER FUND REVENUE NOTE AND LOAN COVERAGE
SEWER AUTHORITY
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			BOND COVERAGE RATIO
				Principal	Interest	Total	
2000	3,271,657	2,241,865	1,029,792	275,380	144,482	419,862	2.45
2001	3,302,898	2,298,546	1,004,352	290,326	129,118	419,444	2.39
2002	3,711,320	2,663,157	1,048,163	306,002	112,922	418,924	2.50
2003	3,796,303	2,922,565	873,738	322,521	95,850	418,371	2.09
2004	3,840,717	3,166,274	674,443	230,900	77,850	308,750	2.18
2005	3,844,013	3,362,695	481,318	1,361,700	104,717	1,466,417	0.33
2006	4,700,114	3,638,729	1,061,385	200,208	305,745	505,953	2.10
2007	5,385,044	4,026,640	1,358,404	209,830	296,123	505,953	2.68
2008	6,003,855	4,068,482	1,935,373	219,916	286,037	505,953	3.83
2009	7,282,428	4,482,654	2,799,774	229,305	391,884	621,189	4.51

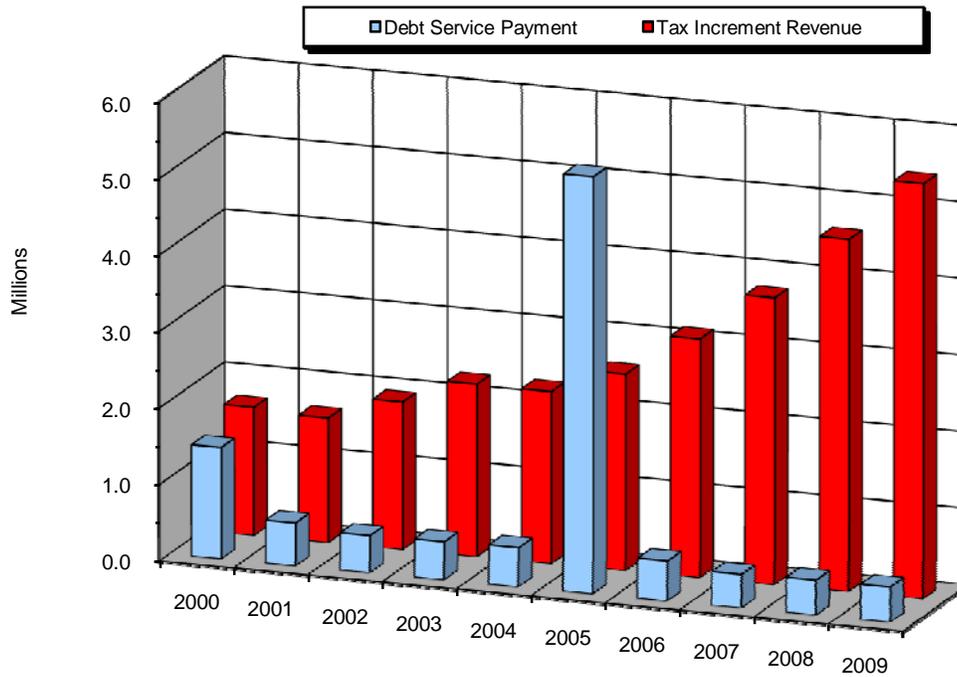
(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

**MILLBRAE REDEVELOPMENT AGENCY
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS**



Fiscal Year	GROSS TAX INCREMENT REVENUE	Debt Service Requirements			Bond Coverage Ratio
		Principal	Interest	TOTAL	
2000	1,678,181	1,005,000	451,214	1,456,214	1.15
2001	1,630,151	145,000	416,611	561,611	2.90
2002	1,931,479	75,000	411,736	486,736	3.97
2003	2,256,852	95,000	404,547	499,547	4.52
2004	2,251,228	115,000	399,030	514,030	4.38
2005	2,573,324	5,015,000	439,472	5,454,472	0.47
2006	3,123,608	50,000	474,287	524,287	5.96
2007	3,751,214	75,000	364,875	439,875	8.53
2008	4,607,427	95,000	362,325	457,325	10.07
2009	5,426,628	100,000	359,400	459,400	11.81

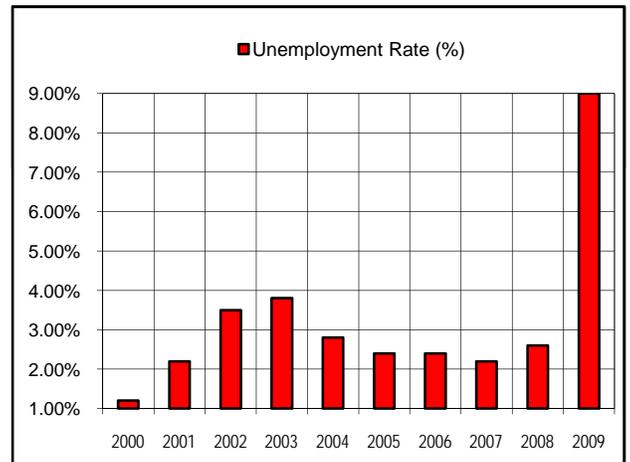
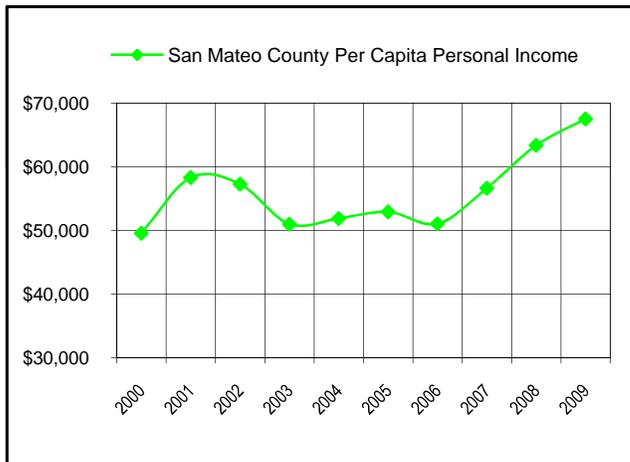
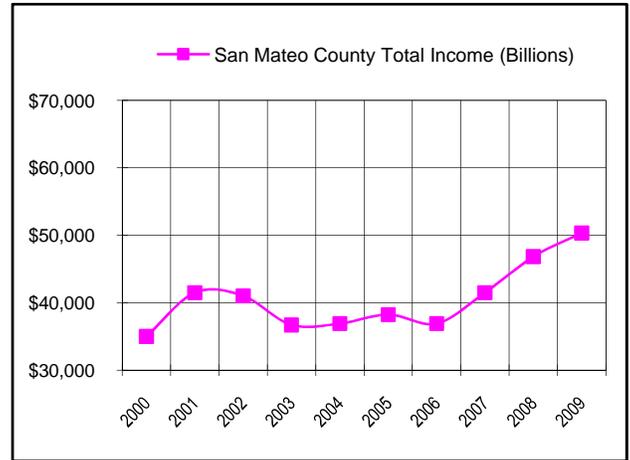
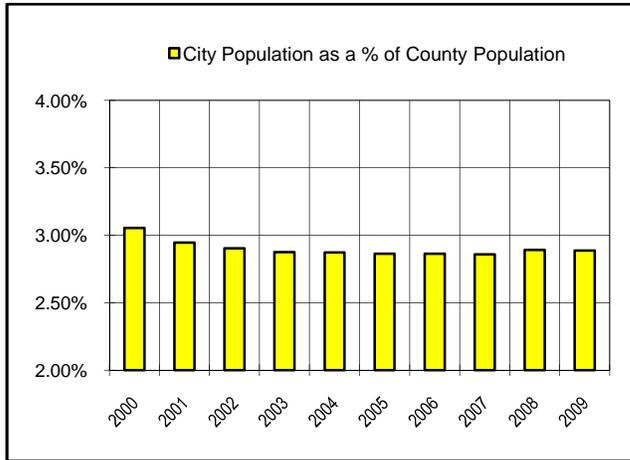
Note: 2005 Millbrae Redevelopment Agency issued TAB for \$8,590,000 and paid off the 1993 TAB outstanding debt

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS



Fiscal Year	City Population	San Mateo County Population	City Population % of County	San Mateo County Total Income (Billions)	San Mateo County Per Capita Personal Income	Unemployment Rate (%)
2000	21,600	707,161	3.05%	\$35,028	\$49,533	1.2%
2001	20,979	712,400	2.94%	\$41,512	\$58,271	2.2%
2002	20,814	717,000	2.90%	\$41,039	\$57,237	3.5%
2003	20,714	720,630	2.87%	\$36,725	\$50,962	3.8%
2004	20,465	712,400	2.87%	\$36,941	\$51,854	2.8%
2005	20,708	723,453	2.86%	\$38,264	\$52,891	2.4%
2006	20,735	724,104	2.86%	\$36,941	\$51,016	2.4%
2007	20,965	733,496	2.86%	\$41,516	\$56,600	2.2%
2008	21,387	739,469	2.89%	\$46,847	\$63,352	2.6%
2009	21,536	745,858	2.89%	\$50,347	\$67,502	9.0%

Sources: State of California, Department of Finance
San Mateo County Controller's Office

**CITY OF MILLBRAE
STATISTICS**

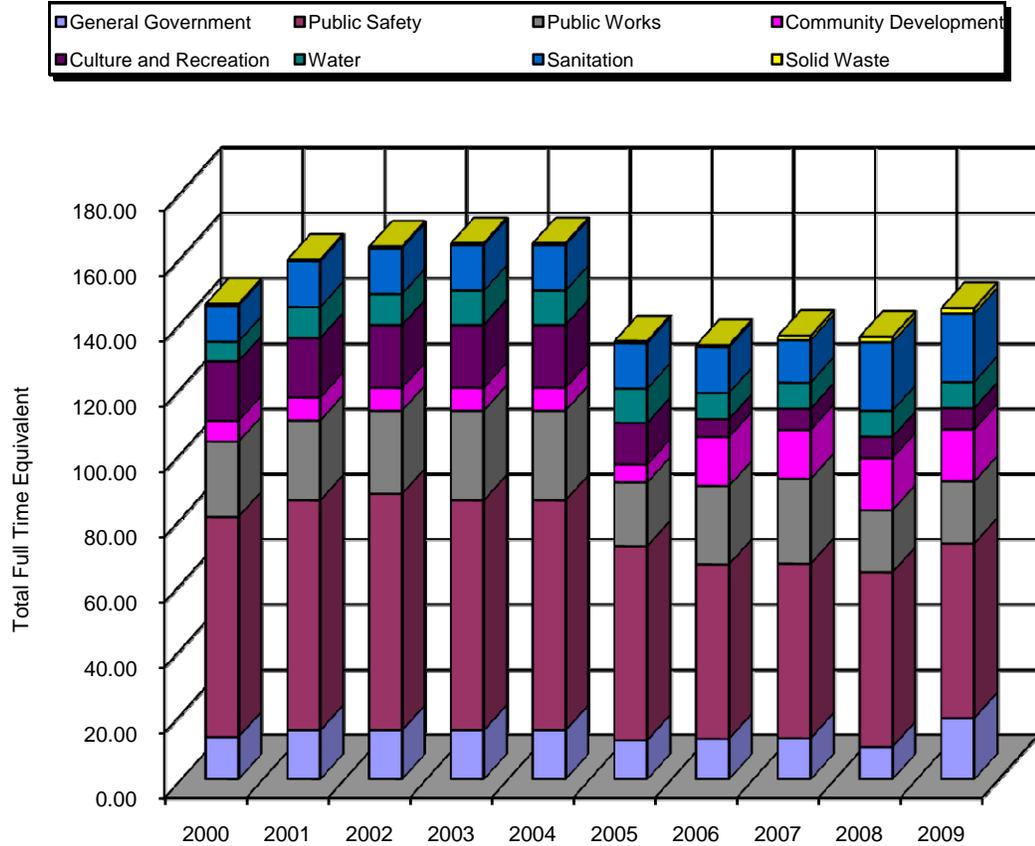
**PRINCIPAL EMPLOYERS
LAST FOUR FISCAL YEARS**

Principal Employer	2006			2007			2008			2009		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
City and County of San Francisco	300	1	1.4%	300	1	1.4%	300	1	1.4%	300	1	1.4%
Millbrae School District	225	2	1.1%	225	2	1.1%	225	2	1.1%	225	2	1.0%
Starwood Hotels & Resorts	200	3	1.0%	200	3	1.0%	200	3	0.9%	200	3	0.9%
El Rancho Motel Inc	168	4	0.8%	168	4	0.8%	168	4	0.8%	168	4	0.8%
City of Millbrae	133	5	0.6%	135	5	0.6%	135	5	0.6%	144	5	0.7%
A & C Health Care Services Inc							135	6	0.6%	135	6	0.6%
San Mateo Union High School	130	6	0.6%	130	6	0.6%	130	7	0.6%	130	7	0.6%
Pleasant Care Corp	130	7	0.6%	130	7	0.6%	130	8	0.6%	130	7	0.6%
Millbrae Serra Sanitarium	125	8	0.6%	125	8	0.6%	125	9	0.6%	125	8	0.6%
Orchard Supply Hardware										100	9	0.5%
Save Mart Supermarket										100	9	0.5%
Sprint Communications Co LLP				100	10	0.5%				100	9	0.5%
World Journal Inc										98	10	0.5%
Mervyn's LLC	112	9	0.5%	112	9	0.5%	112	10	0.5%			
Albertson's LLC	100	10	0.5%									
TOTAL	1,623		7.8%	1,625		7.8%	1,660		7.8%	1,955		9.1%
TOTAL CITY POPULATION	20,735			20,965			21,387			21,536		

Source: Selectory / a D & B Product

**CITY OF MILLBRAE
STATISTICS**

**FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**



Function / Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	13.00	15.00	15.00	15.00	15.00	12.00	12.42	12.62	10.00	18.78
Public Safety	67.50	70.50	72.50	70.50	70.50	59.50	53.50	53.50	53.50	53.50
Public Works	23.00	24.50	25.50	27.50	27.50	19.50	24.00	26.00	19.00	19.00
Community Development	6.40	7.00	7.00	7.00	7.00	5.50	15.00	15.00	16.00	16.00
Culture and Recreation	18.25	18.25	19.25	19.25	19.25	12.75	5.50	6.50	6.50	6.50
Water	6.00	9.50	9.50	10.50	10.50	10.50	8.00	8.00	8.00	8.00
Sanitation	11.00	14.00	14.00	14.00	14.00	14.00	14.00	13.00	21.00	21.00
Solid Waste	0.50	0.50	0.50	0.50	0.50	0.50	0.60	1.25	1.60	1.60
TOTAL	145.65	159.25	163.25	164.25	164.25	134.25	133.02	135.87	135.60	144.38

Source: City of Millbrae Budget Salary Schedule and Position Allocation

**CITY OF MILLBRAE
STATISTICS**

OPERATING INDICATORS BY FUNCTION / PROGRAM

(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009
Public Safety				
Fire				
Emergency Responses	2,505	2,620	2,620	2,567
Primary Fire Inspections Conducted	214	284	261	327
Police				
Communication Center Calls Answered	6,001	13,732	26,684	40,229
Police Calls for Service	13,074	19,159	20,175	19,554
Part I and Part II Crimes	1,524	1,219	1,271	1,353
Physical Arrests (adult and juvenile)	691	627	699	732
Traffic Violations	1,744	2,376	1,248	1,817
Parking Violations	5,252	4,391	7,842	8,603
Public Works				
Street Resurfacing (miles)	Data Not Available	2	0	0
Potholes Repaired (square miles)	Data Not Available	0.00005739	0.00000000	0.00000000
Culture and Recreation				
Community Services				
Recreation Class Participants	7,000	8,500	7,121	7,018
Performing Arts Performances	7	10	8	14
Library				
Volumes in Collection	71,000	100,000	110,876	111,447
Total Volumes Borrowed	446,700	503,000	577,350	616,145
Water				
Water Service Connections	6,200	6,437	6,435	6,459
Water Main Breaks	7	7	10	16
Average Daily Consumption (gallons)	2,725,000	2,367,000	2,337,811	2,762,618
Sanitation				
Sewer Service Connections	6,200	6,437	6,437	6,459
Storm Drain Inlets	700	700	700	700
Sewer Main Blockages	62	51	34	10
Average Daily Treatment (gallons)	2,200,000	1,700,000	1,614,055	1,540,800
Solid Waste				
Recyclables Processed (tons per year)	7,506	3,292	3,153	2,954

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009
Public Safety				
Fire Station	2	2	2	2
Police Station	1	1	1	1
Police Patrol Unit	17	17	17	17
Public Works				
Miles of Streets	110 lane miles	110 lane miles	110 lane miles	110 lane miles
Street Lights	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5
Roadway Landscaping Acreage	2	2	2	2
Culture and Recreation				
Community Services				
City Parks	14	14	14	14
City Park Acreage	104	104	104	104
Regional Park Facilities:				
Clubhouse and Banquet Facility	2	2	2	2
Historic House	2	2	2	2
Community Center	1	1	1	1
Senior Center	1	1	1	1
Community Gardens	1	1	1	1
City Trail	1	1	1	1
City Trail Miles	3	3	3	3
Playgrounds	6	6	6	6
Tennis Court	4	4	4	4
Baseball / Softball Diamond	5	5	5	5
Soccer / Football Field	1	1	1	1
Library				
City Library	1	1	1	1
Water				
Miles of Water Mains	70	70	70	70
Fire Hydrants	545	545	545	545
Storage Capacity (gallons)	2,360,000	2,360,000	2,360,000	2,360,000
Sanitation				
Miles of Sanitary Sewers	56	56	56	56
Miles of Storm Sewers	21	21	21	21
Treatment Plant (a)	1	1	1	1
Treatment Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000

(a) The City of Millbrae owns treatment capacity in the Millbrae Treatment Plant