



City of Millbrae California

Comprehensive Annual Financial Report



For the year ended
June 30, 2012

CITY OF MILLBRAE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

Prepared by
FINANCE DEPARTMENT



CITY OF MILLBRAE, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

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City of Millbrae
621 Magnolia Avenue, Millbrae, CA 94030

MARGE COLAPIETRO
Mayor

GINA PAPAN
Vice Mayor

NADIA V. HOLOBER
Councilwoman

WAYNE J. LEE
Councilman

ROBERT G. GOTTSCHALK
Councilman

January 29, 2013

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, 2012. 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, 2012, 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, 2012. 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 basic 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/City Clerk
(650) 259-2334

Building Division/Permits
(650) 259-2330

Community Development
(650) 259-2341

Finance
(650) 235-2350

Fire
(650) 259-2400

Police
(650) 259-2300

v

Public Works/Engineering
(650) 259-2339

Recreation
(650) 259-2360

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 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 22,000. 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 (SFO) 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, fourteen 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 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 San Francisco Bay Area. This unique station, which is connected to and is adjacent to the San Francisco International Airport (SFO), allows BART, CalTrain and SamTrans to connect under one roof, thereby maximizing regional travel options for passengers in the San Francisco 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:	22,069
Population Density:	6,897 per square mile
Number of Households:	8,372 – Units (2010 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 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 law enforcement, and fire protection; the construction and maintenance of highways, streets, and other infrastructure; community development; and planning and inspections. In addition, the City also manages recreational activities and cultural events; and provides water, and sewer utility services.

State Economy

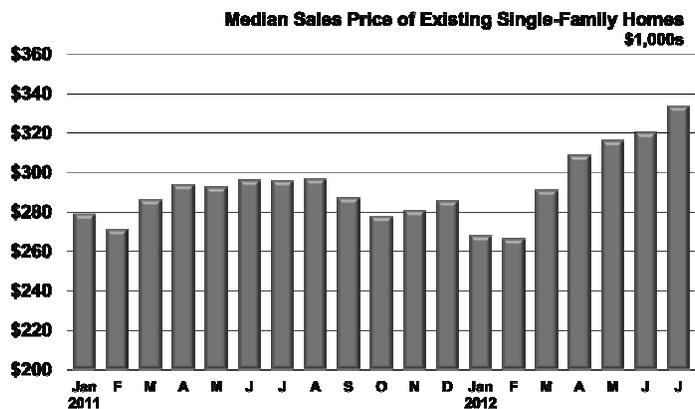
Recent employment and construction data indicate that California's economy continues a slow recovery. In June, California employment posted its second consecutive month of commendable job growth and its 11th consecutive month-over-month gain. The unemployment rate in June dropped to 10.7 percent from 10.8 percent in May. California's labor market continued to improve in July. Even though the unemployment rate held steady at 10.7 percent, nonfarm employment grew for the 12th consecutive month.

Real estate markets also continued to make steady progress. Although, existing home sales slowed in June following two preceding months of strong acceleration, home sales and prices are still better than a year earlier.

- In May, the state added 45,900 nonfarm jobs and in June 45,000 nonfarm jobs. Thus, over the two months, California gained 90,900 nonfarm jobs and boosted total employment to its highest level since February 2009.
- The state added 25,200 nonfarm jobs in July. Thus, over the three months ending with July, California added 38,700 jobs per month on average. In contrast, the state added 15,900 jobs per month during January through April.
- Six major industry sectors added jobs in July. Professional and business services added 15,200 jobs; educational and health services, 10,300; leisure and hospitality, 6,400; financial activities, 5,000; other services, 3,200; and government, 1,200. There was no change in employment in mining and logging.

- Four industry sectors lost jobs. Trade, transportation, and utilities lost 8,000 jobs; information, 3,800; manufacturing, 3,100; and construction, 1,200.
- From July 2011 to July 2012, nonfarm payroll employment rose by 365,100, or 2.6 percent. This healthy year-over-year pace, though, was due partially to an unusual and temporary drop in local government education employment in July 2011.
- On a year-over-year basis, employment rose 115,600 in professional and business services; 55,500 in educational and health services; 53,000 in leisure and hospitality; 41,900 in trade, transportation, and utilities; 40,700 in government; 27,300 in construction; 19,400 in financial activities; 17,200 in information; 1,300 in other services; and 600 in mining and logging.
- Manufacturing was the only major industry sector to lose jobs over the year (7,400).
- The state's unemployment rate held steady at 10.7 percent in July.
- California's real estate markets continued to improve in July. Sales of existing, single-family detached homes totaled 529,230 units at a seasonally adjusted annualized rate—up 15.3 percent from a year earlier. The pace of existing home sales during the first seven months of 2012 was up over 7 percent from the same months of 2011.
- The median price of existing, single-family homes sold in July was \$333,860, up 12.7 percent from a year earlier. This was the highest median price reached since August 2008.
- Both the inventory of unsold homes and the median number of days needed to sell a home in July were essentially unchanged from June, but both were down significantly from a year earlier

Home Prices Make Steady Gains

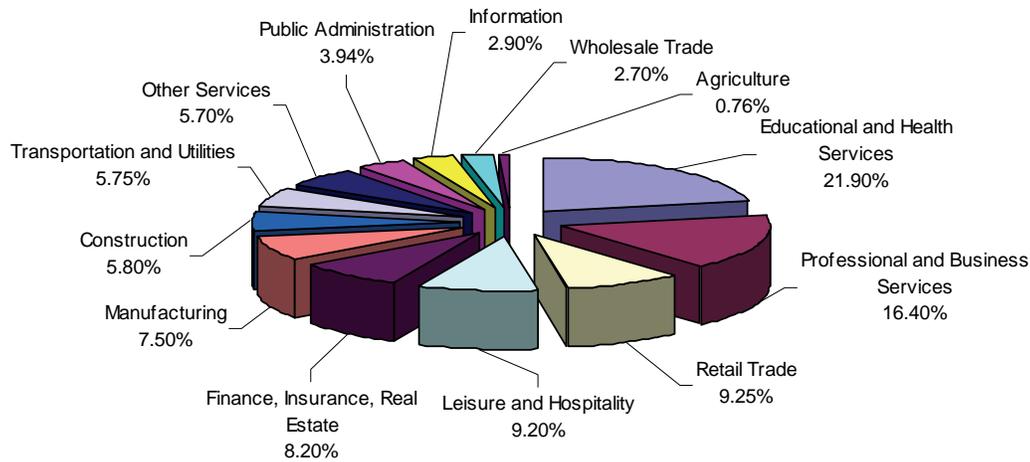


(Source: State of California Department of Finance)

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 718,451 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 2011 Annual



(Source: State of California Employment Development Department & San Mateo County 2012-2013 Profile)

Labor Force: San Mateo County's annual labor force was 391,500 and the largest sectors were Educational and Health Services with 85,738 employed; Professional and Business Services with 64,206 employed; follow by Retail Trade with 36,213 employed; Leisure and Hospitality with 36,018 employed; Finance with 32,103 employed; Manufacturing with 29,363 employed; Construction with 22,707 employed; Transportation with 22,511 employed; and Other Services with 22,315 employed.

City of Millbrae

The global financial crisis has affected or influenced every corner of the world and all of our lives. The U.S. economy and the State of California are still in a financial crisis; experiencing the largest economic downturn since the Great Depression. In the City of Millbrae, this has resulted in declines or tepid growth in revenues, and due to the ever-changing environment and financial crisis, revenues are projected to remain stagnant with modest recovery projected over the next five years.

A Five Year Financial Forecast was presented to the City Council on October 23, 2012. The Forecast focused on revenues and expenditures associated with the General Fund, and provided a snapshot of what the future will look like as a result of the decisions made in the past. Developing factually, accurate, timely, and objective information about the City's financial condition, provides the opportunity to identify financial trends, shortfalls, and proactively address potential issues. A Financial Forecast can also illustrate the likely financial outcomes of a particular course of action or factors affecting the environment in which the City operates.

It is important to stress a Financial Forecast is not a Budget, nor a forecast of what is certain to happen, but rather a device to highlight significant issues or problems that must be addressed if goals are to be achieved; service levels maintained; and ensure the long-term fiscal health and viability of the City.

The forecast did project a "forecast gap." The projected "forecast gap" is not the same as a "budget deficit." The City will have a budget deficit only if it does nothing to take corrective action. However, by looking ahead and proactively taking action on difficult options, choices and decisions "today" to close projected future gaps, will help the City avoid incurring actual real deficits

The table below shows the projected General Fund forecast gap by each fiscal year.

Fiscal Year	Projected Forecast Gap
2014-2015	1,424,712
2015-2016	1,617,491
2016-2017	1,819,538
2017-2018	2,049,904
Cumulative Total	6,911,645

In summary, the five year forecast demonstrated significant structural challenges are facing the City in the very near future. Unless the economy performs considerably better than projected, new revenue sources are implemented, or total expenditures are lowered, the City will need to further reduce day-to-day service levels in order to ensure long-term fiscal health and viability.

To address the gap presented in the forecast a dialogue with the community, elected officials, staff, and labor representatives will be needed to formulate a course of action to address these challenges, and identify potential solutions.

The City also faces other significant fiscal challenges that include:

- Labor, Health Care and Pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- Develop an appropriate strategy to fund the Other Post-Employment Benefits (OPEB) obligation

MAJOR INITIATIVES FOR THE YEAR

Wastewater Treatment Plant Renovation Project

The City's Waste Water collection system and treatment plant renovation project is complete. New, up-to-date treatment technology that is more energy efficient and capable of meeting increasingly stringent Federal, State, and local clean water regulations has replaced deteriorated and obsolete plant equipment and components.

- The new operations center has been completed and the operations, maintenance and laboratory staff are now working in a facility that is seismically safe and American Disabilities Act compliant.
- The new 1.2 million gallon underground flow equalization tank has been completed. This tank will improve operational treatment efficiencies by enabling City staff to stabilize and control the rate of flow and enable staff to temporarily take various treatment processes offline to conduct maintenance. In addition, this large tank will help minimize the number of sanitary sewer overflows that previously occurred when the collection system became surcharged during large storms.

Prior History and Activities of the Wastewater Treatment Plant Renovation Project:

- The City purchased 1.3 acres of land adjacent to the renovation project from California Department of Transportation. That site was utilized for the construction of the 1.2 million gallon underground flow equalization tank and the new operations center.
- The City secured a loan to finance the renovation project in the amount of \$28.4 million from the California State Revolving Fund which was backed by Federal Stimulus funds made available through the American Recovery and Reinvestment Act of 2009. The interest rate is 1% per annum. The 1% loan, compared to market rates when the project commenced will enable a saving for Millbrae ratepayers of than \$10 million dollars over the next 20 years. The Loan will be repaid in equal annual installments for 20 years; the first payment is due November 2012.
- The City issued 2009 Wastewater Revenue Certificates of Participation, Series A and Series B in the amount of \$15.8 million for renovation and modernization of the City's wastewater treatment facilities as well as to retire existing long term debt of 2008 Wastewater Revenue Notes and 2005 bank note installment sale agreement.
- On April 8, 2009 the City awarded URS Corporation the construction management oversight contract.
- On September 22, 2009 the City awarded West Bay Builders of Novato the construction contract for the Wastewater Treatment Plant Renovation Project.

Clean Energy Project

The \$2.1 million dollar Clean Energy Project was contracted to Siemens Business Technologies Division and commenced in the Spring of 2012. The project upgraded to the latest technology the lighting in all the City's internal and external buildings and over 1,000 existing street lights were converted to low induction lighting. Smart irrigation controllers were installed in the remaining 5 parks which did not have them. Complete replacement of the 50 year old heating, air conditioning, and ventilation system was completed at the Community Center. In addition, a complete solar

photovoltaic system was installed on the Library rooftop which will help power the Civic Center.

The energy savings from these five improvements will pay for the financing of this project. The City will also benefit from reduced maintenance costs and employ renewable energy resources wherever possible. This project will also help the City achieve its Green House Gas reduction targets for 2020.

Implementation of a Plastic Bag Ban

Millbrae was the first City in San Mateo County to implement a ban on plastic bags and to encourage the use of reusable bags to reduce the litter impact on the environment and in particular the aquatic and marine life in the San Francisco Bay. To aid in the transition, the City distributed over 8,000 free reusable bags to its citizens.

Law Enforcement Services

For several years the City of Millbrae, and the City San Bruno shared a Police Chief, and in fiscal year 2010-2011 a study was commissioned to do an evaluation of a combined and consolidated law enforcement department, and to identify practical strategies to maintain and enhance law enforcement services, while containing or potentially reducing costs. The scope of the evaluation identified several technical and complex issues, and concluded that consolidation or a City to City contract for specific law enforcement services, was not viable due to a lack of identified savings.

At the request of City Council, the San Mateo County Sheriff's Office presented a proposal to provide basic Law Enforcement Services. The Sheriff's proposal projected an annual savings of \$1.1 million, and on November 15, 2011, City Council authorized Staff to initiate negotiations and a contract with the San Mateo County Sheriff's Office to provide Law Enforcement Services to the City of Millbrae.

On March 3, 2012, the Millbrae Police Force and Department were dissolved and the San Mateo County Sheriff's Office now provides Law Enforcement Services for the City of Millbrae.

Fire Services Merger

The financial outlook for the City of Millbrae projects that the level of fire services provided today may not be feasible in the very near future. The voter approved fire suppression assessment will expire in June 2014. Without that assessment, the city will lose approximately \$1.2 million in revenue to support the fire department.

The cities of Millbrae, Burlingame, San Bruno and the Town of Hillsborough retained Citygate Associates, LLC to conduct a feasibility and implementation-level analysis of merging their fire services to gain economies of scale and improved services in these challenging economic times. The study found there is currently a significant and beneficial sharing of fire service among the agencies, and should a consolidation be pursued, it would eventually produce a fully consolidate, right-sized, sub-regional fire agency that is the best long-term alternative for efficiency and effectiveness. A consolidation would allow a more effective use of personnel, especially in filling daily vacancies, and could provide support staff specialization that a small agency cannot achieve, and would allow "growing" future Chief Officers for effective succession planning.

In the summer of 2011, a Fire Merger Implementation Plan was approved by the Millbrae City Council. Phase one of the plan is now underway and includes a fire administrative merger as well as a pilot program, using a temporary station to demonstrated that response times to each district and overall coverage will not be compromised if the hillside fire stations located in both Millbrae and Burlingame are relocated and consolidated into one station.

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.

On June 28, 2011, in an effort to balance the state budget, ABx1 26 was adopted by the State of California which suspended all new redevelopment activities except for limited specified activities and dissolved redevelopment agencies effective February 1, 2012. The City of Millbrae elected to be the Successor Agency for the purpose of winding down the former Redevelopment affairs. The Successor Agency will perform all obligations with respect to debt including any special accounting; ensure reserves in the amount required by indentures, trust indentures, or similar documents governing the issuance of outstanding Redevelopment Agency Bonds are maintained; perform other obligations required pursuant to any enforceable obligation; Pursuant to ABx1 26, each Successor Agency shall be overseen by a seven-member "Oversight Board". The seven member board consists of individuals appointed by: the County Board of Supervisors (2 members); the mayor of the Redevelopment sponsoring city (1 member); the County Board of Education (1 member); the Chancellor of California Community Colleges (1 member); the largest special district taxing entity (1 member); and one member appointed by the mayor to represent the employees of the former Redevelopment Agency. The Oversight Board Members serve at the pleasure of the entity that appointed such member or until July 1, 2016, when Oversight Boards will be dissolved and replaced with a single countywide Oversight Board.

Projects and accomplishments during prior years 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 included the renovation of the athletic fields and the maintenance and operation of Taylor, Green Hills, Spring Valley, Lomita Park and Meadows Schools.
- The Park Broadway condominium project, 110 residential units including 11 live work lofts, has been completed and a majority of the units are sold. The Agency provided eight (8) 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 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 has been completed with 143 residential units and 22,000 square feet of retail space.
- In fiscal year 2007-2008 the Agency working with BRIDGE Housing acquired the Dolores Lia residential property of 27 apartment units on El Camino Real. BRIDGE Housing was going to 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 had significant challenges that had an impact on its viability as an affordable housing development. In June 2011 the Redevelopment Agency reviewed various options on how

to proceed with disposition of the Dolores Lia Apartment Complex. After reviewing the options, the Agency directed staff to prepare an owner participation and loan agreement with Pacific West for the rehabilitation of the 27 units into affordable rental housing units. The Agency selected Pacific West because of its successful development record in other communities and its ability to provide the required affordable units in the most economical fashion. The housing project will help the City meet its share of regional housing needs and inclusionary housing production requirements.

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 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, 2011. 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 eighteen (18) 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

Marge Colapietro

MEMBERS OF THE CITY COUNCIL

Gina Papan

Nadia V. Holober

Wayne J. Lee

Robert G. Gottschalk

COUNCIL APPOINTED OFFICERS

Marcia Raines
City Manager

Joan Cassman
City Attorney

AGENCY AND DEPARTMENT DIRECTORS

Angela Louis
City Clerk

Farhad Mortazavi
Community Development Director

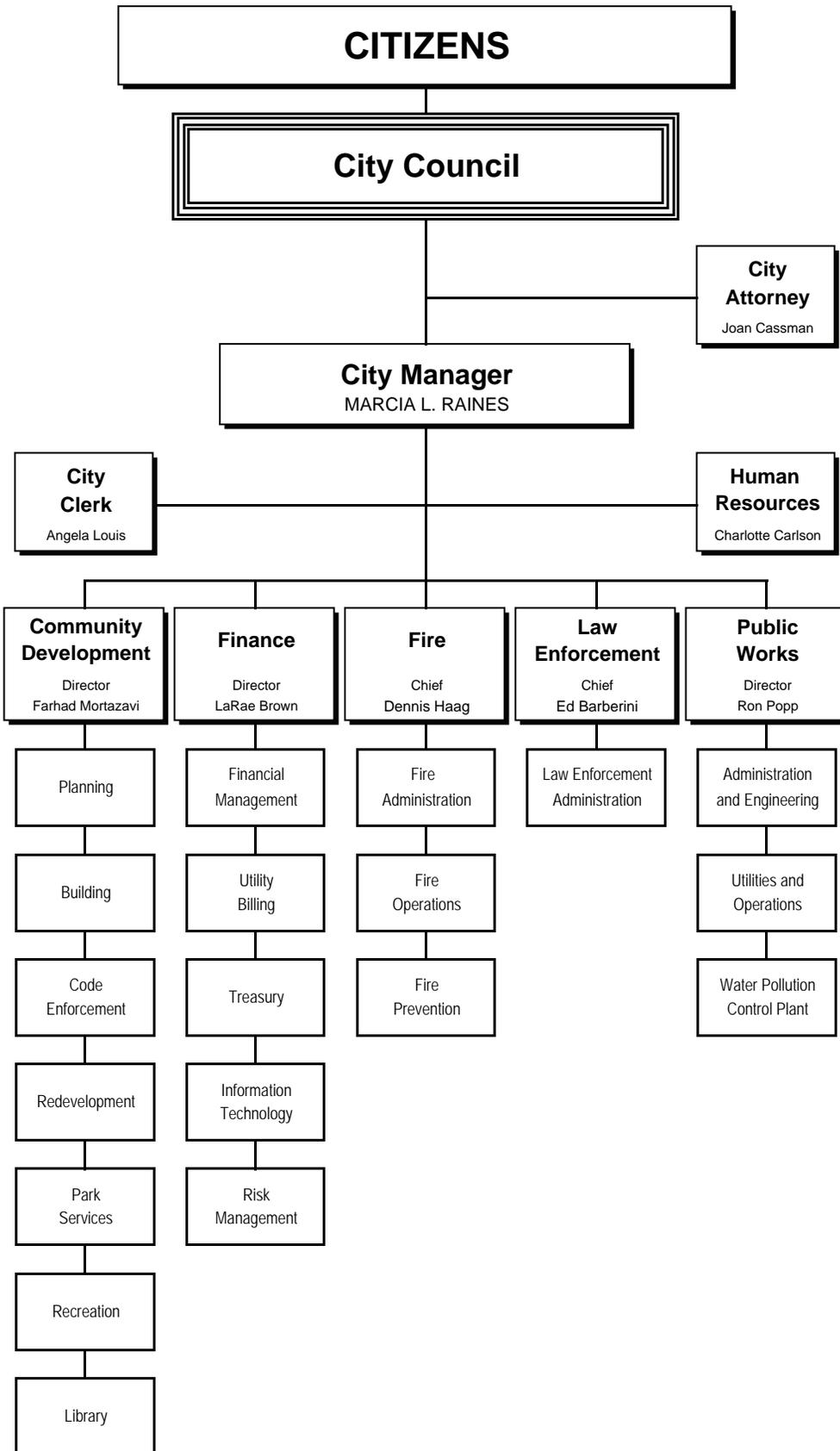
LaRae Brown
Finance Director

Dennis Haag
Fire Chief

Ed Barberini
Law Enforcement Services

Ron Popp
Public Works Director

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, 2011

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



Christopher P. Mouill

President

Jeffrey R. Enen

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, 2012, 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, 2012 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.

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of Millbrae has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the former Redevelopment Agency of the City of Millbrae prior to the date of dissolution may be subject to review by the State as discussed in Note 15, but the effect of that review can not be determined as of June 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the City of Millbrae's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maze & Associates

January 29, 2013

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, 2012. 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 Governmental Fund Balances decreased by \$5.1 million (-21.4%) to \$18.6 million compared to \$23.7 million for the prior fiscal year, which reflects the prior Redevelopment Agency assets transferred and liabilities assumed by the Successor Agency.
- The City's total assets exceed total liabilities by \$90.6 million as of June 30, 2012, compared to \$85.5 million at June 30, 2011. This represents an overall increase of \$5.1 million (5.9%) consisting of an increase of \$3.0 million (4.8%) in governmental activities and an increase of \$2.1 million (8.7%) in business type activities.
- In the continuing attempt to find savings and ensure the City can endure future fiscal challenges, the City of Millbrae, the City of San Bruno and Central County Fire, (the fire departments of the City of Burlingame and Hillsborough merged in 2004 and became Central County Fire) are working on a shared services agreement that includes administration, training, mechanics and operational opportunities. A Fire Chief is currently shared between the City of Millbrae, the City of San Bruno and Central County Fire. A Deputy Chief and Fire Marshall are also shared between the City of Millbrae and the City of San Bruno. Central County Fire provides fire apparatus maintenance services to the City of Millbrae, the City of San Bruno and the City of San Mateo. Emergency Medical Services, and Operational Training, are also shared with the City of Millbrae, the City of San Bruno, the City of San Mateo, the City of Belmont, Foster City and Central County Fire.
- Over the last several years both the City of Millbrae and the City of San Bruno have shared a Police Chief and a Fire Chief. During fiscal year 2010-2011 the City and San Bruno conducted a feasibility study on the consolidation of both Police Departments. That study concluded consolidation was not viable due to lack of identified savings; and at the request of City Council, the San Mateo County Sheriff's Office presented a proposal to provide basic Law Enforcement Services. The Sheriff's proposal projected an annual savings of \$1.1 million, and on November 15, 2011, City Council authorized Staff to initiate negotiations and a signed contract with the San Mateo County Sheriff's Office for Law Enforcement Services. On March 3, 2012 the Millbrae Police Force and Department were dissolved and the San Mateo County Sheriff's Office now provides Law Enforcement Services for the City of Millbrae.
- The City entered into a loan/lease agreement with Municipal Finance Corporation to refinance the 1999 Certificates of Participation (COPs). The economic gain on the transaction resulted in a net present value of \$634 thousand dollars.

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.

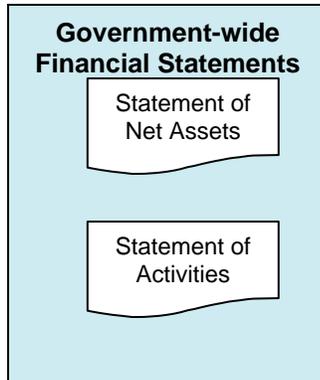
The Fund Financial Statements report the City's operations in detail and the focus is primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term 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, Short and Long-term Liabilities	Current Assets and Liabilities due during the year or soon thereafter	All Assets, Capital, 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.

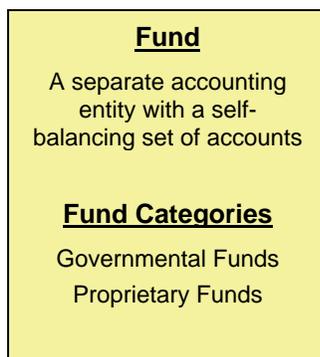
The **Statement of Activities** presents information on the changes to net assets that occurred during the reporting period. All changes to net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported 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.



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 were 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, the Low and Moderate Income Housing Asset Fund, Special Revenue Funds, Capital Projects, and Debt Service. 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, 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
Compensated Absences	To account for the accumulation of earned compensation

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.

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 on the next table, the City's assets exceeded liabilities by \$90.6 million as of June 30, 2012 compared to \$85.5 million at June 30, 2011. This represents a 5.9% increase. Net assets increased by approximately \$3.0 million in governmental activities; while those from business-type activities increased by \$2.1 million. The change in governmental activities primarily reflects the transfer of the prior Redevelopment Agency long-term debt to the Successor Agency. The primary change in business type activities reflects the completion of City's Waste Water collection system and treatment plant renovation project.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET ASSETS
June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other Assets	43,602,100	46,399,399	20,092,952	20,231,814	63,695,052	66,631,213
Capital Assets	56,981,155	59,049,933	49,048,209	38,951,094	106,029,364	98,001,027
TOTAL ASSETS	100,583,255	105,449,332	69,141,161	59,182,908	169,724,416	164,632,240
LIABILITIES						
Short-Term Liabilities	2,636,176	2,362,241	1,855,486	1,952,672	4,491,662	4,314,913
Long-Term Liabilities	31,468,008	39,322,278	39,026,957	30,793,112	70,494,965	70,115,390
Other Liabilities	2,469,822	2,704,702	1,647,495	1,960,505	4,117,317	4,665,207
TOTAL LIABILITIES	36,574,006	44,389,221	42,529,938	34,706,289	79,103,944	79,095,510
NET ASSETS						
Investment in Capital Assets net of related Debt	44,510,155	46,375,886	10,248,995	11,130,443	54,759,150	57,506,329
Restricted Net Assets:						
Debt Service	860,527	6,998,849			860,527	6,998,849
Redevelopment		2,411,337				2,411,337
AB 2928 Grant	1,435,006	1,210,636			1,435,006	1,210,636
Gas Tax	574,907	541,439			574,907	541,439
Developer Fee - Operating	2,429,003	2,240,059			2,429,003	2,240,059
Measure A	1,495,960	1,343,226			1,495,960	1,343,226
Unrestricted	12,703,691	(61,321)	16,362,228	13,346,176	29,065,919	13,284,855
TOTAL NET ASSETS	64,009,249	61,060,111	26,611,223	24,476,619	90,620,472	85,536,730

The largest portion of the City's net assets reflects its \$54.8 million (60.4%) 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 \$2.7 million over prior year end balance of \$57.5 million and reflects the transfer of assets and liabilities of the prior Redevelopment Agency to the Successor Agency. 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 the debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

Restricted Net Assets of \$6.9 million (7.7%) represents resources that are subject to external restrictions as to how they may be utilized. The increase of Unrestricted Net Assets to \$12.6 million in Governmental Activities is primarily attributed to the transfer of the prior Redevelopment Agency long-term debt to the Successor Agency. At the end of Fiscal Year 2011-2012, the City had positive balances in all three categories of Net Assets, both for the Government as a whole, as well as for the separate Governmental and Business-type Activities.

CHANGE IN NET ASSETS

June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenue:						
Charges for Service	5,723,843	7,992,641			5,723,843	7,992,641
Operating Contributions and Grants	801,486	1,147,073			801,486	1,147,073
Municipal Water System			6,170,821	5,786,972	6,170,821	5,786,972
Waste Water Treatment			8,388,292	8,398,710	8,388,292	8,398,710
Storm Drain			255,196	252,851	255,196	252,851
General Revenue:						
Property Taxes	10,915,140	7,982,193			10,915,140	7,982,193
Incremental Property Tax		5,385,195			0	5,385,195
Sales Tax	2,196,558	2,194,824			2,196,558	2,194,824
Transient Occupancy Tax	3,928,097	3,686,411			3,928,097	3,686,411
Franchise Tax	993,512	978,575			993,512	978,575
Other Taxes	690,768	649,313			690,768	649,313
Motor Vehicle In-Lieu	10,868	99,501			10,868	99,501
Investment Earnings	193,961	207,281	216,942	116,405	410,903	323,686
Miscellaneous	185,636	298,715	8,069	5,112	193,705	303,827
TOTAL REVENUES	25,639,869	30,621,722	15,039,320	14,560,050	40,679,189	45,181,772
EXPENSES						
General Government	4,093,521	2,327,792			4,093,521	2,327,792
Public Safety	12,144,238	11,743,472			12,144,238	11,743,472
Highway and Streets	1,108,898	2,414,902			1,108,898	2,414,902
Recreation & Culture	1,098,904	1,183,310			1,098,904	1,183,310
Community Development	2,858,452	6,291,020			2,858,452	6,291,020
Interest on Long-Term Debt	2,007,962	2,063,673			2,007,962	2,063,673
Municipal Water System			5,865,711	5,072,207	5,865,711	5,072,207
Waste Water Treatment			6,748,461	5,380,536	6,748,461	5,380,536
Storm Drain			489,042	503,642	489,042	503,642
TOTAL EXPENSES	23,311,975	26,024,169	13,103,214	10,956,385	36,415,189	36,980,554
Excess Before Transfers	2,327,894	4,597,553	1,936,106	3,603,665	4,264,000	8,201,218
Extraordinary Item (Note 15)	819,742				819,742	
Transfers	(198,498)	(256,166)	198,498	256,166		
CHANGE IN NET ASSETS	2,949,138	4,341,387	2,134,604	3,859,831	5,083,742	8,201,218
Net Assets at Beginning of Year	61,060,111	56,718,724	24,476,619	20,616,788	85,536,730	77,335,512
NET ASSETS AT YEAR END	64,009,249	61,060,111	26,611,223	24,476,619	90,620,472	85,536,730

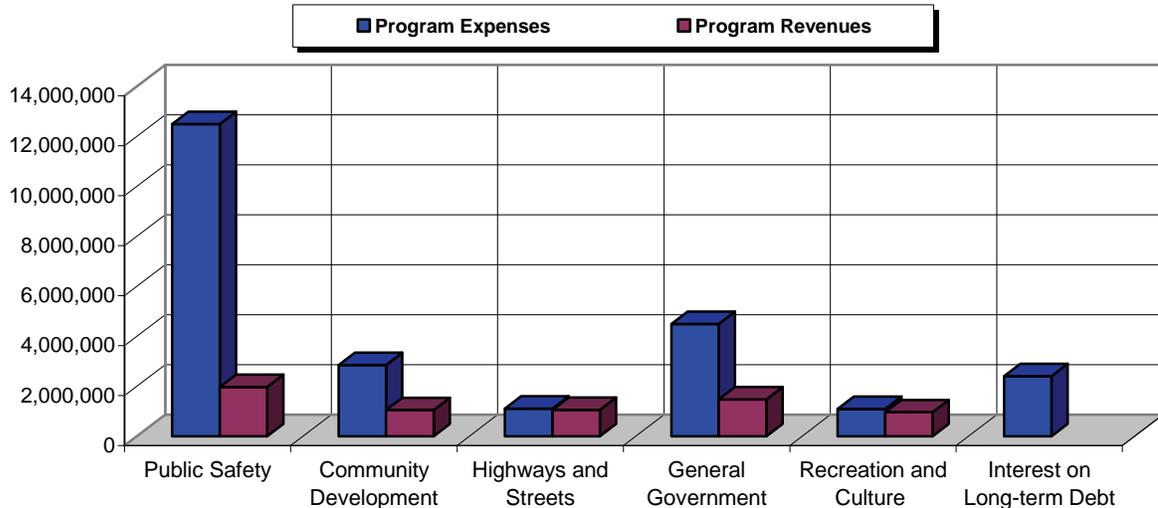
Analysis of the Changes in Net Assets

As shown in the table above the City's overall Change in Net Assets was \$5.1 million in fiscal year 2011-2012. The Net Assets at year end for Governmental Activities of \$64.0 million represents a 4.8% increase over the prior year total of \$61.1 million.

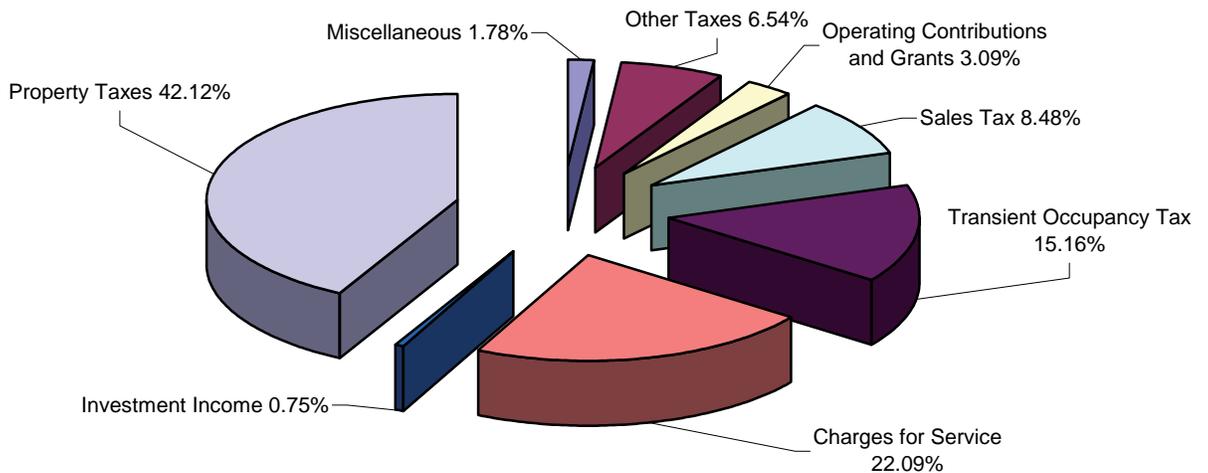
The City's Business-type Activities year end Net Assets total of \$26.6 million represents a 8.7% increase over the prior year total of \$24.5 million.

A detailed 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 \$3.0 million to \$64.0 million during fiscal year 2011-2012, compared to the increase of \$4.3 million during fiscal year 2010-2011. Key factors contributing to the variance from the prior year are as follows:

- Overall, Governmental Activities revenue decreased by approximately \$5.0 million and, expenses decreased by \$2.7 million, which reflects the dissolved prior Redevelopment

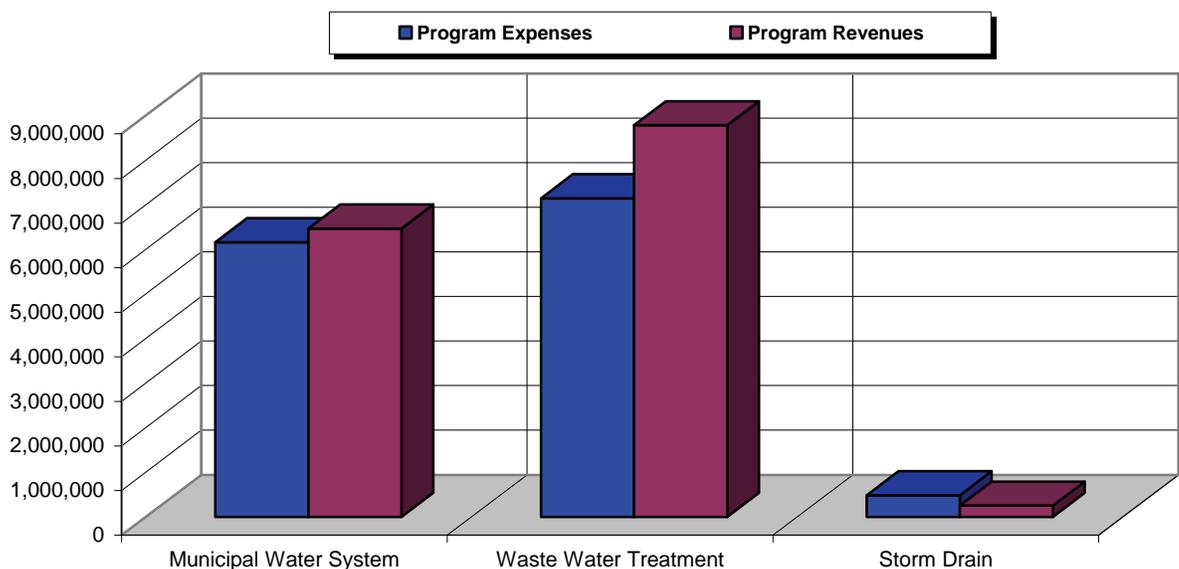
Agency that took effect on February 1, 2012. This resulted in a net asset increase of \$3.1 million before transfers at the end of fiscal year 2011-2012.

- Property Taxes decreased by \$2.5 million (-18.4%) due to the elimination of the prior Redevelopment Agency
- Transit Occupancy Tax increased by \$242 thousand (6.6%) and Sales Tax saw a increase of only \$1,734 dollars (0.1%) during this fiscal year.
- Charges for Services decreased by \$2.3 million (-28.9%) due to the lack of any new developments and/or developer agreements.
- Community Development saw reduction in expense of \$3.4 million due to the elimination of both the prior Redevelopment Agency, and the requisite property tax pass through payments to the various school districts.
- Other program expense reductions are a result of the negotiated citywide employee concession agreements signed in fiscal year 2011-2012; unfilled position vacancies; and the continuing effort by each department to consolidate, reduce and control expenses.

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 fifty two percent (52.1%); followed by General Government at eighteen percent (17.6%); Community Development at twelve percent (12.3%); Highways and Streets at five percent (4.8%); and Culture and Recreation at five percent (4.7%).

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 revenue at 42.1%; followed by Charges for Service with 22.1%; Transient Occupancy with 15.2%; Sales tax with 8.5%; and various Other Taxes with 6.5% in fiscal year 2011-2012.

Business-type Activities
PROGRAM EXPENSES AND PROGRAM REVENUES



Business-type Activities increased the City's total Net Assets by \$2.1 million to \$26.6 million during fiscal year 2011-2012, compared to the increase of \$3.9 million during fiscal year 2010-2011. Key factors contributing to the increase from the prior year are as follows:

- Business-type Activities revenue increased by \$479 thousand, and expenses increased by \$2.1 million compared to those in prior year, overall the revenues exceeded the expenditures by \$1.9 million before transfers resulting in a net asset increase.
- Municipal Water System revenue increased by \$383 thousand (6.6%) due to the combination of the seven percent (6.6%) rate increase; ongoing active delinquent collections; and a continued decrease in consumption. Expenses within the Municipal Water System had an overall increased of \$793 thousand (15.6%) due to the combination of the forty percent (39.6%) increase in wholesale water costs, and the reduction in personnel costs due to the negotiated citywide employee concession agreements signed in fiscal year 2011-2012.
- Waste Water Treatment revenue decreased by \$10 thousand dollars (-0.1%) as there was no rate increase; and a continued decrease in consumption. Expenses within the Waste Water Treatment increased by \$1.4 million (25.4%), primarily due to the increase of debt payment obligations of \$495 thousand (55.3%); and the increase in capital expenditures of \$701 thousand (72.2%); paid retiree health benefits of \$40 thousand; and the increase pension obligation bond payment of \$14 thousand (10.0%).
- Storm Drain revenues increased by \$2 thousand dollars (0.9%) due to delinquent property tax payments, and expenses decreased by \$15 thousand (-2.9%) due to the reduction in personnel costs from the negotiated citywide employee concession agreements signed in fiscal year 2011-2012.

The chart shown previously illustrates the City's Business-type Activities Expenses and Revenues by Program. As shown, Waste Water Treatment has the largest program expenses at fifty-two percent (51.5%), followed by the Municipal Water System at forty five percent (44.8%) and Storm Drain with four percent (3.7%). Waste Water Treatment had the largest program revenue at fifty seven percent (56.6%), followed by the Municipal Water System at forty two percent (41.7%) and Storm Drain with two percent (1.7%).

General Revenues such as Investment Earnings and Miscellaneous Revenues (Expense) are not shown by Program, but are used to support Business-type activities. For Business-type Activities, Investment Earnings were \$217 thousand which is a increase of \$100 thousand (86.4%) from the prior fiscal year. The major factor for this variance is the additional cash invested due to the reduction in expenditures and the current economic investment environment.

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, Unassigned 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 2011-2012 the City's Governmental Funds reported a combined ending Fund Balance of \$18.6 million, a decrease of \$5.1 million (-21.4%) over the prior year ending balance of \$23.7 million and reflects the dissolved prior Redevelopment Agency that took effect on February 1, 2012.

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 2012 and the previous fiscal year end, 2011.

Governmental Funds

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

June 30, 2012

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Ending Fund Balances	
	2012	2011	2012	2011	2012	2011	2012	2011
General Fund	19,655,353	18,896,459	18,255,807	17,665,136	1,399,546	1,231,323	5,493,202	4,093,656
Low and Moderate Income Housing	653,662		29,310		624,352		624,352	
Other Governmental Funds	10,245,758	14,571,386	17,351,341	11,079,445	(7,105,583)	3,491,941	12,526,686	19,632,269
TOTAL	30,554,773	33,467,845	35,636,458	28,744,581	(5,081,685)	4,723,264	18,644,240	23,725,925

The General Fund had an ending Fund Balance of \$5.5 million, is an increase of \$1.4 million over the prior year end balance of \$4.1 million. Key factors contributing to the increase include Property Taxes, Transient Occupancy Tax, License and Permits, Charges for Services, Sale of Fixed Assets and reduction of Transfers Out. The prior Redevelopment Agency Low and Moderate Income Housing fund is now the City of Millbrae Low and Moderate Income Housing Asset Fund and had an ending Fund Balance of \$624 thousand. Other Governmental Funds has a combined ending Fund Balance of \$12.4 million, an decrease of \$7.2 million over the prior year ending balance of \$19.6 million and reflects the prior Redevelopment Agency assets transferred and liabilities assumed by the Successor Agency.

The following table provides a comparison of the General Fund Revenues and Expenditures for fiscal year 2011-2012 versus fiscal year 2010-2011.

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 2012 and the previous fiscal year end, 2011.

GENERAL FUND				
REVENUE AND EXPENDITURE COMPARISON				
June 30, 2012				
	General Fund		Dollar Variance	Percentage Variance
	2012	2011		
REVENUES				
Property Taxes	8,072,016	7,366,983	705,033	9.57%
Sales Tax	2,196,558	2,194,824	1,734	0.08%
Transient Occupancy Tax	3,928,097	3,686,411	241,686	6.56%
Franchise Taxes	993,512	978,575	14,937	1.53%
Other Taxes	204,840	237,140	(32,300)	-13.62%
Licenses and Permits	943,283	647,739	295,544	45.63%
Charges for Service	932,996	684,007	248,989	36.40%
Fines and Forfeitures	1,223,109	1,313,498	(90,389)	-6.88%
Use of Money and Property	461,735	355,124	106,611	30.02%
Grants and Intergovernmental	36,423	221,685	(185,262)	-83.57%
Miscellaneous	630,793	730,366	(99,573)	-13.63%
TOTAL REVENUES	19,623,362	18,416,352	1,207,010	6.55%
EXPENDITURES				
General Government	2,147,972	1,796,284	351,688	19.58%
Public Safety	11,351,300	10,083,762	1,267,538	12.57%
Highway and Streets	1,026,319	823,343	202,976	24.65%
Culture and Recreation	2,084	4,931	(2,847)	-57.74%
Community Development	1,734,728	1,443,401	291,327	20.18%
Capital Outlay	77,069	124,881	(47,812)	-38.29%
Debt Service:				
Principal	860,000	870,105	(10,105)	-1.16%
Interest and Fiscal Charges	4,723	5,657	(934)	-16.51%
TOTAL EXPENDITURES	17,204,195	15,152,364	2,051,831	13.54%
OTHER FINANCING SOURCES (USES)				
Proceeds Sale of Capital Assets	25,221		25,221	
Transfers In	6,770	480,107	(473,337)	
Transfers Out	(1,051,612)	(2,512,772)	1,461,160	
TOTAL OTHER FINANCING SOURCES (USES)	(1,019,621)	(2,032,665)	1,013,044	
NET CHANGE / FUND BALANCE	1,399,546	1,231,323		
BEGINNING FUND BALANCE	4,093,656	2,862,333		
ENDING FUND BALANCE	5,493,202	4,093,656		

As shown on the table above the General Fund had an ending Fund Balance of \$5.5 million, which reflects increase of \$1.4 million (34.2%) over the prior year ending balance of \$4.1 million. The increase is attributable to the slight growth in revenue and reduction in expenditures as outlined earlier.

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

**GENERAL FUND EXPENDITURES
FUND BALANCE COMPARISON**

	2012	2011
Fund Balance Classification		
Nonspendable: Loan		1,040,100
Nonspendable: Pre Paid Expense	29,860	
Assigned: OPEB	1,532,462	1,532,462
Assigned: Encumbrances	638,992	732,103
Unassigned	3,291,888	788,991
Total Fund Balance	5,493,202	4,093,656
<hr/>		
Expenses	18,255,807	17,665,136
Total Fund Balance	5,493,202	4,093,655
PERCENTAGE	30.09%	23.17%
<hr/>		
Expenses	18,255,807	17,665,136
Unassigned Fund Balance	3,291,888	788,990
PERCENTAGE	18.03%	4.47%

On June 30, 2012, the General Fund Assigned Fund Balance was \$2.2 million and represents \$1.5 million reserved for OPEB (Other Post Employment Benefits) additional information on OPEB can be found in Note 11 of this report; and \$639 thousand for encumbrances; and an Unassigned Fund Balance of \$3.3 million.

General Fund Budgetary Revenue and Expenditure Changes

There is a variance between the final amended total General Fund revenue budget of \$11,127 which was actual additional revenue received, and the un-spend expenditure Budget of \$511,361, which reflects the reduction in Worker's Compensation expense due the Self-Insured Retention (SIR) level and allocation.

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 2011-2012.

PROPRIETARY FUNDS

June 30, 2012

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Assets
Municipal Water System	6,178,873	5,853,772	325,101	80,946	(690)	405,357
Waste Water Treatment	8,388,309	5,863,690	2,524,619	(756,359)	(2,198)	1,766,062
Storm Drains	255,196	455,982	(200,786)	691	201,386	1,291
Internal Service Funds	2,795,373	2,512,759	282,614	26,837	149,698	459,149
TOTAL	17,617,751	14,686,203	2,931,548	(647,885)	348,196	2,631,859

At the end of fiscal year 2011-2012, total net assets for the Municipal Water System were \$13.0 million, an increase of \$405 thousand (3.2%) over the prior year balance of \$12.6 million; Waste Water Treatment total net assets were \$13 million, an increase of \$1.8 million (15.8%) over the prior year balance of \$11.2 million; Storm Drains total net assets were \$505 thousand, a increase of \$1,291 thousand (0.3%) over the prior year balance of \$504 thousand; and the Internal Service Funds total net assets were \$1.8 million a increase of \$459 thousand (34.5%) over the prior year balance of \$1.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital Assets include 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, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2010
Land	15,334,335	14,885,484	1,785,218	1,785,218	17,119,553	16,670,702
Land Improvements		232,672				232,672
Construction in Progress			31,604,158	25,377,459	31,604,158	25,377,459
Building and Improvements	15,844,777	15,786,877	2,595,655	2,696,155	18,440,432	18,483,032
Furniture, Fixtures and Equipment	1,310,266	1,459,288	5,826,527	5,546,100	7,136,793	7,005,388
Automobiles and Trucks	448,857	703,164	10,403	13,323	459,260	716,487
Infrastructure	24,042,920	25,982,451	7,226,247	6,532,838	31,269,167	32,515,289
TOTAL	56,981,155	59,049,936	49,048,208	41,951,093	106,029,363	101,001,029

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2012, increased by \$4.6 million (4.6%) to \$106 million (net of accumulated depreciation). The Construction in Progress represents the increase 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 prior Redevelopment Successor Agency debt obligations are in the form of Certificates of Participation (COP), General Obligation Bonds (GOB), Tax Allocation Bonds, and Loans.

The following table summarizes the outstanding long-term debt at June 30, 2012, for the City.

	LONG-TERM LIABILITIES					
	Activities		Activities		Total	
	2012	2011	2012	2011	2012	2011
1999 Certificates of Participation: Police Expansion		2,850,000			0	2,850,000
2001 General Obligation Bonds: Public Library	10,045,000	10,160,000			10,045,000	10,160,000
2004 Pension Obligation Bonds	14,889,318	14,819,095			14,889,318	14,819,095
2005 Redevelopment Tax Allocation Bonds		7,985,000				7,985,000
2011 Loan - Refinance 1999 Certificates of Participation	2,426,000				2,426,000	0
2009 A Certificate of Participation: Wastewater Plant			5,560,000	5,560,000	5,560,000	5,560,000
2009 B Certificate of Participation: Wastewater Plant			7,130,984	8,765,935	7,130,984	8,765,935
2009 State Water Resource Board: Wastewater Plant			27,405,675	17,738,215	27,405,675	17,738,215
TOTAL	27,360,318	35,814,095	40,096,659	32,064,150	67,456,977	67,878,245

As of June 30, 2012, Governmental Activities outstanding long-term debt was \$27.4 million and Business-type Activities had \$40.1 million of long-term debt, for combined total of \$67.5 million. During the year \$5.8 million long-term debt was retired (which includes the refinancing of the 1999 Certificates of Participation of \$2.9 million); \$7.8 million was assumed by the Successor Agency (2005 Redevelopment Tax Allocation Bonds); while \$13.2 million was added (new loan to refinance the 1999 Certificates of Participation \$2.6 million; accreted value - 2004 Pension Obligation Bonds \$930 thousand; the State Water Resource Board Loan \$9.7 Million), resulting in a net increase of \$7.4 million (10.9%).

Additional information about the City's long-term obligations can be found in Note 8 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
- Develop an appropriate strategy to continually fund the annual 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 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 liabilities, as well as all revenues and expenses. This is known as the full accrual basis—the effect of all the City’s transactions are 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 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 the General Fund, along with all Special Revenue, Capital Projects and Debt Service Funds. The City’s Internal Service Funds service these Funds, therefore their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City’s Business-Type Activities include all 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 changed 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.

CITY OF MILLBRAE
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations (Note 3)	\$23,149,018	\$14,966,579	\$38,115,597
Cash with fiscal agent (Note 3)	194	1,297,445	1,297,639
Receivables:			
Taxes	842,345		842,345
Accounts - net	173,651	3,468,807	3,642,458
Accrued interest	33,120		33,120
Due from other governmental agencies	486,126	2,320	488,446
Loans (Note 5)	11,860,321		11,860,321
Internal balances (Note 4C)	(86,914)	86,914	
Prepaid pension obligations (Note 8C)	7,114,379		7,114,379
Prepaid items	29,860	270,887	300,747
Capital assets (Note 6):			
Non-depreciable capital assets	15,334,335	33,389,376	48,723,711
Depreciable capital assets, net	41,646,820	15,658,833	57,305,653
Total Assets	100,583,255	69,141,161	169,724,416
LIABILITIES			
Accounts payable and accrued payroll	1,401,026	1,121,673	2,522,699
Interest payable	245,847	203,613	449,460
Deposits	497,456	322,209	819,665
Unearned revenue	325,493		325,493
Compensated absences (Note 1G):			
Due within one year	522,995	342,892	865,887
Due in more than one year	1,384,253	342,892	1,727,145
Accrued self-insurance (Note 12)			
Due within one year	930,181	100,000	1,030,181
Due in more than one year	658,404		658,404
Long-term debt (Note 8):			
Portion due within one year	1,183,000	1,412,594	2,595,594
Portion due in more than one year	26,177,318	38,684,065	64,861,383
Net other postemployment benefit obligation (Note 11B):			
Due in more than one year	3,248,033		3,248,033
Total Liabilities	36,574,006	42,529,938	79,103,944
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	44,510,155	10,248,995	54,759,150
Restricted for:			
Debt service	860,527		860,527
AB 2928 grant	1,435,006		1,435,006
Gas tax	574,907		574,907
Developer fee - operating	2,572,167		2,572,167
Measure A	1,495,960		1,495,960
Total Restricted Net Assets	6,938,567		6,938,567
Unrestricted	12,560,527	16,362,228	28,922,755
Total Net Assets	\$64,009,249	\$26,611,223	\$90,620,472

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

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	\$4,093,521	\$1,468,473	\$9,864	(\$2,615,184)		(\$2,615,184)
Public safety	12,144,238	1,848,160	129,362	(10,166,716)		(10,166,716)
Highways and streets	1,108,898	392,271	662,260	(54,367)		(54,367)
Culture and recreation	1,098,904	962,712		(136,192)		(136,192)
Community development	2,858,452	1,052,227		(1,806,225)		(1,806,225)
Interest on long-term debt	2,007,962			(2,007,962)		(2,007,962)
Total Governmental Activities	23,311,975	5,723,843	801,486	(16,786,646)		(16,786,646)
Business-type Activities:						
Municipal water system	5,865,711	6,170,821			\$305,110	305,110
Municipal waste water treatment facility	6,748,461	8,388,292			1,639,831	1,639,831
Storm drain	489,042	255,196			(233,846)	(233,846)
Total Business-type Activities	13,103,214	14,814,309			1,711,095	1,711,095
Total	\$36,415,189	\$20,538,152	\$801,486	(16,786,646)	1,711,095	(15,075,551)
General revenues:						
Taxes:						
Property taxes				10,915,140		10,915,140
Incremental property tax						
Sales taxes				2,196,558		2,196,558
Transient occupancy tax				3,928,097		3,928,097
Franchise tax				993,512		993,512
Other taxes				690,768		690,768
Motor vehicle in-lieu, unrestricted				10,868		10,868
Investment earnings				193,961	216,942	410,903
Miscellaneous				185,636	8,069	193,705
Extraordinary item (Note 15):						
Assets transferred to/liabilities assumed by successor agency				819,742		819,742
Transfers (Note 4B)						
				(198,498)	198,498	
Total general revenues, transfers and extraordinary item				19,735,784	423,509	20,159,293
Change in Net Assets				2,949,138	2,134,604	5,083,742
Net Assets-Beginning				61,060,111	24,476,619	85,536,730
Net Assets-Ending				\$64,009,249	\$26,611,223	\$90,620,472

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 year 2012. 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.

LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND

This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for low and moderate income households.

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3)	\$6,031,534		\$12,620,160	\$18,651,694
Cash with fiscal agent (Note 3)	194			194
Receivables:				
Taxes	842,345			842,345
Accounts - net	41,514		125,791	167,305
Accrued interest	33,120			33,120
Due from other funds (Note 4A)	108,000			108,000
Due from other governmental agencies	218,453		248,722	467,175
Loans (Note 5)		\$11,860,321		11,860,321
Prepaid items	29,860			29,860
Total Assets	\$7,305,020	\$11,860,321	\$12,994,673	\$32,160,014
LIABILITIES				
Accounts payable and accrued payroll	\$1,309,968	\$23,248	\$38,888	\$1,372,104
Due to other funds (Note 4A)			108,000	108,000
Deposits	302,625		194,831	497,456
Deferred revenue		11,212,721		11,212,721
Unearned revenue	199,225		126,268	325,493
Total Liabilities	1,811,818	11,235,969	467,987	13,515,774
FUND BALANCES				
Fund balance (Note 9)				
Nonspendable	29,860			29,860
Restricted		647,600	12,526,686	13,174,286
Assigned	2,171,454			2,171,454
Unassigned	3,291,888	(23,248)		3,268,640
Total Fund Balances	5,493,202	624,352	12,526,686	18,644,240
Total Liabilities and Fund Balances	\$7,305,020	\$11,860,321	\$12,994,673	\$32,160,014

See accompanying notes to financial statements

CITY OF MILLBRAE
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances reported on the Governmental Funds Balance Sheet \$18,644,240

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 56,188,527

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	4,497,324
Accounts receivable	6,346
Due from other governmental agencies	18,951
Internal balances	(86,914)
Capital assets	792,628
Accounts payable	(28,922)
Compensated absences	(1,907,248)
Accrued self-insurance	(1,588,585)

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. 11,212,721

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	7,114,379
Long-term debt	(27,360,318)
Net OPEB Obligation	(3,248,033)
Interest payable	(245,847)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$64,009,249

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, 2012

REVENUES	General	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Property tax	\$8,072,016		\$2,843,122	\$10,915,138
Sales tax	2,196,558			2,196,558
Transient occupancy tax	3,928,097			3,928,097
Franchise tax	993,512			993,512
Other taxes	204,840		485,928	690,768
Licenses and permits	943,283		54,931	998,214
Charges for services	932,996		1,529,581	2,462,577
Fines and forfeitures	1,223,109		100	1,223,209
Use of money and property	461,735		319,517	781,252
Grants and intergovernmental	36,423		771,858	808,281
Miscellaneous	630,793	\$200	34,212	665,205
Total Revenues	19,623,362	200	6,039,249	25,662,811
EXPENDITURES				
Current:				
General government	2,147,972		12,444	2,160,416
Public safety	11,351,300		313,902	11,665,202
Highways and streets	1,026,319		753,818	1,780,137
Culture and recreation	2,084		1,053,909	1,055,993
Community development	1,734,728	29,310	2,470,422	4,234,460
Capital outlay	77,069		683,217	760,286
Debt service:				
Principal	860,000		429,000	1,289,000
Interest and fiscal charges	4,723		1,097,675	1,102,398
Total Expenditures	17,204,195	29,310	6,814,387	24,047,892
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,419,167	(29,110)	(775,138)	1,614,919
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	25,221			25,221
Issuance of long term debt			2,555,000	2,555,000
Payment to bond escrow			(2,850,000)	(2,850,000)
Transfers in (Note 4B)	6,770		1,651,509	1,658,279
Transfers (out) (Note 4B)	(1,051,612)		(954,863)	(2,006,475)
Total Other Financing Sources (Uses)	(1,019,621)		401,646	(617,975)
NET CHANGE IN FUND BALANCES BEFORE EXTRAODINARY ITEM	1,399,546	(29,110)	(373,492)	996,944
EXTRAORDINARY ITEM (Note 15)				
Assets transferred to and liabilities assumed by housing successor / successor agency		653,462	(6,732,091)	(6,078,629)
NET CHANGE IN FUND BALANCES	1,399,546	624,352	(7,105,583)	(5,081,685)
BEGINNING FUND BALANCES	4,093,656		19,632,269	23,725,925
ENDING FUND BALANCES	\$5,493,202	\$624,352	\$12,526,686	\$18,644,240

See accompanying notes to financial statements

CITY OF MILLBRAE
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the Statement of Activities
 FOR THE YEAR ENDED JUNE 30, 2012

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 (\$5,081,685)

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	2,081,187
Capital assets assumed by the successor agency	(1,046,384)
Depreciation expense is deducted from the fund balance	(2,848,566)

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 of debt principal are added back to fund balance	1,289,000
Interest expense are deducted from fund balance	169,414
Issuance of long-term debt	(2,555,000)
Payment to bond escrow agent	2,850,000
Long-term debt assumed by successor agency	7,800,000

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	125,020
Deferred revenue	1,652,762
Unpaid interest added to long-term debt	(930,223)
Amortization of prepaid pension obligation	(470,247)
Net OPEB	(458,375)

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	372,235
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$2,949,138
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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 year 2012.

MUNICIPAL WATER SYSTEM FUND

To account for activities related to providing water service to the Millbrae businesses and 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 for the City's storm drains.

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

	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)	\$4,834,634	\$10,027,227	\$104,718	\$14,966,579	\$4,497,324
Cash with fiscal agent (Note 3)		1,297,445		1,297,445	
Receivables:					
Accounts - net	1,507,124	1,961,683		3,468,807	6,346
Accrued interest					
Due from other governmental agencies			2,320	2,320	18,951
Prepaid items		270,887		270,887	
Total Current Assets	6,341,758	13,557,242	107,038	20,006,038	4,522,621
Noncurrent Assets:					
Capital assets (Note 6):					
Non-depreciable capital assets	100,770	33,288,606		33,389,376	
Depreciable capital assets, net	7,503,914	7,719,994	434,925	15,658,833	792,628
Total Noncurrent Assets	7,604,684	41,008,600	434,925	49,048,209	792,628
Total Assets	13,946,442	54,565,842	541,963	69,054,247	5,315,249
LIABILITIES					
Current Liabilities:					
Accounts payable	338,828	773,187	9,658	1,121,673	28,922
Interest payable		203,613		203,613	
Deposits	308,649	13,560		322,209	
Compensated absences (Note 1G)	128,581	200,736	13,575	342,892	522,995
Accrued self insurance		100,000		100,000	930,181
Long-term debt - due within one year (Note 8)		1,412,594		1,412,594	
Total Current Liabilities	776,058	2,703,690	23,233	3,502,981	1,482,098
Noncurrent Liabilities:					
Compensated absences (Note 1G)	128,581	200,736	13,575	342,892	1,384,253
Accrued self-insurance (Note 12)					658,404
Long-term debt (Note 8):					
Due in more than one year		38,684,065		38,684,065	
Total Noncurrent Liabilities	128,581	38,884,801	13,575	39,026,957	2,042,657
Total Liabilities	904,639	41,588,491	36,808	42,529,938	3,524,755
NET ASSETS (Note 9)					
Invested in capital assets, net of related debt	7,604,684	2,209,386	434,925	10,248,995	792,628
Unrestricted	5,437,119	10,767,965	70,230	16,275,314	997,866
Total Net Assets	\$13,041,803	\$12,977,351	\$505,155	26,524,309	\$1,790,494
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.				86,914	
Net assets business-type activities				\$26,611,223	

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, 2012

	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	\$6,170,821			\$6,170,821	
Sewer service fees		\$8,388,292		8,388,292	
Equipment rental					\$788,970
Interdepartmental charges					1,732,707
Storm drain fees			\$255,196	255,196	
Miscellaneous	8,052	17		8,069	273,696
	<u>6,178,873</u>	<u>8,388,309</u>	<u>255,196</u>	<u>14,822,378</u>	<u>2,795,373</u>
Total Operating Revenues					
OPERATING EXPENSES					
Personnel services	1,841,320	3,344,884	223,358	5,409,562	320,581
Supplies and contract services	550,306	1,298,832	173,868	2,023,006	597,926
Water purchases	3,024,857			3,024,857	
Depreciation	318,592	856,811	43,397	1,218,800	199,339
Utilities	38,158	275,809	7,208	321,175	
Insurance premiums and claims	80,539	87,354	8,151	176,044	1,394,913
	<u>5,853,772</u>	<u>5,863,690</u>	<u>455,982</u>	<u>12,173,444</u>	<u>2,512,759</u>
Total Operating Expenses					
Operating Income (Loss)	<u>325,101</u>	<u>2,524,619</u>	<u>(200,786)</u>	<u>2,648,934</u>	<u>282,614</u>
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets					26,308
Interest revenue	80,946	135,305	691	216,942	529
Interest expense and fiscal charges		(891,664)		(891,664)	
	<u>80,946</u>	<u>(756,359)</u>	<u>691</u>	<u>(674,722)</u>	<u>26,837</u>
Total Nonoperating Revenues (Expenses)					
Income (Loss) Before Transfers	406,047	1,768,260	(200,095)	1,974,212	309,451
Transfers in (Note 4B)			201,386	201,386	150,802
Transfers out (Note 4B)	(690)	(2,198)		(2,888)	(1,104)
	<u>(690)</u>	<u>(2,198)</u>	<u>201,386</u>	<u>198,498</u>	<u>149,698</u>
Net transfers					
Change in net assets	405,357	1,766,062	1,291	2,172,710	459,149
BEGINNING NET ASSETS	<u>12,636,446</u>	<u>11,211,289</u>	<u>503,864</u>	<u>1,331,345</u>	<u>1,331,345</u>
ENDING NET ASSETS	<u>\$13,041,803</u>	<u>\$12,977,351</u>	<u>\$505,155</u>	<u>\$1,790,494</u>	<u>\$1,790,494</u>

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 (38,106)

Change in net assets of business-type activities \$2,134,604

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities-Enterprise Funds</u>				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$6,022,071	\$8,382,876	\$255,196	\$14,660,143	\$2,834,901
Payments to suppliers	(3,624,223)	(2,157,740)	(200,103)	(5,982,066)	(558,450)
Payments to employees	(1,767,163)	(3,219,159)	(219,090)	(5,205,412)	(321,479)
Prepaid items		11,246		11,246	
Claims paid					(1,032,910)
Cash Flows from (used for) Operating Activities	<u>630,685</u>	<u>3,017,223</u>	<u>(163,997)</u>	<u>3,483,911</u>	<u>922,062</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund advance receipts	650,000			650,000	
Transfers in			201,386	201,386	150,802
Transfers (out)	(690)	(2,198)		(2,888)	(1,104)
Cash Flows from (used for) Noncapital Financing Activities	<u>649,310</u>	<u>(2,198)</u>	<u>201,386</u>	<u>848,498</u>	<u>149,698</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(554,270)	(7,754,024)	(8,000)	(8,316,294)	(47,875)
Proceeds from long term debt		9,667,460		9,667,460	26,308
Principal payments on capital debt		(1,634,951)		(1,634,951)	
Interest paid		(876,253)		(876,253)	
Cash Flows from (used for) Capital and Related Financing Activities	<u>(554,270)</u>	<u>(597,768)</u>	<u>(8,000)</u>	<u>(1,160,038)</u>	<u>(21,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	80,946	98,186	691	179,823	529
Cash Flows from Investing Activities	<u>80,946</u>	<u>98,186</u>	<u>691</u>	<u>179,823</u>	<u>529</u>
Net Cash Flows	806,671	2,515,443	30,080	3,352,194	1,050,722
Cash and investments at beginning of year	<u>4,027,963</u>	<u>7,511,784</u>	<u>74,638</u>	<u>11,614,385</u>	<u>3,446,602</u>
Cash and investments at end of year	<u>\$4,834,634</u>	<u>\$10,027,227</u>	<u>\$104,718</u>	<u>\$14,966,579</u>	<u>\$4,497,324</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$325,101	\$2,524,619	(\$200,786)	\$2,648,934	\$282,614
Adjustments to reconcile operating income (Loss) to cash flows from operating activities:					
Depreciation	318,592	856,811	43,397	1,218,800	199,339
Change in assets and liabilities:					
Receivables, net	(162,031)	(10,218)		(172,249)	(5,149)
Due from other governmental agencies			1,451	1,451	(18,951)
Accounts payable	69,637	(395,745)	(12,327)	(338,435)	49,142
Compensated absences	74,157	125,725	4,268	204,150	62,730
Prepaid items		11,246		11,246	
Refundable deposits	5,229	4,785		10,014	352,337
Accrued self insurance		(100,000)		(100,000)	
Cash Flows from (used for) Operating Activities	<u>\$630,685</u>	<u>\$3,017,223</u>	<u>(\$163,997)</u>	<u>\$3,483,911</u>	<u>\$922,062</u>
NONCASH TRANSACTION					
Retirement of premium		<u>\$4,951</u>			

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND

This Fund is used to account for the activities of the Successor Agency to the former City of Millbrae Redevelopment Agency.

CITY OF MILLBRAE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS	
Cash and investments (Note 3)	\$3,084,326
Cash with fiscal agents (Note 3)	567,188
Land held for resale (Note 7)	1,324,591
Capital assets (Note 15):	
Non-depreciable capital assets	587,223
Depreciable capital assets, net	442,969
Total Assets	\$6,006,297
LIABILITIES	
Accounts payable	\$9,414
Interest payable	143,250
Deposits	8,560
Long-term debt (Note 15):	
Portion due within one year	190,000
Portion due in more than one year	7,610,000
Total Liabilities	7,961,224
NET ASSETS (DEFICIT)	
Held in trust for other purposes	(\$1,954,927)

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS	
Use of money and property	\$22,780
Total additions	22,780
DEDUCTIONS	
Community development	140,056
Payments to property tax pass-throughs	978,530
Depreciation	16,191
Interest and fiscal charges	(2,313)
Miscellaneous	25,501
Total deductions	1,157,965
Net change in net assets before extraordinary item	(1,135,185)
EXTRAORDINARY ITEM (NOTE 15)	
Assets transferred to/liabilities assumed by Successor Agency	(819,742)
NET ASSETS	
Beginning of year	
End of year	(\$1,954,927)

See accompanying notes to financial statements



CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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-City Manager, form of government and provides the following services: public safety (law enforcement and fire), highways and streets, sewer, water, recreation, public improvements, planning and zoning, building inspections, and 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 was a separate government entity created in 1988 under the provisions of the Community Redevelopment Law (California Health and Safety Code) to assist in revitalizing areas within the City of Millbrae which were determined to be in a declining condition. The Agency was controlled by the City and had the same governing board as the City, which also preformed 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 include the Redevelopment Agency Housing Special Revenue Fund, the Redevelopment Agency Capital Project Fund and the Redevelopment Agency Debt Service Fund. As discussed in Note 15, the Redevelopment Agency was dissolved effective January 31, 2012.

Separate financial statements for the Redevelopment Agency are not issued.

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. Interfund services provided and used are not eliminated in the process of consolidation.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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, highways and streets, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND - This fund accounts for the activities related to the housing assets assumed by the City as the Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for low and moderate income households.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 business and 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, unemployment insurance, and compensated absences; all of which are provided to other departments on a cost-reimbursement basis.

Private Purpose Trust Fund. The Successor Agency for the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

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 Basic Financial Statements
For the Year Ended June 30, 2012

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 are 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, when 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 Basic Financial Statements
For the Year Ended June 30, 2012

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	\$1,844,518	\$481,634	\$2,326,152
Additions	629,342	252,283	881,625
Payments	(566,612)	(48,133)	(614,745)
Ending Balance	<u>\$1,907,248</u>	<u>\$685,784</u>	<u>\$2,593,032</u>
Current Portion	<u>\$522,995</u>	<u>\$342,892</u>	<u>\$865,887</u>

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.

H. *Use of Estimates*

The accompanying basic financial statements have been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. *New Funds and Closed Funds*

The Low and Moderate Income Housing Asset Special Revenue Fund was established to account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of Millbrae.

The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund was established to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of Millbrae.

The Redevelopment Agency Special Revenue Fund, Redevelopment Agency Debt Service Fund and Redevelopment Agency Capital Projects Fund were closed as of January 31, 2012, as a result of the dissolution of the Redevelopment Agency, as discussed in Note 15.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

Every year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. 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 legal level of budgetary control is the fund level and the Council must approve any revision of budget that increases the total expenditures of any fund. All appropriations remaining at year-end lapse, except for 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 the Low and Moderate Income Housing Special Revenue Fund and Capital Projects Funds (which are budgeted on project length basis).

B. *Encumbrances*

The City utilizes 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 re-appropriated in the following year. Unexpended appropriations lapse at year end and must be re-appropriated in the following year. Encumbrances outstanding as of June 30, 2012 were \$638,992 in the General Fund, \$218,348 in the Municipal Water System Enterprise Fund, \$3,561,308 in the Municipal Waste Water Treatment Facility Enterprise Fund, \$518 in the Storm Enterprise Fund, and \$287,916 in Other Governmental Funds.

C. *Expenditures in Excess of Appropriations*

The Redevelopment Agency Special Revenue Funds incurred expenditures in excess of appropriation in the amount of \$1,105,891.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS

The City invests all money, 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 investments to reflect their fair value at each fiscal year end, and 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, 2012:

City Cash and Investments:

Cash and investments available for operations	\$38,115,597
Cash and investments with fiscal agent	<u>1,297,639</u>
Total City Cash and Investments	<u>39,413,236</u>

Cash and investments in Fiduciary Funds (Separate Statement):

Successor Agency to the Redevelopment

Agency Private Purpose Trust Fund:

Cash and investments available for operations	3,084,326
Cash and investments with fiscal agent	<u>567,188</u>
Total Cash and Investments	<u>\$43,064,750</u>

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.

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 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	\$40 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
Municipal Bonds	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	20%	30%
Collateralized Certificates of Deposit				
with Banks or Savings & Loans	2 years	N/A	25%	None
Negotiable Certificates of Deposit	2 years	N/A	30%	None
Commercial Paper	180 days	A1	15%	10%
Money Market Funds	N/A	N/A	15%	None

City did not enter into any reverse repurchase agreements during the year ended June 30, 2012.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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. Those funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet obligations under those 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	
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
Medium Term Notes	N/A	A
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 Basic Financial Statements
For the Year Ended June 30, 2012

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	\$6,302,858			\$6,302,858
San Mateo County Investment Fund	11,011,083			11,011,083
Certificates of Deposit	1,939,000	\$1,902,194	\$1,138,000	4,979,194
Money Market Funds	79,445			79,445
U.S. Government Agency Obligation				
Callable	5,500,000			5,500,000
Municipal Bonds	1,020,000	715,000	3,446,329	5,181,329
Medium Term Notes				
Non-Callable		319,334	906,854	1,226,188
Petty Cash	1,459			1,459
Cash in banks	8,783,194			8,783,194
Total Cash and Investments	<u>\$34,637,039</u>	<u>\$2,936,528</u>	<u>\$5,491,183</u>	<u>\$43,064,750</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, 2012 for each investment type:

Investment Type	AAAm	AA+	AA-	A+	A	A-	BBB+	SP1	Total
Money Market Funds	\$79,445								\$79,445
U.S. Government Agency Obligation - Callable		\$5,500,000							5,500,000
Municipal Bonds			\$1,146,544	\$2,067,808	\$819,771	\$173,399	\$715,000	\$258,807	5,181,329
Medium Term Notes - Non-Callable					609,184	302,676	314,328		1,226,188
	<u>\$79,445</u>	<u>\$5,500,000</u>	<u>\$1,146,544</u>	<u>\$2,067,808</u>	<u>\$819,771</u>	<u>\$173,399</u>	<u>\$715,000</u>	<u>\$258,807</u>	<u>11,986,962</u>
<i>Not rated:</i>									
Local Agency Investment Fund									6,302,858
San Mateo County Investment Fund									11,011,083
Certificates of deposit									4,979,194
Petty Cash									1,459
Cash in banks									8,783,194
Total Cash and Investments									<u>\$43,064,750</u>

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 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. Concentration Risk

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds, are set forth below:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity Wide	Federal National Mortgage Association	United States Government Agency Obligations	\$3,000,000
Major Fund:			
General Fund	Atlantic City, New Jersey Bonds	Municipal Bonds	1,007,570
	Illinois State Bonds	Municipal Bonds	2,104,700
	Mutual Securities	Certificates of Deposits	1,000,000
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	2,000,000
	Federal National Mortgage Association	United States Government Agency Obligations	3,000,000
Municipal Waste Water Treatment Facility Enterprise Fund	BP Capital Markets PLC	Medium Term Notes	289,850
	Goldman Sachs Group Inc.	Medium Term Notes	302,676
	Hewlett-Packard Company	Medium Term Notes	314,328
	Wells Fargo Company	Medium Term Notes	319,334

G. 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 obligations, 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, 2012, these investments matured in an average of 268 days.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

H. 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, 2012, these investments matured in an average of 584 days.

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. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2012, interfund balances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	\$107,288

B. 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, 2012 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Transferred
General Fund	Municipal Water System Enterprise Fund	\$690 A
	Municipal Waste Water Treatment Facility Enterprise Fund	2,198 A
	Internal Service Funds	528 A
	Non-Major Governmental Funds	3,354 A, B
Storm Drain Enterprise Fund	General Fund	201,386 A
Internal Service Funds	General Fund	150,802 G
Non-Major Governmental Funds	General Fund	699,424 A, C, D
	Internal Service Funds	576 F
	Non-Major Governmental Funds	951,509 A, E, G
Total Interfund Transfers		<u>\$2,010,467</u>

The reasons for these transfers are set forth below:

- A To fund administrative expenditures
- B To close various funds
- C To fund debt service payments
- D To fund recreation programs
- E To fund redevelopment activities
- F To fund leave accruals
- G Tax allocation and loan payment

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Internal Balances

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

NOTE 5 - LOANS RECEIVABLE

Low and Moderate Income Housing Assets Fund Loans receivable comprised of the following as of June 30, 2012:

Project	Amount
Low-and-Moderate First Time Home Buyer Program	\$647,600
Dolores Lia Apartments Loan	5,700,000
Below Market Rate Loan	
88 South Broadway	4,143,040
1388 Broadway	1,369,681
Total Loans Receivable	\$11,860,321

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 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, which ever 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.

B. Dolores Lia Apartments Loan

In June 2011, the Redevelopment Agency authorized the execution of a loan commitment agreement pursuant to which the Redevelopment Agency agreed to provide \$5.7 million of residual receipts loan to Pacific West Communities, Inc. for the acquisition and rehabilitation/permanent financing of a 27-unit affordable residential rental project located at 1275 El Camino Real (the Dolores Lia Project).

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5 - LOANS RECEIVABLE (Continued)

C. Below Market Rate Loan

The Redevelopment Agency sponsored a program that provided 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 eleven (11) units located at 88 South Broadway and eight (8) units located at 1388 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 the 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 \$5,000 and an estimated useful life in excess of three years.

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 Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2012 comprise:

	Balance at June 30, 2011	Increases	Decreases	Transfers	Transfer to Successor Agency	Balance at June 30, 2012
Governmental activities						
Capital assets not being depreciated:						
Land	\$14,885,484	\$84,089		\$951,985	(\$587,223)	\$15,334,335
Total capital assets not being depreciated	14,885,484	84,089		951,985	(587,223)	15,334,335
Capital assets being depreciated:						
Land Improvements	951,985			(951,985)		
Building and Improvements	20,286,845	472,512			(3,608)	20,755,749
Furniture, Fixtures and Equipment	3,971,794	415,939	(\$10,456)		(41,391)	4,335,886
Automobiles and Trucks	365,535		(9,126)		(11,754)	344,655
Infrastructure	55,455,404	1,108,647			(475,320)	56,088,731
Total capital assets being depreciated	81,031,563	1,997,098	(19,582)	(951,985)	(532,073)	81,525,021
Less accumulated depreciation for:						
Land Improvements	719,313			(719,313)		
Building and Improvements	4,537,844	410,100			(998)	4,946,946
Furniture, Fixtures and Equipment	2,845,300	529,037	(10,456)		(10,865)	3,353,016
Automobiles and Trucks	339,347	6,589	(9,126)		(11,754)	325,056
Infrastructure	29,472,953	1,902,840		719,313	(49,295)	32,045,811
Total accumulated depreciation	37,914,757	2,848,566	(19,582)		(72,912)	40,670,829
Net general						
Capital assets	58,002,290	(767,379)			(1,046,384)	56,188,527
Internal Service Fund Capital Assets						
Building and Improvements	80,065					80,065
Furniture, Fixtures and Equipment	665,535	47,875				713,410
Automobiles and Trucks	2,806,883		(502,827)			2,304,056
Total capital assets being depreciated	3,552,483	47,875	(502,827)			3,097,531
Less accumulated depreciation for:						
Building and Improvements	42,189	1,902				44,091
Furniture, Fixtures and Equipment	332,741	53,271				386,012
Automobiles and Trucks	2,129,910	144,166	(399,276)			1,874,800
Total accumulated depreciation	2,504,840	199,339	(399,276)			2,304,903
Net Internal Service Capital Assets Being Depreciated						
	1,047,643	(151,464)	(103,551)			792,628
Governmental activity capital assets, net	\$59,049,933	(\$918,843)	(\$103,551)		(\$1,046,384)	\$56,981,155

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 6 - CAPITAL ASSETS (Continued)

With the dissolution of the Redevelopment Agency as discussed in Note 15, a Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

	Balance at June 30, 2011	Increases	Decreases	Balance at June 30, 2012
Business-type activities				
Capital assets not being depreciated:				
Land	\$1,785,218			\$1,785,218
Construction in Progress	25,377,459	\$6,724,939	(\$498,240)	31,604,158
Total capital assets not being depreciated	<u>27,162,677</u>	<u>6,724,939</u>	<u>(498,240)</u>	<u>33,389,376</u>
Capital assets, being depreciated:				
Land Improvements				
Building and Improvements	5,877,357			5,877,357
Furniture, Fixtures and Equipment	15,064,040	830,501	(15,000)	15,879,541
Automobiles and Trucks	70,367			70,367
Infrastructure	13,126,604	1,266,090		14,392,694
Total capital assets being depreciated	<u>34,138,368</u>	<u>2,096,591</u>	<u>(15,000)</u>	<u>36,219,959</u>
Less accumulated depreciation for:				
Land Improvements				
Building and Improvements	3,181,202	100,500		3,281,702
Furniture, Fixtures and Equipment	9,517,940	542,701	(7,626)	10,053,015
Automobiles and Trucks	57,044	2,916		59,960
Infrastructure	6,593,766	572,683		7,166,449
Total accumulated depreciation	<u>19,349,952</u>	<u>1,218,800</u>	<u>(7,626)</u>	<u>20,561,126</u>
Depreciable capital assets	<u>14,788,416</u>	<u>877,791</u>	<u>(7,374)</u>	<u>15,658,833</u>
Business-type activity capital assets, net	<u>\$41,951,093</u>	<u>\$7,602,730</u>	<u>(\$505,614)</u>	<u>\$49,048,209</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 Basic Financial Statements
For the Year Ended June 30, 2012

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	\$1,681,321
Public Safety	103,463
Highways and Streets	721,620
Culture and Recreation	28,123
Community Development	<u>314,039</u>
Subtotal	2,848,566
Capital assets held by the City's Internal Service Funds	<u>199,339</u>
Total Governmental Activities	<u><u>\$3,047,905</u></u>
 Business-Type Activities	
Municipal Water System	\$318,592
Municipal Wastewater Treatment Facility	856,811
Storm Drain	<u>43,397</u>
Total Business-Type Activities	<u><u>\$1,218,800</u></u>

NOTE 7 - PROPERTY HELD FOR RESALE

The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the redevelopment project 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 was made with the developer.

Also as discussed in Note 15, due to the dissolution of the Redevelopment Agency, the property held for resale of the Redevelopment Agency Capital Projects Fund was transferred to the Successor Agency as of January 31, 2012.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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.

Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2011	Additions	Retirements	Transfer to Successor Agency	Balance June 30, 2012	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	\$10,160,000		\$115,000		\$10,045,000	\$130,000
2004 Pension Obligation Bonds Series A-2							
4.35%-6.58%, due 6/1/2034	11,521,630	14,819,095	\$930,223	860,000		14,889,318	890,000
1999 Certificates of Participation							
4.5-5.875%, due 3/1/2024	4,105,000	2,850,000		2,850,000			
Direct Lender Tax Exempt Loan							
4.25%, due 3/1/2024	2,555,000		2,555,000	129,000		2,426,000	163,000
2005 Redevelopment Agency Tax Allocation Bonds							
3.0-4.7%, due 8/1/2035	8,590,000	7,985,000		185,000	\$7,800,000		
Total Governmental Activity Debt		\$35,814,095	\$3,485,223	\$4,139,000	\$7,800,000	\$27,360,318	\$1,183,000
Business-Type Activity Debt:							
Enterprise Funds:							
2009 State Water Resources Board							
Water Pollution Control Plant Renovation							
1%, due 4/1/2032	\$28,397,180	\$17,738,215	\$9,667,460			\$27,405,675	\$1,262,594
2009A Wastewater Revenue							
Certificates of Participation							
7.423%, due 12/1/2039	5,560,000	5,560,000				5,560,000	
2009B Wastewater Revenue							
Certificates of Participation							
2.0-5.125%, due 12/1/2034	10,250,000	8,650,000		\$1,630,000		7,020,000	150,000
Premium, net of amortization	123,774	115,935		4,951		110,984	
Total Business-Type Activity Debt		\$32,064,150	\$9,667,460	\$1,634,951		\$40,096,659	\$1,412,594

With the dissolution of the Redevelopment Agency as discussed in Note 15, a Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

A. *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 were repayable from General Fund revenue.

In August 2011, the City entered into a leasing agreement with Municipal Financing Corporation to refund the COPs in full in order to have an economic gain in the form of present value savings.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 8 – LONG-TERM DEBT (Continued)

B. 2001 – General Obligation Bonds – Public Library

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 \$18,228,334. Principal and interest paid for the current year was \$626,862.

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, 2012, prepaid pension obligations amounted to \$7,114,379.

The Bonds unaccrued discount totaled \$14,780,682 at June 30, 2012. 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. 2005 Redevelopment Agency Tax Allocation Bonds

These bonds were transferred to the Successor Agency of the City's Redevelopment Agency as of January 31, 2012 since the Redevelopment Agency was eliminated by the State. For a detailed discussion of the bonds, see Note 15 D.

E. 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 maximum amount of \$28,397,180. 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. The repayment does not commence until the completion of the project on April 1, 2013.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 8 - LONG TERM DEBT (Continued)

F. 2009 - Certificates of Participation - Wastewater

On December 15, 2009, the City, under an installment sale agreement with the Millbrae Financing Authority, issued 2009 Wastewater Revenue Certificates of Participation, Series A and Series B, to finance a portion of the renovation and modernization of the City's wastewater treatment facilities.

Series A COP were issued in the principal amount of \$5,560,000 to finance the acquisition and construction of improvements to the wastewater collection and treatment enterprise of the City. Principal payments commence on December 1, 2035, are due annually on December 1, commencing. Interest payments are due semiannually on June 1 and December 1, through December 1, 2039. Debt service is payable from net revenue of municipal waste water treatment facility enterprise Fund. Interest rate is 7.423% per annum.

Series B COP were issued in the principal amount of \$10,250,000 to refinance the City's outstanding 2008 Subordinate Notes and 2005 bank note installment sale agreement. Principal payments are due annually on December 1 and interest payments are due semiannually on June 1 and December 1, through December 1, 2034. Debt service is payable from net revenue of municipal waste water treatment facility enterprise Fund. Interest ranges from 2.0% to 5.0%. The remaining debt service for the bank note installment sale agreement was \$7,842,269 while the net debt service for the 2009 Series B COP related portion was \$6,151,290; resulting in the aggregate difference in debt service amount of \$1,690,978. The remaining debt service for the 2008 Subordinate Notes was \$4,034,388 while the debt service for the 2009 Series B COP related portion was \$4,007,789; resulting in the aggregate difference in debt service amount of \$26,599. The economic gain on the transaction was a net present value benefit in the amount of \$278,948.

G. 2012 Direct Lender Tax Exempt Lease

On August 25, 2011, the City entered into a lease agreement with Municipal Finance Corporation in the amount of \$2,555,000 to provide funds for the refunding on a current basis of the outstanding debt the City issued with its 1999 Certificates of Participation (COPs). The outstanding principal amount of the COPs was \$2,850,000 was paid off in full on September 1, 2012. The City refunded the COPs in order to generate an economic gain based on interest rate savings. The economic gain on the transaction was a net present value benefit in the amount of \$634,477.

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

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 8 - LONG TERM DEBT (Continued)

H. 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
2013	\$1,183,000	\$602,315	\$1,785,315	\$1,412,594	\$1,005,758	\$2,418,352
2014	1,236,000	586,824	1,822,824	1,411,221	1,007,556	2,418,777
2015	1,289,000	572,099	1,861,099	1,428,783	990,269	2,419,052
2016	1,350,000	556,589	1,906,589	1,446,471	971,881	2,418,352
2017	1,407,000	540,118	1,947,118	1,469,286	952,266	2,421,552
2018-2022	8,063,000	2,407,929	10,470,929	7,653,180	4,442,954	12,096,134
2023-2027	9,248,000	1,832,690	11,080,690	7,733,323	3,853,560	11,586,883
2028-2032	10,945,000	1,265,155	12,210,155	7,365,817	3,440,440	10,806,257
2033-2037	7,420,000	487,248	7,907,248	6,570,000	2,266,247	8,836,247
2038-2040				3,495,000	397,316	3,892,316
Total	<u>\$42,141,000</u>	<u>\$8,850,967</u>	<u>\$50,991,967</u>	39,985,675	<u>\$19,328,247</u>	<u>\$59,313,922</u>
		Premium, net of amortization		<u>110,984</u>		
				<u>\$40,096,659</u>		

(A) Includes unaccrued discount totaling \$14,780,682

I. 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, 2012 was \$24,300,000.

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.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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.

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

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action by resolution of the City Council which may be altered only by formal action by Resolution of the City Council. Encumbrances and nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's fund balances as of June 30, 2012, are below:

Fund Balance Classifications	General Fund	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total
Nonspendable:				
Advances to other funds	\$29,860			\$29,860
Total Nonspendable Fund Balances	29,860			29,860
Restricted for:				
Low and Moderate Income Housing COPs and other grants		\$647,600		647,600
Measure A			\$50,398	50,398
Gas Tax			1,495,960	1,495,960
AB2928 Grant			574,907	574,907
Special Recreation			1,435,006	1,435,006
Integrated Waste Management			65,035	65,035
Other			147,819	147,819
Sister City			3,722,851	3,722,851
Joint Fire Training			11,820	11,820
Millbrae Station Area Developer Fee			11,722	11,722
1999 COPs Debt Service			2,572,167	2,572,167
Library Bonds Debt Service			105,572	105,572
Developer Fee Capital Projects			754,955	754,955
			1,578,474	1,578,474
Total Restricted Fund Balances		647,600	12,526,686	13,174,286
Assigned for:				
OPEB	1,532,462			1,532,462
Other purposes	638,992			638,992
Total Assigned Fund Balances	2,171,454			2,171,454
Unassigned:	3,291,888	(23,248)		3,268,640
Total Fund Balances	\$5,493,202	\$624,352	\$12,526,686	\$18,644,240

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

All City employees 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, 2012, 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	55	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	Police: 23.418%	15.250%
	Fire: 25.753%	

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

The City 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:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
<i>Safety Plan</i>			
June 30, 2010	\$952,864	100%	\$0
June 30, 2011	871,159	100%	0
June 30, 2012	917,081	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2010	\$808,654	100%	0
June 30, 2011	721,219	100%	0
June 30, 2012	866,708	100%	0

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10 - RETIREMENT BENEFITS (Continued)

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 \$7,114,379 at June 30, 2012. During fiscal 2011-2012, the amortization of the prepayment increased the actuarially required contributions by \$470,247 to arrive at Annual Pension Costs of \$1,783,789.

As required by State law, effective July 1, 2005, the City's Safety and Miscellaneous Plans were 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:

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
2008	\$1,755,559,311	\$1,517,609,609	\$237,949,702	86.4%	\$210,590,567	113.0%
2009	1,802,882,330	1,520,081,328	282,801,002	84.3%	221,600,192	127.6%
2010	1,915,095,826	1,628,915,283	286,180,543	85.1%	224,562,008	127.4%

The City's Safety Plan represents approximately 2%, 2%, and 2% of the State-wide pool for the years ended June 30, 2010, 2009, and 2008, respectively, based on covered payroll of \$4,569,531, \$4,364,942 and \$4,935,316 for those years.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10 - RETIREMENT BENEFITS (Continued)

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
2008	\$1,823,366,479	\$1,529,548,799	\$293,817,680	83.9%	\$414,589,514	70.9%
2009	2,140,438,884	1,674,260,302	466,178,582	78.2%	440,071,499	105.9%
2010	2,297,871,345	1,815,671,616	482,199,729	79.0%	434,023,381	111.1%

The City's Miscellaneous Plan represents approximately 2%, 1%, and 2% of the State-wide pool for the years ended June 30, 2010, 2009, and 2008, respectively, based on covered payroll of \$6,843,349, \$5,878,750 and \$6,537,810 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.

B. *Deferred Compensation Plan*

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until 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.

NOTE 11 –POST-EMPLOYMENT BENEFITS (OPEB)

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. The City participates in the CalPERS health care plan, an agent multiple employer plan, which is governed under the California Public Employees Health and Medical Care Act (PEMCHA), however the City contributes to the plan on a pay-as-you go basis. Required retiree medical plan contributions are also governed by PEMCHA for member agencies. The City's OPEB Plan does not issue a publicly available financial report.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

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 \$1,385.62 • 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: <ul style="list-style-type: none"> <li style="text-align: center;">Cap <li style="text-align: center;">2012: \$ 1,107.50 <li style="text-align: center;">2013: \$ 1,207.50 <li style="text-align: center;">2014: \$ 1,307.50 <li style="text-align: center;">2015+: \$1,385.62
Sanitation	<ul style="list-style-type: none"> • PEMHCA minimum
Firefighter	<ul style="list-style-type: none"> • City contributes maximum monthly amount of \$221.50, reduced by PEMHCA minimum, if applicable • Retirees 7/1/10 to 6/30/12 get Management & Confidential benefit
Teamsters	<ul style="list-style-type: none"> • Teamsters Local 856 Health & Welfare Trust • Retiree pays full premium • Not included in valuation
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, 2012, approximately 14 participants were eligible to receive benefits.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012 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 closed amortization period.

Healthcare cost trend rate assumptions are as follows:

Year	Increase from Prior Year	
	Non-Medicare HMO & PPO	Medicare HMO & PPO
2013	Actual Premiums	
2014	8.50%	8.90%
2015	8.00%	8.30%
2016	7.50%	7.80%
2017	7.00%	7.20%
2018	6.50%	6.70%
2019	6.00%	6.10%
2020	5.50%	5.60%
2021+	5.00%	5.00%

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

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 2012, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC)	\$1,033,000
Interest on net OPEB obligation	114,000
Adjustment to annual required contribution	(194,000)
Annual OPEB cost	<u>953,000</u>
Contributions made:	
City portion of current year premiums paid	<u>494,625</u>
Change in net OPEB obligation/(asset)	458,375
Net OPEB Obligation (Asset) at June 30, 2011	<u>2,789,658</u>
Net OPEB Obligation (Asset) at June 30, 2012	<u><u>\$3,248,033</u></u>

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2010	\$1,351,215	\$365,770	27.07%	\$1,796,855
6/30/2011	1,433,755	440,952	30.76%	2,789,658
6/30/2012	953,000	494,625	51.90%	3,248,033

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

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 actuarial studies are 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%)
1/1/2012	0	14,385	(14,385)	0.00%	5,549	(259.2%)

At June 30, 2012, the City assigned \$1,532,462 of General Fund's fund balance for this postemployment benefit.

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, 2012, the City paid ABAG Plan \$236,118 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.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 12 - RISK MANAGEMENT (Continued)

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 2011-2012			Fiscal 2010-2011 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$1,158,707	\$77,542	\$1,236,249	\$1,486,708
Net change in:				
Liability for current fiscal year claims	124,818	54,575	179,393	66,726
Liability for prior fiscal year claims and claims incurred but not reported (IBNR)	999,009	247,569	1,246,578	255,299
Claims paid	(874,353)	(199,282)	(1,073,635)	(572,484)
Balances, end of year	<u>\$1,408,181</u>	<u>\$180,404</u>	<u>\$1,588,585</u>	<u>\$1,236,249</u>
Current portion	<u>\$767,817</u>	<u>\$162,364</u>	<u>\$930,181</u>	<u>\$533,271</u>

In addition as of June 30, 2012 the City also recorded a self insurance liability of \$100,000 in the Municipal Waste Water Treatment Facility Enterprise Fund for outstanding claims.

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 power and authority 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 those 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 \$78,773 for the year ended June 30, 2012. 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.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – CONTINGENT LIABILITIES AND COMMITMENTS

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.

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has not yet completed its asset transfer review.

Effective January 31, 2012, the Redevelopment Agency was dissolved. The City elected to become the Housing Successor. Certain assets of the former Redevelopment Agency Low and Moderate Income Housing Fund were distributed to the City as a Housing Successor. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency, and on January 31, 2012, the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency (Successor Agency to the Redevelopment Agency Private-purpose Trust Fund). ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 30, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)

A. Summary of Assets and Liabilities

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

A summary of assets distributed and liabilities assumed, reported as Extraordinary Item, is presented below:

	Assets and Liabilities (Prior to transfer)	Transfer to Successor Agency	Transfer to Housing Successor	Ending Balance January 31, 2012
ASSETS				
Cash and investments, available for operations	\$4,229,006	\$4,207,564	\$21,442	
Cash with fiscal agent	561,528	561,528		
Receivables:				
Loans	11,647,321		11,647,321	
Land held for resale	1,324,591	1,324,591		
Capital assets:				
Land	587,223	587,223		
Depreciable capital assets, net	459,161	459,161		
	<u>18,808,830</u>	<u>7,140,067</u>	<u>11,668,763</u>	
Total Assets				
LIABILITIES				
Accounts payable	22,074	6,494	15,580	
Deposits payable	8,560	8,560		
Deferred revenue	10,999,721		10,999,721	
Interest payable	144,755	144,755		
Long-term debt:				
Current portion	190,000	190,000		
Portion due in more than one year	7,610,000	7,610,000		
	<u>18,975,110</u>	<u>7,959,809</u>	<u>11,015,301</u>	
Total Liabilities				
NET ASSETS (DEFICIT)	<u><u>(\$166,280)</u></u>	<u><u>(\$819,742)</u></u>	<u><u>\$653,462</u></u>	

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2012.

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

B. *Property Held for Sale*

The Successor Agency assumed the property held for resale of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had 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.

C. *Capital Assets*

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. 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 Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

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 Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

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 Basic Financial Statements
For the Year Ended June 30, 2012

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

Capital assets recorded at June 30 comprise:

	Transferred from		Balance at June 30, 2012
	Redevelopment Agency February 1, 2012	Additions	
Capital assets not being depreciated:			
Land	\$587,223		\$587,223
Total capital assets not being depreciated	587,223		587,223
Capital assets being depreciated:			
Building and Improvements	3,608		3,608
Furniture, Fixtures and Equipment	41,391		41,391
Automobiles and Trucks	11,754		11,754
Infrastructure	475,320		475,320
Total capital assets being depreciated	532,073		532,073
Less accumulated depreciation for:			
Building and Improvements	998	\$906	1,904
Furniture, Fixtures and Equipment	10,865	1,534	12,399
Automobiles and Trucks	11,754		11,754
Infrastructure	49,295	13,752	63,047
Total accumulated depreciation	72,912	16,192	89,104
Net capital assets being depreciated	459,161	(16,192)	442,969
Capital Assets, net	\$1,046,384	(\$16,192)	\$1,030,192

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

D. Long-Term Debt

The Successor Agency assumed the long-term debt, and loans of the Redevelopment Agency as of February 1, 2012.

1. Tax Allocations Bonds and Loans

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds and loans issued by the Redevelopment Agency. The Bonds and Loans are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond and loan transactions were as follows:

	Transfer from Redevelopment Agency as of February 1, 2012	Retirements	Balance at June 30, 2012
2005 Redevelopment Agency Tax Allocation Bonds 3.0-4.5%, due 8/1/2035	\$7,800,000	\$0	\$7,800,000
Less current portion			(190,000)
Portion due in more than one year			\$7,610,000

2. Debt Service Requirements

Debt service requirements are as follows:

Year ending June 30:	Principal	Interest	Total
2013	\$190,000	\$340,475	\$530,475
2014	200,000	333,650	533,650
2015	205,000	326,563	531,563
2016	210,000	319,038	529,038
2017	225,000	310,882	535,882
2018-2022	1,275,000	1,409,867	2,684,867
2023-2027	1,580,000	1,104,572	2,684,572
2028-2032	1,975,000	695,559	2,670,559
2033-2037	1,940,000	187,762	2,127,762
Total	\$7,800,000	\$5,028,368	\$12,828,368

CITY OF MILLBRAE
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

3. *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 Indentures, which excludes pass through payments which are required to be paid to other public agencies under the tax sharing agreements unless subordinated.

The total principal and interest remaining to be paid on the bonds is \$12,828,368. Principal and interest paid for the current year was \$531,575.

E. *Commitments and Contingencies*

1. *State Approval of Enforceable Obligations*

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

2. *State Asset Transfer Review*

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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, highways and streets, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

CITY OF MILLBRAE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property tax	\$7,490,246	\$8,072,016	\$8,072,016	
Sales tax	2,193,209	2,196,558	2,196,558	
Transient occupancy tax	3,306,927	3,928,097	3,928,097	
Franchise tax	1,082,641	993,512	993,512	
Other taxes	211,400	215,967	204,840	(\$11,127)
Licenses and permits	682,000	943,283	943,283	
Charges for services	702,486	932,996	932,996	
Fines and forfeitures	1,113,000	1,223,109	1,223,109	
Use of money and property	386,450	461,735	461,735	
Grants and intergovernmental	86,169	36,423	36,423	
Miscellaneous	522,655	630,793	630,793	
Total Revenues	<u>17,777,183</u>	<u>19,634,489</u>	<u>19,623,362</u>	<u>(11,127)</u>
EXPENDITURES:				
Current:				
General government:				
City council	113,068	93,465	93,465	
City clerk	210,939	181,249	181,249	
Administration	91,967	103,200	103,200	
Attorney	342,502	202,759	202,759	
General services:				
Finance	826,614	1,163,540	652,179	511,361
Human resource	198,788	627,903	627,903	
General government building	140,752	145,167	145,167	
Non-departmental	727,340	142,050	142,050	
Total general government	<u>2,651,970</u>	<u>2,659,333</u>	<u>2,147,972</u>	<u>511,361</u>
Public safety:				
Police	6,003,859	6,218,624	6,218,624	
Fire	5,275,486	5,132,676	5,132,676	
Total public safety	<u>11,279,345</u>	<u>11,351,300</u>	<u>11,351,300</u>	
Highways and streets:				
Engineering	801,773	681,847	681,847	
Maintenance	368,049	344,472	344,472	
Total highways and streets	<u>1,169,822</u>	<u>1,026,319</u>	<u>1,026,319</u>	
Culture and recreation	9,294	2,084	2,084	
Community development	1,444,233	1,734,728	1,734,728	
Capital outlay	87,343	77,069	77,069	
Debt service:				
Principal	860,000	860,000	860,000	
Interest and fiscal charges	5,000	4,723	4,723	
Total Expenditures	<u>17,507,007</u>	<u>17,715,556</u>	<u>17,204,195</u>	<u>511,361</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>270,176</u>	<u>1,918,933</u>	<u>2,419,167</u>	<u>500,234</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		25,221	25,221	
Transfers in		6,770	6,770	
Transfers (out)	(1,002,298)	(1,051,612)	(1,051,612)	
Total other financing sources (uses)	<u>(1,002,298)</u>	<u>(1,019,621)</u>	<u>(1,019,621)</u>	
NET CHANGE IN FUND BALANCES	<u>(\$732,122)</u>	<u>\$899,312</u>	<u>1,399,546</u>	<u>\$500,234</u>
BEGINNING FUND BALANCE			<u>4,093,656</u>	
ENDING FUND BALANCE			<u>\$5,493,202</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Every year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. 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 legal level of budgetary control is the fund level and the Council must approve any revision of budget that increases the total expenditures of any fund. All appropriations remaining at year-end lapse, except for 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 the Low and Moderate Income Housing Asset Special Revenue Fund and Capital Projects Funds (which are budgeted on project length basis).



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.

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 and other miscellaneous revenues.

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.

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

Redevelopment Agency – 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.

Capital Project Funds

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

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

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Gas Tax	AB2928 Grant
ASSETS				
Cash and investments	\$610	\$1,416,649	\$574,907	\$1,437,278
Receivables:				
Taxes				
Accounts - net				
Due from other funds				
Due from other governmental agencies	109,788	79,311		
Total Assets	\$110,398	\$1,495,960	\$574,907	\$1,437,278
LIABILITIES				
Accounts payable				\$2,272
Due to other funds	\$60,000			
Deposits				
Deferred revenue				
Total Liabilities	60,000			2,272
FUND BALANCE				
Fund balances:				
Restricted	50,398	\$1,495,960	\$574,907	1,435,006
Total Fund Balances	50,398	1,495,960	574,907	1,435,006
Total Liabilities and Fund Balances	\$110,398	\$1,495,960	\$574,907	\$1,437,278

SPECIAL REVENUE FUNDS

Special Recreation	Integrated Waste Management	Other	Sister City	Park Improvement	Joint Fire Training
\$208,019	\$147,741	\$3,692,875	\$11,820		\$102
30,069	35,722	60,000			
					\$59,620
<u>\$238,088</u>	<u>\$183,463</u>	<u>\$3,752,875</u>	<u>\$11,820</u>		<u>\$59,722</u>
\$14,668	\$1,894	\$15,024			
32,117	33,750	15,000			\$48,000
126,268					
<u>173,053</u>	<u>35,644</u>	<u>30,024</u>			<u>48,000</u>
65,035	147,819	3,722,851	\$11,820		11,722
65,035	147,819	3,722,851	11,820		11,722
<u>\$238,088</u>	<u>\$183,463</u>	<u>\$3,752,875</u>	<u>\$11,820</u>		<u>\$59,722</u>

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS	
	Millbrae Station Area Developer Fee - Operating	Redevelopment Agency	1999 COPS	Library Bonds
ASSETS				
Cash and investments	\$2,685,306		\$105,572	\$754,952
Receivables:				
Taxes				
Accounts - net				
Due from other funds				
Due from other governmental agencies				3
Total Assets	<u>\$2,685,306</u>		<u>\$105,572</u>	<u>\$754,955</u>
LIABILITIES				
Accounts payable				
Due to other funds				
Deposits	\$113,139			
Deferred revenue				
Total Liabilities	<u>113,139</u>			
FUND BALANCE				
Fund balances:				
Restricted	<u>2,572,167</u>		<u>\$105,572</u>	<u>\$754,955</u>
Total Fund Balances	<u>2,572,167</u>		<u>105,572</u>	<u>754,955</u>
Total Liabilities and Fund Balances	<u>\$2,685,306</u>		<u>\$105,572</u>	<u>\$754,955</u>

DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
Redevelopment Agency	Redevelopment Agency	Developer Fee	Total Nonmajor Governmental Funds
		\$1,584,329	\$12,620,160
			125,791
			<u>248,722</u>
		<u>\$1,584,329</u>	<u>\$12,994,673</u>
		\$5,030	\$38,888
		825	108,000
			194,831
			<u>126,268</u>
		<u>5,855</u>	<u>467,987</u>
		<u>1,578,474</u>	<u>12,526,686</u>
		<u>1,578,474</u>	<u>12,526,686</u>
		<u>\$1,584,329</u>	<u>\$12,994,673</u>

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Gas Tax	AB2928 Grant
GOVERNMENTAL REVENUES				
Property tax				
Other taxes		\$485,928		
License and permits				
Charges for services				
Fines and forfeitures				
Use of money and property		19,491	\$7,190	\$15,292
Grants and intergovernmental	\$109,831		301,207	260,345
Miscellaneous				
Total Revenues	<u>109,831</u>	<u>505,419</u>	<u>308,397</u>	<u>275,637</u>
EXPENDITURES				
Current:				
General government				
Public safety	72,750			
Highways and streets		75,709	275,257	51,267
Culture and recreation				
Community development				
Capital outlay		276,322		
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	<u>72,750</u>	<u>352,031</u>	<u>275,257</u>	<u>51,267</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>37,081</u>	<u>153,388</u>	<u>33,140</u>	<u>224,370</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt				
Payment to bond escrow				
Transfers in			328	
Transfers (out)		(654)		
Total Other Financing Sources (Uses)		<u>(654)</u>	<u>328</u>	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	37,081	152,734	33,468	224,370
EXTRAORDINARY ITEM				
Transfer to successor agency				
NET CHANGE IN FUND BALANCES	37,081	152,734	33,468	224,370
BEGINNING FUND BALANCES (DEFICIT)	<u>13,317</u>	<u>1,343,226</u>	<u>541,439</u>	<u>1,210,636</u>
ENDING FUND BALANCES	<u><u>\$50,398</u></u>	<u><u>\$1,495,960</u></u>	<u><u>\$574,907</u></u>	<u><u>\$1,435,006</u></u>

SPECIAL REVENUE FUNDS

Special Recreation	Integrated Waste Management	Other	Sister City	Park Improvement	Joint Fire Training
\$713,854	\$232,340	\$34,931 272,205			\$119,238
232,558	100 2,160 6,137	5,206 94,338	\$161		
24		6,088	2,199		
<u>946,436</u>	<u>240,737</u>	<u>412,768</u>	<u>2,360</u>		<u>119,238</u>
		12,444 263			240,889
1,051,913	202,162	143,697	1,996		
380		358,923 1,701		\$83 4,834	
<u>1,052,293</u>	<u>202,162</u>	<u>517,028</u>	<u>1,996</u>	<u>4,917</u>	<u>240,889</u>
(105,857)	38,575	(104,260)	364	(4,917)	(121,651)
132,094	248	126,105			133,373
(1,377)	(7)	(8,000)		(83)	
<u>130,717</u>	<u>241</u>	<u>118,105</u>		<u>(83)</u>	<u>133,373</u>
24,860	38,816	13,845	364	(5,000)	11,722
<u>24,860</u>	<u>38,816</u>	<u>13,845</u>	<u>364</u>	<u>(5,000)</u>	<u>11,722</u>
40,175	109,003	3,709,006	11,456	5,000	
<u>\$65,035</u>	<u>\$147,819</u>	<u>\$3,722,851</u>	<u>\$11,820</u>		<u>\$11,722</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, 2012

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUNDS</u>	
	Millbrae Station Area Developer Fee - Operating	Redevelopment Agency	1999 COPS	Library Bonds
GOVERNMENTAL REVENUES				
Property tax				\$657,841
Other taxes				
License and permits				
Charges for services	\$188,944			
Fines and forfeitures				
Use of money and property			(\$3,859)	
Grants and intergovernmental				
Miscellaneous		\$400		
Total Revenues	<u>188,944</u>	<u>400</u>	<u>(3,859)</u>	<u>657,841</u>
EXPENDITURES				
Current:				
General government				
Public safety				
Highways and streets				
Culture and recreation				
Community development		1,577,977		
Capital outlay	400,360			
Debt service:				
Principal			129,000	115,000
Interest and fiscal charges			184,260	514,137
Total Expenditures	<u>400,360</u>	<u>1,577,977</u>	<u>313,260</u>	<u>629,137</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(211,416)</u>	<u>(1,577,577)</u>	<u>(317,119)</u>	<u>28,704</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt			2,555,000	
Payment to bond escrow			(2,850,000)	
Transfers in	543,524		315,852	
Transfers (out)		(63,499)		
Total Other Financing Sources (Uses)	<u>543,524</u>	<u>(63,499)</u>	<u>20,852</u>	
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	332,108	(1,641,076)	(296,267)	28,704
EXTRAORDINARY ITEM				
Transfer to successor agency		2,221,893		
NET CHANGE IN FUND BALANCES	332,108	580,817	(296,267)	28,704
BEGINNING FUND BALANCES (DEFICIT)	<u>2,240,059</u>	<u>(580,817)</u>	<u>401,839</u>	<u>726,251</u>
ENDING FUND BALANCES	<u><u>\$2,572,167</u></u>	<u><u>(580,817)</u></u>	<u><u>\$105,572</u></u>	<u><u>\$754,955</u></u>

DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Redevelopment Agency	Redevelopment Agency	Developer Fee		
\$2,185,281				\$2,843,122
				485,928
		\$20,000		54,931
		3,000		1,529,581
				100
7,078	\$34,240			319,517
	25,501			771,858
				34,212
<u>2,192,359</u>	<u>59,741</u>	<u>23,000</u>		<u>6,039,249</u>
				12,444
				313,902
		5,726		753,818
				1,053,909
180,114	334,562	18,383		2,470,422
				683,217
185,000				429,000
399,278				1,097,675
<u>764,392</u>	<u>334,562</u>	<u>24,109</u>		<u>6,814,387</u>
1,427,967	(274,821)	(1,109)		(775,138)
				2,555,000
				(2,850,000)
63,498	336,487			1,651,509
(336,487)	(544,756)			(954,863)
(272,989)	(208,269)			401,646
1,154,978	(483,090)	(1,109)		(373,492)
(7,025,737)	(1,928,247)			(6,732,091)
(5,870,759)	(2,411,337)	(1,109)		(7,105,583)
<u>5,870,759</u>	<u>2,411,337</u>	<u>1,579,583</u>		<u>19,632,269</u>
		<u>\$1,578,474</u>		<u>\$12,526,686</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, 2012

SPECIAL REVENUE FUNDS						
	COPS & OTHER GRANTS			MEASURE A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes				\$485,928	\$485,928	
License and permits						
Charges for services						
Fines and forfeitures						
Use of money and property				19,491	19,491	
Grants and intergovernmental	\$109,831	\$109,831				
Miscellaneous						
Total Revenues	109,831	109,831		505,419	505,419	
EXPENDITURES						
Current:						
General government:						
Finance						
Non-Departmental						
Public safety:						
Police	72,750	72,750				
Fire						
Highways and streets						
Engineering						
Maintenance				75,711	75,709	2
Culture and recreation						
Community development						
Capital outlay				276,322	276,322	
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	72,750	72,750		352,033	352,031	2
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	37,081	37,081		153,386	153,388	2
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt						
Payment to bond escrow						
Transfers in						
Transfers (out)				(654)	(654)	
Total Other Financing Sources (Uses)				(654)	(654)	
EXTRAORDINARY ITEM						
Transfer to successor agency						
NET CHANGE IN FUND BALANCES	\$37,081	37,081		\$152,732	152,734	\$2
BEGINNING FUND BALANCES (DEFICITS)		13,317		1,343,226		
ENDING FUND BALANCES		\$50,398		\$1,495,960		

SPECIAL REVENUE FUNDS

GAS TAX			AB2928 GRANT			SPECIAL RECREATION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$713,854	\$713,854	
\$7,190	\$7,190		\$15,292	\$15,292		232,558	232,558	
301,207	301,207		260,345	260,345		24	24	
<u>308,397</u>	<u>308,397</u>		<u>275,637</u>	<u>275,637</u>		<u>946,436</u>	<u>946,436</u>	
275,257	275,257		51,267	51,267		1,051,913	1,051,913	
						380	380	
<u>275,257</u>	<u>275,257</u>		<u>51,267</u>	<u>51,267</u>		<u>1,052,293</u>	<u>1,052,293</u>	
33,140	33,140		224,370	224,370		(105,857)	(105,857)	
(261,031)	328	261,359				132,094	132,094	
261,359		(261,359)				(1,377)	(1,377)	
<u>328</u>	<u>328</u>					<u>130,717</u>	<u>130,717</u>	
<u>\$33,468</u>	33,468		<u>\$224,370</u>	224,370		<u>\$24,860</u>	24,860	
	<u>541,439</u>			<u>1,210,636</u>			<u>40,175</u>	
	<u>\$574,907</u>			<u>\$1,435,006</u>			<u>\$65,035</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, 2012

SPECIAL REVENUE FUNDS						
	INTEGRATED WASTE MANAGEMENT			OTHER		Variance Positive (Negative)
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits				\$34,931	\$34,931	
Charges for services	\$232,340	\$232,340		272,205	272,205	
Fines and forfeitures	100	100				
Use of money and property	2,160	2,160		5,206	5,206	
Grants and intergovernmental	6,137	6,137		94,338	94,338	
Miscellaneous				6,088	6,088	
Total Revenues	240,737	240,737		412,768	412,768	
EXPENDITURES						
Current:						
General government:						
Finance						
Non-Departmental				12,444	12,444	
Public safety:						
Police				263	263	
Fire						
Highways and streets						
Engineering	202,162	202,162		39,296	39,296	
Maintenance				104,401	104,401	
Culture and recreation						
Community development				358,945	358,923	22
Capital outlay				1,701	1,701	
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	202,162	202,162		517,050	517,028	22
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	38,575	38,575		(104,282)	(104,260)	22
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt						
Payment to bond escrow						
Transfers in	248	248		126,105	126,105	
Transfers (out)	(7)	(7)		(8,000)	(8,000)	
Total Other Financing Sources (Uses)	241	241		118,105	118,105	
EXTRAORDINARY ITEM						
Transfer to successor agency						
NET CHANGE IN FUND BALANCES	\$38,816	38,816		\$13,823	13,845	\$22
BEGINNING FUND BALANCES		109,003			3,709,006	
ENDING FUND BALANCES		\$147,819			\$3,722,851	

SPECIAL REVENUE FUNDS

SISTER CITY			PARK IMPROVEMENT			JOINT FIRE TRAINING		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$119,239	\$119,238	(\$1)
\$161	\$161							
2,198	2,199	\$1						
2,359	2,360	1				119,239	119,238	(1)
						240,889	240,889	
1,996	1,996		\$83	\$83				
			4,834	4,834				
1,996	1,996		4,917	4,917		240,889	240,889	
363	364	1	(4,917)	(4,917)		(121,650)	(121,651)	(1)
			(83)	(83)		133,373	133,373	
			(83)	(83)		133,373	133,373	
\$363	364	\$1	(\$5,000)	(5,000)		\$11,723	11,722	(\$1)
	11,456			5,000				
	\$11,820					\$11,722		

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, 2012

	SPECIAL REVENUE FUNDS					
	MILLBRAE STATION AREA DEVELOPER FEE - OPERATING			REDEVELOPMENT AGENCY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax				\$1,102,349		(\$1,102,349)
Other taxes						
License and permits						
Charges for services	\$518,944	\$188,944	(\$330,000)			
Fines and forfeitures						
Use of money and property						
Grants and intergovernmental						
Miscellaneous					\$400	400
Total Revenues	<u>518,944</u>	<u>188,944</u>	<u>(330,000)</u>	<u>1,102,349</u>	<u>400</u>	<u>(1,101,949)</u>
EXPENDITURES						
Current:						
General government:						
Finance						
Non-Departmental						
Public safety:						
Police						
Fire						
Highways and streets						
Engineering						
Maintenance						
Culture and recreation						
Community development				472,086	1,577,977	(1,105,891)
Capital outlay		400,360	(400,360)			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures		<u>400,360</u>	<u>(400,360)</u>	<u>472,086</u>	<u>1,577,977</u>	<u>(1,105,891)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>518,944</u>	<u>(211,416)</u>	<u>(730,360)</u>	<u>630,263</u>	<u>(1,577,577)</u>	<u>(2,207,840)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of long term debt						
Payment to bond escrow						
Transfers in		543,524	543,524			
Transfers (out)				(126,996)	(63,499)	63,497
Total Other Financing Sources (Uses)		<u>543,524</u>	<u>543,524</u>	<u>(126,996)</u>	<u>(63,499)</u>	<u>63,497</u>
EXTRAORDINARY ITEM						
Transfer to successor agency					2,221,893	2,221,893
NET CHANGE IN FUND BALANCES	<u>\$518,944</u>	<u>332,108</u>	<u>(\$186,836)</u>	<u>\$503,267</u>	<u>580,817</u>	<u>\$77,550</u>
BEGINNING FUND BALANCES (DEFICIT)		<u>2,240,059</u>			<u>(580,817)</u>	
ENDING FUND BALANCES		<u>\$2,572,167</u>				

DEBT SERVICE FUNDS

1999 COPS			LIBRARY BONDS			REDEVELOPMENT AGENCY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$657,843	\$657,841	(\$2)	\$4,361,500	\$2,185,281	(\$2,176,219)
(\$3,859)	(\$3,859)					20,000	7,078	(\$12,922)
<u>(3,859)</u>	<u>(3,859)</u>		<u>657,843</u>	<u>657,841</u>	<u>(2)</u>	<u>4,381,500</u>	<u>2,192,359</u>	<u>(2,189,141)</u>
						7,697	180,114	(172,417)
2,979,000	129,000	\$2,850,000	115,000	115,000		185,000	185,000	
184,260	184,260		514,137	514,137		449,980	399,278	50,702
<u>3,163,260</u>	<u>313,260</u>	<u>2,850,000</u>	<u>629,137</u>	<u>629,137</u>		<u>642,677</u>	<u>764,392</u>	<u>(121,715)</u>
<u>(3,167,119)</u>	<u>(317,119)</u>	<u>2,850,000</u>	<u>28,706</u>	<u>28,704</u>	<u>(2)</u>	<u>3,738,823</u>	<u>1,427,967</u>	<u>(2,310,856)</u>
2,555,000	2,555,000							
315,852	(2,850,000)	(2,850,000)				126,996	63,498	(63,498)
	315,852					(852,973)	(336,487)	516,486
<u>2,870,852</u>	<u>20,852</u>	<u>(2,850,000)</u>				<u>(725,977)</u>	<u>(272,989)</u>	<u>452,988</u>
							(7,025,737)	(7,025,737)
<u>(\$296,267)</u>	<u>(296,267)</u>		<u>\$28,706</u>	<u>28,704</u>	<u>(\$2)</u>	<u>\$3,012,846</u>	<u>(5,870,759)</u>	<u>(\$8,883,605)</u>
	<u>401,839</u>			<u>726,251</u>			<u>5,870,759</u>	
	<u>\$105,572</u>			<u>\$754,955</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.

Compensated Absences – To account for accumulation of earned compensation.

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Municipal Garage</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Leave Accrual</u>	<u>Total</u>
ASSETS						
Current Assets:						
Cash and investments	\$999,654		\$1,423,858	\$190,328	\$1,883,484	\$4,497,324
Receivable:						
Accounts - net				6,346		6,346
Due from other governmental agencies	18,951					18,951
Total Current Assets	<u>1,018,605</u>		<u>1,423,858</u>	<u>196,674</u>	<u>1,883,484</u>	<u>4,522,621</u>
Noncurrent Assets:						
Capital assets:						
Depreciable capital assets, net	792,628					792,628
Total Assets	<u>1,811,233</u>		<u>1,423,858</u>	<u>196,674</u>	<u>1,883,484</u>	<u>5,315,249</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	18,956			9,966		28,922
Compensated absences	11,882				511,113	522,995
Accrued self-insurance			767,817	162,364		930,181
Total Current Liabilities	<u>30,838</u>		<u>767,817</u>	<u>172,330</u>	<u>511,113</u>	<u>1,482,098</u>
Noncurrent Liabilities:						
Compensated absences	11,882				1,372,371	1,384,253
Accrued self-insurance			640,364	18,040		658,404
Total Liabilities	<u>42,720</u>		<u>1,408,181</u>	<u>190,370</u>	<u>1,883,484</u>	<u>3,524,755</u>
NET ASSETS						
Invested in capital assets, net of related debt	792,628					792,628
Unrestricted	975,885		15,677	6,304		997,866
Total Net Assets	<u>\$1,768,513</u>		<u>\$15,677</u>	<u>\$6,304</u>		<u>\$1,790,494</u>

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Leave Accrual	Total
OPERATING REVENUES						
Equipment rental	\$788,970					\$788,970
Interdepartmental charges	46,904	\$26,397	\$1,126,068	\$533,338		1,732,707
Miscellaneous	3,040		166	13,960	\$256,530	273,696
Total Operating Revenues	838,914	26,397	1,126,234	547,298	256,530	2,795,373
OPERATING EXPENSES						
Personnel services	165,924		84,673	69,984		320,581
Contractual services	437,234	68	75,985	84,639		597,926
Depreciation	199,339					199,339
Insurance premiums and claims	9,666	28,694	949,777	406,776		1,394,913
Total Operating Expenses	812,163	\$28,762	1,110,435	561,399		2,512,759
Operating Income (Loss)	26,751	(2,365)	15,799	(14,101)	256,530	282,614
NONOPERATING REVENUES (EXPENSES)						
Gain on disposal of capital assets	26,308					26,308
Interest revenue	414		115			529
Total Nonoperating Revenues (Expenses)	26,722		115			26,837
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE TRANSFERS	53,473	(2,365)	15,914	(14,101)	256,530	309,451
TRANSFERS						
Transfers in		2,365			148,437	150,802
Transfers (out)	(72)		(237)	(219)	(576)	(1,104)
Total Transfers	(72)	2,365	(237)	(219)	147,861	149,698
Change in Net Assets	53,401		15,677	(14,320)	404,391	459,149
BEGINNING NET ASSETS (DEFICIT)	1,715,112			20,624	(404,391)	1,331,345
ENDING NET ASSETS	\$1,768,513		\$15,677	\$6,304		\$1,790,494

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Leave Accrual	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$821,160	\$26,397	\$1,126,234	\$540,952	\$320,158	\$2,834,901
Payments to suppliers	(404,236)	(68)	(75,985)	(78,161)		(558,450)
Payments to employees	(166,822)		(84,673)	(69,984)		(321,479)
Claims paid		(28,694)	(700,302)	(303,914)		(1,032,910)
Cash Flows from (used for) Operating Activities	<u>250,102</u>	<u>(2,365)</u>	<u>265,274</u>	<u>88,893</u>	<u>320,158</u>	<u>922,062</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in		2,365			148,437	150,802
Transfers (out)	(72)		(237)	(219)	(576)	(1,104)
Cash Flows from (used for) Noncapital Financing Activities	<u>(72)</u>	<u>2,365</u>	<u>(237)</u>	<u>(219)</u>	<u>147,861</u>	<u>149,698</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(47,875)					(47,875)
Proceeds from sale of capital assets	26,308					26,308
Cash Flows from (used for) Capital and Related Financing Activities	<u>(21,567)</u>					<u>(21,567)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	414		115			529
Cash Flows from Investing Activities	<u>414</u>		<u>115</u>			<u>529</u>
Net Cash Flows	228,877		265,152	88,674	468,019	1,050,722
Cash and investments at beginning of year	<u>770,777</u>		<u>1,158,706</u>	<u>101,654</u>	<u>1,415,465</u>	<u>3,446,602</u>
Cash and investments at end of year	<u><u>\$999,654</u></u>		<u><u>\$1,423,858</u></u>	<u><u>\$190,328</u></u>	<u><u>\$1,883,484</u></u>	<u><u>\$4,497,324</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$26,751	(\$2,365)	\$15,799	(\$14,101)	\$256,530	\$282,614
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	199,339					199,339
Change in assets and liabilities:						
Accounts receivable	1,197			(6,346)		(5,149)
Due from other governmental agencies	(18,951)					(18,951)
Accounts payable	42,664			6,478		49,142
Compensated absences	(898)				63,628	62,730
Accrued self-insurance			249,475	102,862		352,337
Cash Flows from Operating Activities	<u><u>\$250,102</u></u>	<u><u>(2,365)</u></u>	<u><u>\$265,274</u></u>	<u><u>\$88,893</u></u>	<u><u>\$320,158</u></u>	<u><u>\$922,062</u></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:

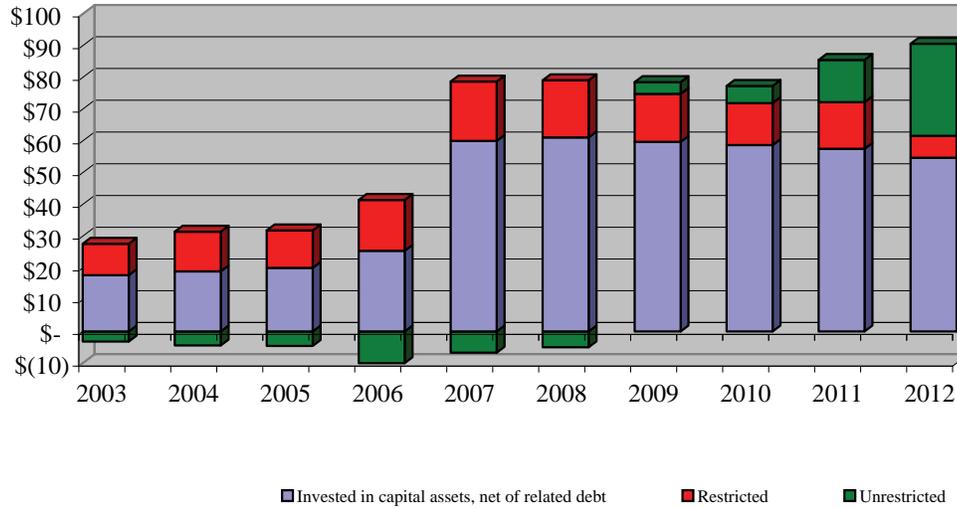
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program
4. Taxable Sales by Category
5. Property Tax Dollar Breakdown
6. Sales Tax Percentage Breakdown

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



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



	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$6.7	\$7.9	\$8.8	\$8.7	\$49.6	\$49.0	\$48.8	\$47.2	\$46.4	\$44.5
Restricted	9.9	12.5	11.8	16.0	18.7	17.6	15.1	13.2	14.7	6.9
Unrestricted	(6.8)	(8.6)	(8.6)	(10.3)	(10.7)	(8.7)	(4.8)	(3.7)	(0.1)	12.6
Total governmental activities net assets	\$9.8	\$11.8	\$12.0	\$14.4	\$57.6	\$57.9	\$59.1	\$56.7	\$61.0	\$64.0
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	\$11.5	\$11.1	\$10.2
Unrestricted	3.6	4.2	4.0	(0.6)	4.0	4.1	8.5	9.1	13.4	16.4
Total business-type activities net assets	\$14.6	\$15.2	\$15.2	\$16.1	\$14.4	\$16.2	\$19.4	\$20.6	\$24.5	\$26.6
Primary government										
Invested in capital assets, net of related debt	\$17.7	\$18.9	\$20.0	\$25.4	\$60.0	\$61.1	\$59.7	\$58.7	\$57.5	\$54.7
Restricted	9.9	12.5	11.8	16	19	18	15.1	13.2	14.7	6.9
Unrestricted	(3.2)	(4.4)	(4.6)	(10.9)	(6.7)	(5.0)	3.7	5.4	13.3	29.0
Total primary government net assets	\$24.4	\$27.0	\$27.2	\$30.5	\$72.0	\$74.1	\$78.5	\$77.3	\$85.5	\$90.6

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

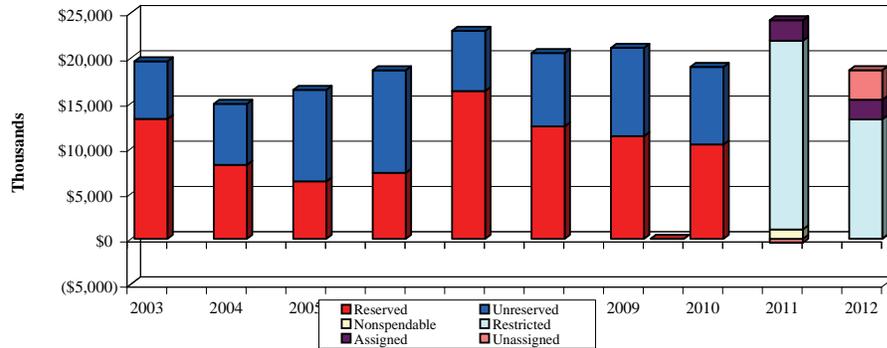
	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$1.4	\$1.3	\$1.4	\$1.8	\$1.9	\$2.1	\$2.1	\$2.2	\$2.3	\$4.1
Public Safety	8.9	9.0	8.8	8.8	6.4	10.0	11.7	12.5	11.7	12.1
Highway and Streets	4.1	1.8	1.6	1.5	5.6	4.3	4.1	3.6	2.4	1.1
Culture and Recreation	2.9	2.6	3.1	2.1	1.5	1.5	1.5	1.4	1.2	1.1
Community Development	1.5	1.3	2.0	3.0	5.3	5.1	6.9	8.6	6.3	2.9
Interest on Long-Term Debt	1.3	1.6	1.5	2.9	2.0	2.5	2.1	2.1	2.1	2.0
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>	<u>30.4</u>	<u>26.0</u>	<u>23.3</u>
Business-Type Activities:										
Municipal Water System	3.0	3.6	3.5	3.5	3.8	4.2	4.4	4.9	5.1	5.9
Municipal Wastewater Treatment Facility	3.5	3.7	3.9	4.4	5.2	5.1	5.6	6.1	5.4	6.7
Storm Drain	0.3	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.5
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>	<u>11.5</u>	<u>11.0</u>	<u>13.1</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>	<u>41.9</u>	<u>37.0</u>	<u>36.4</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	0.3	0.1	0.1	0.3	0.3	0.7	0.7	1.1	1.2	1.5
Public Safety	0.6	0.7	0.5	0.7	1.1	1.2	1.8	1.9	1.9	1.8
Highway and Streets	0.0	0.2	0.2	0.3	0.8	0.4	1.9	0.4	0.4	0.4
Culture and Recreation	0.5	0.8	0.7	0.9	0.8	0.7	0.9	0.9	1.0	1.0
Community Development	0.6	1.8	0.5	0.6	2.0	1.1	3.3	2.0	3.5	1.0
Operating Grants and Contributions	1.6	1.3	1.3	2.8	1.8	1.2	1.7	1.1	1.1	0.8
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>	<u>7.4</u>	<u>9.1</u>	<u>6.5</u>
Business-Type Activities:										
Charges for Services:										
Municipal Water System	3.2	4.0	3.6	3.9	4.4	4.9	5.7	5.4	5.8	6.2
Municipal Wastewater Treatment Facility	3.7	3.8	3.8	4.5	5.0	5.8	6.5	7.6	8.5	8.4
Storm Drain	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
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>	<u>13.2</u>	<u>14.6</u>	<u>14.9</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>	<u>20.6</u>	<u>23.7</u>	<u>21.4</u>
Net (Expense)/Revenue										
Governmental Activities	(14.9)	(12.7)	(15.1)	(14.5)	(15.9)	(20.2)	(18.1)	(23.0)	(16.9)	(16.8)
Business-Type Activities	0.3	0.6	(0.1)	0.3	0.2	1.1	2.0	1.7	3.6	1.8
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>	<u>(\$21.3)</u>	<u>(\$13.3)</u>	<u>(\$15.0)</u>

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

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$13.4	\$13.4	\$10.9
Sales Taxes	2.0	2.0	1.9	2.2	2.4	2.2	2.4	2.0	2.2	2.2
Motor Vehicle In-Lieu	1.2	1.0	0.5	0.1	0.1	0.1	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	2.9	3.7	3.9
Other Taxes	1.1	1.0	1.2	1.7	1.4	1.5	1.4	1.6	1.6	1.7
Interest Earnings	1.0	0.3	0.7	0.5	1.2	1.0	(0.2)	0.3	0.2	0.2
Other	0.4	2.5	0.2	0.2	0.4	0.7	0.3	0.3	0.3	0.2
Transfers	0.1			(0.1)		(0.3)	(0.5)	0.4	(0.3)	(0.2)
Extraordinary item										0.8
Total Government Activities	13.4	14.6	15.2	16.8	19.3	20.4	19.4	21.0	21.2	19.7
Business-Type Activities:										
Interest Earnings	0.3	0.1	0.2	0.2	0.2	0.2		0.1	0.1	0.2
Miscellaneous				0.3	0.3	0.1	0.8	(0.3)		
Transfers and Other	(0.1)			0.1	0.3	0.4	0.5	(0.4)	0.3	0.2
Total Business-Type Activities	0.2	0.1	0.2	0.6	0.8	0.7	1.3	(0.6)	0.4	0.4
Total Primary Government	13.6	14.7	15.4	17.4	20.1	21.1	20.7	20.4	21.6	20.1
Change in Net Assets										
Governmental Activities	(1.5)	1.9	0.1	2.3	3.4	0.2	1.3	(2.0)	4.3	2.9
Business-Type Activities	0.5	0.7	0.1	0.9	1.0	1.8	3.3	1.1	4.0	2.2
Total Primary Government	(\$1.0)	\$2.6	\$0.2	\$3.2	\$4.4	\$2.0	\$4.6	(\$0.9)	\$8.3	\$5.1



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



	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
									(b)	
General Fund										
Reserved	\$1,096,756	\$1,086,073	\$1,435,087	\$1,305,552	\$1,714,021	\$1,216,313	\$1,181,922	\$1,186,935		
Unreserved	203,942	(665,816)	117,878	1,399,190	2,982,238	1,684,476	1,567,044	1,675,398		
Nonspendable									\$1,040,100	29,860
Assigned									2,264,565	2,171,454
Unassigned									788,991	3,291,888
Total General Fund	<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>	<u>\$2,862,333</u>	<u>\$4,093,656</u>	<u>\$5,493,202</u> (a)
All Other Governmental Funds										
Reserved	\$12,167,422	\$7,094,675	\$4,920,951	\$5,994,916	\$14,623,608	\$11,216,290	\$10,174,496	\$9,253,798		
Unreserved, reported in:										
Special revenue funds	6,496,194	6,827,715	4,145,428	8,575,778	4,042,908	5,411,096	6,267,513	4,914,750		
Capital project funds	(334,836)	579,509	5,846,761	1,359,947	(362,503)	1,010,397	1,922,889	1,971,780		
Nonspendable										
Restricted									20,860,686	13,174,286
Unassigned									(1,228,417)	(23,248)
Total all other governmental funds	<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>	<u>\$16,140,328</u>	<u>\$19,632,269</u>	<u>\$13,151,038</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
(b) The City implemented GASB No. 54 in Fiscal 2011.

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

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$10,990,862	\$11,338,355	\$14,291,554	\$16,191,092	\$17,815,200
Licenses, permits and fees	334,554	565,594	349,179	474,612	1,044,495
Charges for services	466,764	2,674,024	1,379,653	1,840,334	2,957,931
Fines and forfeitures	222,945	291,095	203,223	358,782	700,717
Use of money and property	1,200,849	426,685	807,830	763,161	1,562,303
Grants and intergovernmental	4,774,880	1,940,142	2,004,196	1,129,260	1,271,907
Miscellaneous	1,442,871	1,958,367	369,532	229,921	406,738
Total Revenues	19,433,725	19,194,262	19,405,167	20,987,162	25,759,291
Expenditures					
Current:					
General government	1,331,146	1,216,074	1,162,097	1,475,679	1,731,518
Public safety	8,410,205	8,333,506	8,346,122	8,414,172	8,758,410
Highways and streets	1,853,430	1,575,042	1,336,560	1,430,631	1,803,807
Culture and recreation	1,941,713	1,497,215	1,695,953	2,057,200	1,306,120
Community development	2,177,272	2,205,659	3,027,175	3,391,005	4,373,645
Capital outlay	4,635,161	7,767,178	3,909,191	663,204	2,157,024
Debt service:					
Principal repayment	370,000	420,000	5,330,000	807,350	379,928
Interest and fiscal charges	1,211,210	1,510,795	1,205,110	1,231,034	1,238,788
Total Expenditures	21,930,137	24,525,469	26,012,208	19,470,275	21,749,240
Excess (deficiency) of revenues over (under) expenditures	(2,496,412)	(5,331,207)	(6,607,041)	1,516,887	4,010,051
Other Financing Sources (Uses)					
Transfers in	4,477,250	904,673	1,515,967	2,696,763	2,081,633
Transfers (out)	(3,697,258)	(1,207,173)	(1,954,977)	(2,232,446)	(2,215,841)
Proceeds from long-term debt		11,521,630	8,590,000	188,074	489,046
Payment to retirement plan		(11,200,000)			
Payment to escrow agent					
Sale of capital assets		604,755			
Total other financing sources (uses)	779,992	623,885	8,150,990	652,391	354,838
Net change in fund balances before extraordinary item	(1,716,420)	(4,707,322)	1,543,949	2,169,278	4,364,889
Extraordinary item					
Net change in fund balances	(\$1,716,420)	(\$4,707,322)	\$1,543,949	\$2,169,278	\$4,364,889
Debt service as a percentage of noncapital expenditures	7.3%	11.5%	29.6%	11.4%	8.4%

Note: (A) Information not available.

Fiscal Year Ended June 30,

2008	2009	2010	2011	2012
\$19,167,621	\$20,081,107	\$19,922,116	\$20,876,511	\$18,724,073
530,799	629,695	787,170	665,289	998,214
2,275,012	6,219,277	2,169,540	4,205,335	2,462,577
592,195	854,587	1,097,610	1,313,498	1,223,209
1,443,506	302,045	805,476	724,554	781,252
1,295,216	1,802,482	2,300,750	1,798,705	808,281
792,893	239,237	672,299	834,417	665,205
<u>26,097,242</u>	<u>30,128,430</u>	<u>27,754,961</u>	<u>30,418,309</u>	<u>25,662,811</u>
1,846,271	1,801,585	1,690,298	1,796,972	2,160,416
9,851,524	10,668,650	11,159,828	10,712,547	11,665,202
2,175,594	1,995,038	2,070,733	1,620,416	1,780,137
1,456,488	1,442,001	1,296,878	1,105,585	1,055,993
5,071,248	5,207,855	9,669,345	5,862,770	4,234,460
1,666,662	5,647,530	906,073	297,200	760,286
1,150,376	1,124,366	1,176,898	1,295,105	1,289,000
<u>1,227,636</u>	<u>1,194,519</u>	<u>1,176,578</u>	<u>1,158,685</u>	<u>1,102,398</u>
<u>24,445,799</u>	<u>29,081,544</u>	<u>29,146,631</u>	<u>23,849,280</u>	<u>24,047,892</u>
<u>1,651,443</u>	<u>1,046,886</u>	<u>(1,391,670)</u>	<u>6,569,029</u>	<u>1,614,919</u>
3,461,056	7,930,991	4,892,099	3,049,536	1,658,279
(4,011,125)	(8,403,585)	(5,229,632)	(4,895,301)	(2,006,475)
25,000				2,555,000
				(2,850,000)
	1,000			25,221
<u>(525,069)</u>	<u>(471,594)</u>	<u>(337,533)</u>	<u>(1,845,765)</u>	<u>(617,975)</u>
<u>1,126,374</u>	<u>575,292</u>	<u>(1,729,203)</u>	<u>4,723,264</u>	<u>996,944</u>
				(6,078,629)
<u>\$1,126,374</u>	<u>\$575,292</u>	<u>(\$1,729,203)</u>	<u>\$4,723,264</u>	<u>(\$5,081,685)</u>
10.4%	8.5%	8.3%	10.4%	10.9%

**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)
2003	\$1,833,090,480	\$206,788,894	\$22,671,727	\$52,974,226	\$2,115,525,327	\$52,441,765	\$2,167,967,092	\$2,167,967,092	0.23915%
2004	1,995,001,513	214,600,948	23,896,936	53,468,932	2,286,968,329	51,586,538	2,338,554,867	2,338,554,867	0.24089%
2005	2,140,414,555	224,832,740	26,822,125	56,068,678	2,448,138,098	53,210,888	2,501,348,986	2,501,348,986	0.24040%
2006	2,328,525,501	233,450,555	27,468,703	59,588,126	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24339%
2007	2,530,573,659	261,604,654	36,210,882	78,013,790	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25359%
2008	2,733,074,818	263,281,277	36,695,559	92,843,377	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25739%
2009	2,966,830,896	305,280,936	36,957,380	117,992,283	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27805%
2010	3,106,361,205	330,025,776	37,896,181	87,660,549	3,561,943,711	59,707,619	3,621,651,330	3,621,651,330	0.28047%
2011	3,126,546,755	368,098,716	36,480,257	57,453,767	3,588,579,495	58,876,426	3,647,455,921	3,647,455,921	0.27861%
2012	3,182,354,909	380,230,791	37,670,906	38,936,275	3,639,192,881	64,777,111	3,703,969,992	3,703,969,992	0.28129%

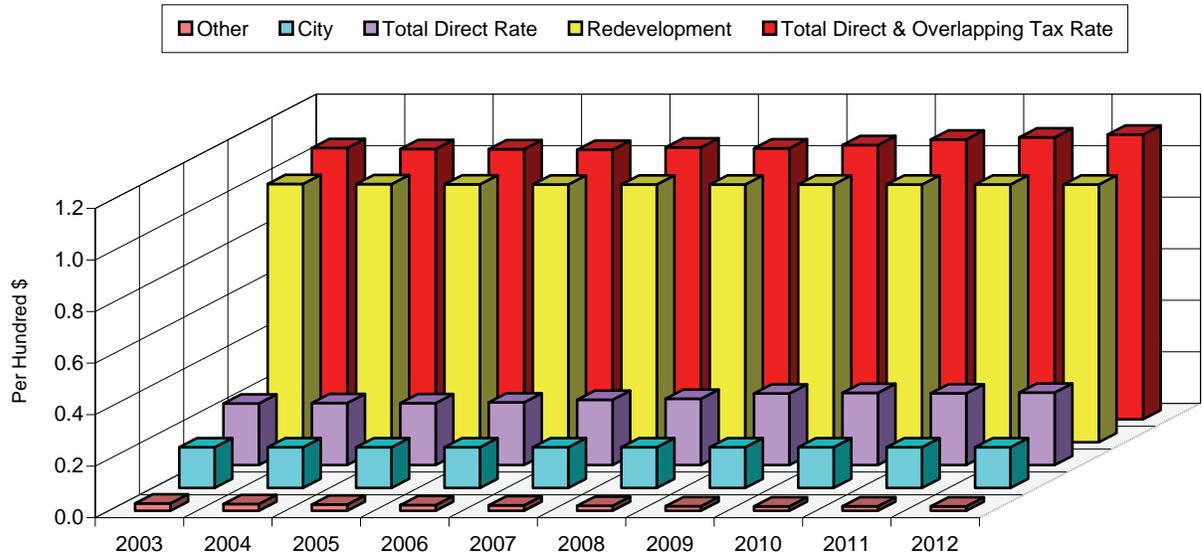
(a) The California State Constitution requires property to be assessed at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.

(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 Companies
San Mateo County Assessor Combined Tax Rolls from 2002/2003-2011/2012

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Basic Levy (a)	Schools	County	Total Direct & Overlapping Tax Rate (b)	City (c)	Other	Redevelopment (d)	Total Direct Rate (e)
2003	1.0000	0.0244	0.0287	1.0531	0.1579	0.0287	1.0021	0.23915
2004	1.0000	0.0226	0.0264	1.0490	0.1579	0.0264	1.0015	0.24089
2005	1.0000	0.0239	0.0244	1.0483	0.1579	0.0244	1.0007	0.24040
2006	1.0000	0.0239	0.0224	1.0463	0.1579	0.0224	1.0000	0.24339
2007	1.0000	0.0340	0.0215	1.0555	0.1579	0.0215	1.0000	0.25359
2008	1.0000	0.0321	0.0196	1.0517	0.1579	0.0196	1.0000	0.25739
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.0181	1.0000	0.27805
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.0174	1.0000	0.28047
2011	1.0000	0.0769	0.0176	1.0945	0.1579	0.0176	1.0000	0.27861
2012	1.0000	0.0877	0.0175	1.1052	0.1579	0.0175	1.0000	0.28129

- (a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for payment of any voter approved bonds.
- (b) Overlapping rates are those of local and county government that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (c) The City's share of the 1.00% levy is based on the City's share of the General Fund tax rate area with the largest net taxable value within the City. Educational Revenue Augmentation (ERAF) General Fund tax shifts may not be included in tax ratio figures.
- (d) The Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area and includes only rate (s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the Government preparing the statistical section information.

Sources: Hdl Companies
San Mateo County Assessor Annual Tax Increment Tables

**CITY OF MILLBRAE
STATISTICS**

TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2002-2003		Fiscal Year 2011-2012	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Westin Bay Hotel Company	\$39,722,474	1.83%	\$45,865,590	1.24%
OR Property Holdings			34,047,336	0.92%
Shiaw-Min Chen			32,750,000	0.88%
SLT Realty LLP	30,851,548	1.42%		
Magnolia of Millbrae, Inc.	24,223,575	1.12%	27,547,721	0.74%
Marymount Greenhills LLC	18,337,802	0.85%	21,383,083	0.58%
Green Hills Country Club			17,514,681	0.47%
Starwood S F Clarion Realty LLC			17,300,000	0.47%
Simeon SPFVEF LLC			15,096,893	0.41%
Friend Friend and Friend			14,642,398	0.40%
Glenborough Pauls Millbrae LLC	12,238,980	0.56%		
Millbrae Square Company LP			12,090,316	0.33%
William Portfolio I	11,008,913	0.51%		
America Store Properties Inc	10,111,916	0.47%		
Orchard Supply Hardware Corp	9,881,163	0.46%		
Townsquare Associates	9,469,014	0.44%		
John and Susan C Williams Trust	8,120,731	0.37%		
TOTAL TOP TEN	\$173,966,116	8.02%	\$238,238,018	6.43%
Total Net Assessed Valuation:	\$2,167,967,092		\$3,703,969,992	

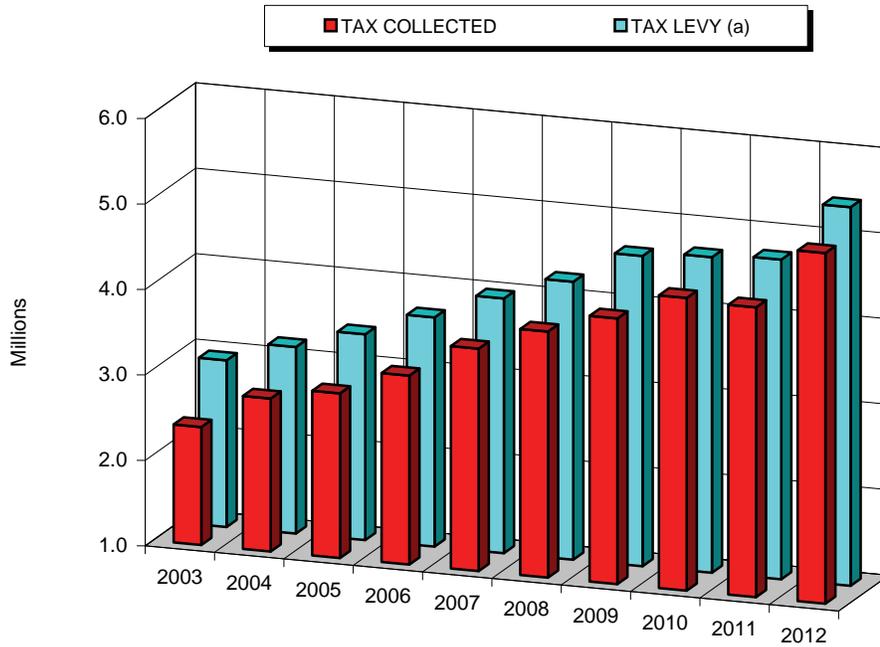
Sources: HdI Companies

San Mateo County Assessor 2002-2003 Combined Tax Rolls

San Mateo County Assessor 2011-2012 Combined Tax Rolls

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	TOTAL TAX LEVY (a)	Current Tax Collections	San Mateo County Collection Fee (b)	Percent of Levy Collected	Delinquent Tax Collection	TOTAL TAX COLLECTED	Percent of Tax Collected to Tax Levy
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	\$41,329	82.3973%	375,457	3,878,679	91.2282%
2009	4,630,356	3,665,930	38,038	79.9932%	405,027	4,108,995	88.7404%
2010	4,692,363	3,826,720	49,131	82.5991%	549,352	4,425,203	94.3065%
2011	4,740,414	3,839,805	54,280	82.1465%	497,119	4,391,204	92.6333%
2012	5,430,088	4,517,348	52,564	84.1591%	533,297	5,103,209	93.9802%

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

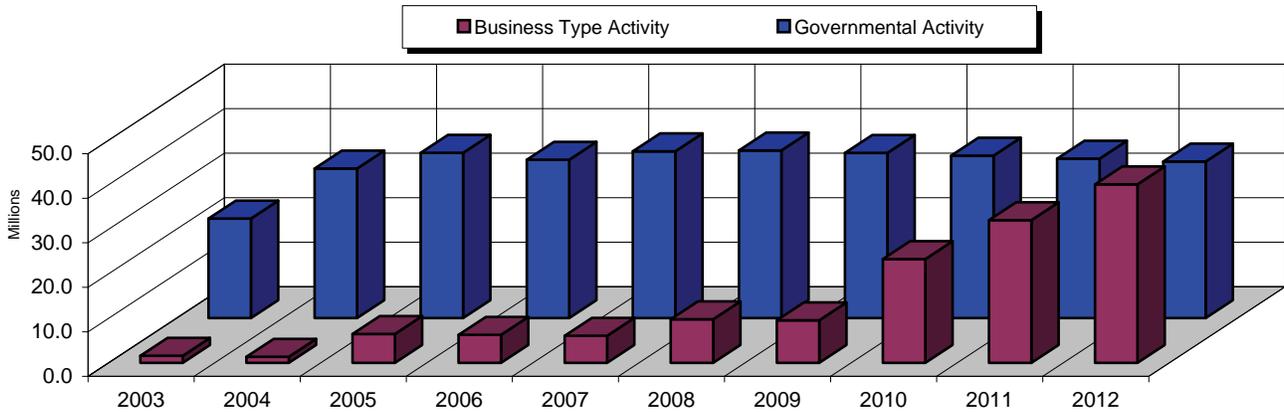
(a) In Fiscal Year 2011-2012 Redevelopment was dissolved and Pursuant California Health and Safety Code Section 34183 Redevelopment funds were redistributed to all taxing entities

(b) San Mateo County Property Tax Collection Fee amounts are not available before 2008

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 (a)	TOTAL
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
2010	10,260,000	14,731,266	8,165,000	2,995,000		335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000			35,814,095
2012	10,045,000	14,889,318	7,800,000			2,426,555	35,160,873

Business Type Activity

Fiscal Year	Certificates of Participation	State Revolving Loan (b)	TOTAL	Total Primary Government	Personal Income Percentage (c)	Per Capita (c)
2003		\$1,592,600	\$1,592,600	\$23,951,656	0.07%	\$1,159
2004		1,361,700	1,361,700	34,952,773	0.09%	1,693
2005		6,486,209	6,486,209	43,610,357	0.11%	2,113
2006		6,286,001	6,286,001	41,849,118	0.10%	2,021
2007		6,076,171	6,076,171	43,540,111	0.10%	2,092
2008		9,793,026	9,793,026	47,446,237	0.11%	2,226
2009		9,564,218	9,564,218	46,657,580	0.11%	2,167
2010	\$15,931,367	7,382,051	23,313,418	59,799,947	0.15%	2,710
2011	14,325,935	17,738,215	32,064,150	67,878,245	0.18%	3,090
2012	12,690,984	27,405,675	40,096,659	75,257,532	0.19%	3,410

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

(a) In 2012, the 1999 Certificates of Participation were refinanced with a direct lender tax exempt loan.

(b) The 2005 Wastewater Bank Loan and the 2008 Subordinate Wastewater Revenue Note in the total amount of \$9,564,218 were paid in full with the issuance of the 2009 Certification of Participation Bonds (Series A & B). In 2010, the State Revolving Loan liability began.

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

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

**CITY OF MILLBRAE
STATISTICS**

**RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2003	\$10,660,000	0.49%	\$516.05
2004	10,610,000	0.45%	513.98
2005	10,555,000	0.42%	511.48
2006	10,520,000	0.39%	508.14
2007	10,475,000	0.35%	503.36
2008	10,415,000	0.33%	488.71
2009	10,345,000	0.30%	480.47
2010	10,260,000	0.28%	467.04
2011	10,160,000	0.28%	462.49
2012	10,045,000	0.27%	455.16

Sources: State of California, Department of Finance
Hdl Companies
San Mateo County Assessor Combined Tax Rolls from 2002/2003-2011/2012

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2012

2011 / 2012 Assessed Valuation:	\$3,703,969,992
Redevelopment Incremental Valuation:	<u>568,849,281</u>
ADJUSTED ASSESSED VALUATION:	<u><u>\$3,135,120,711</u></u>

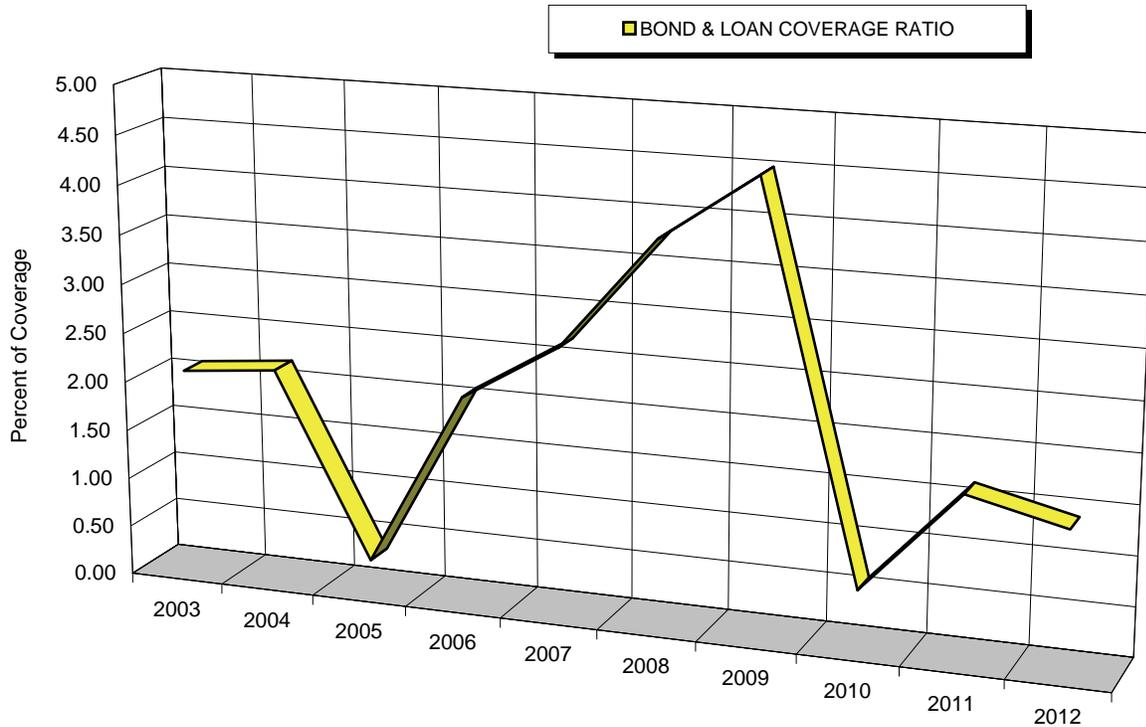
	Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
OVERLAPPING TAX AND ASSESSMENT DEBT			
San Mateo Community College District	\$595,569,994	2.394%	\$14,257,946
San Mateo Union High School District	455,747,452	6.766%	30,835,873
Millbrae School District Maintenance Assessment District	49,249,527	59.316%	29,212,849
City of Millbrae - Public Library General Obligation Bonds	10,045,000	100.00%	10,045,000
California Statewide Communities Development Authority			
Park Broadway Assessment District	1,575,288	100.00%	<u>1,575,288</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>\$85,926,956</u></u>
RATIOS TO 2011 - 2012 ASSESSED VALUATION			
Direct Debt (\$10,045,000)		0.27%	
Total Direct and Overlapping Tax Assessment Debt		2.32%	
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
San Mateo County - General Fund Obligations	\$324,979,816	2.394%	\$7,780,017
San Mateo County Board of Education - Certificates of Participation	11,945,000	2.394%	285,963
City of Millbrae - Pension Obligations	8,551,744	100.00%	<u>8,551,744</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u><u>\$16,617,724</u></u>
			\$18,596,744
			<u>83,947,936</u>
			<u><u>\$102,544,680</u></u> (b)
RATIOS TO ADJUSTED ASSESSED VALUATION			
Combined Direct Debt (\$18,596,744)		0.59%	
Combined Total Debt		3.27%	
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12	\$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.

Source: California Municipal Statistics, Inc.

**CITY OF MILLBRAE
STATISTICS**

**SEWER FUND REVENUE BOND 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 & LOAN COVERAGE RATIO
				Principal	Interest	Total	
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
2010	7,697,278	4,984,139	2,713,139	4,206,564	333,777	4,540,340	0.60
2011	8,449,800	4,732,371	3,717,429	1,600,000	657,098	2,257,098	1.65
2012	8,496,612	5,302,863	3,193,749	1,630,000	624,798	2,254,798	1.42

Note: In 2010, the final principle payment for Subordinate Wastewater Revenue Bonds issued in 2008 in the total amount of \$3,965,000 was paid off.

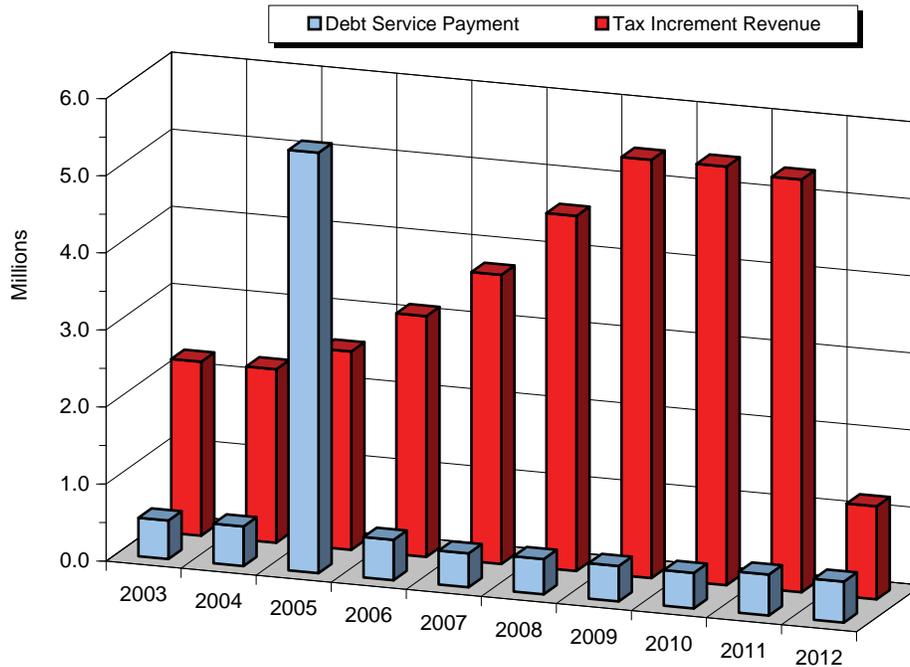
(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

**MILLBRAE REDEVELOPMENT SUCCESSOR 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	
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
2010	5,430,198	105,000	356,325	461,325	11.77
2011	5,353,259	180,000	352,050	532,050	10.06
2012	1,206,750	185,000	346,575	531,575	2.27

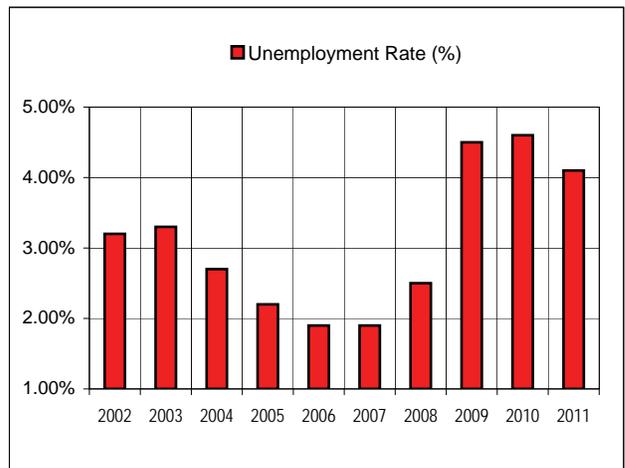
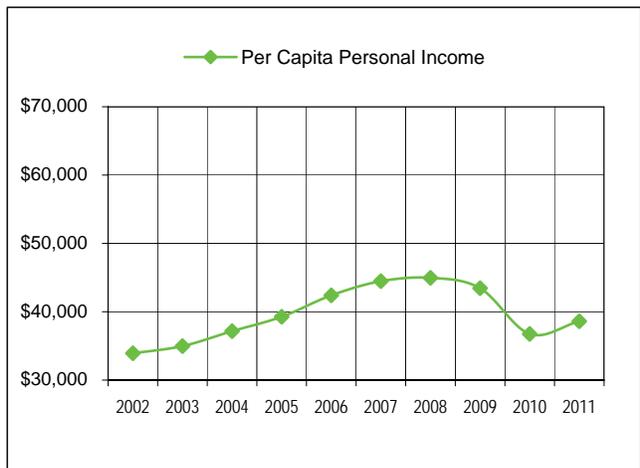
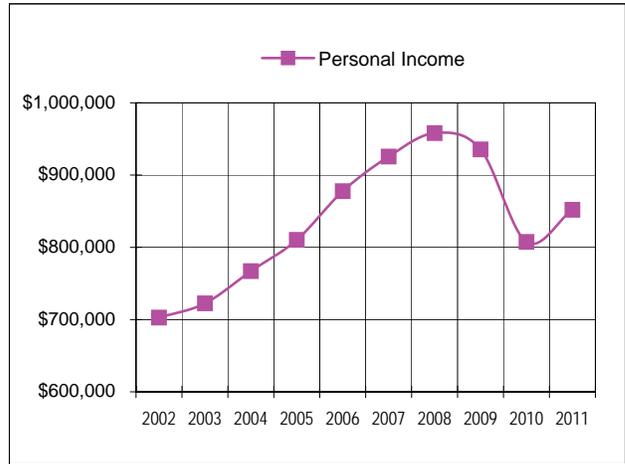
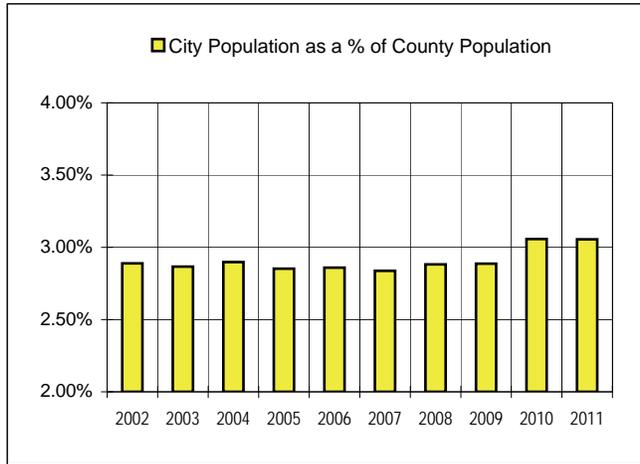
Note: 2005 Millbrae Redevelopment Agency issued TAB for \$8,590,000 and paid off the 1993 TAB outstanding debt

In Fiscal Year 2011-2012 Redevelopment was dissolved; Pursuant California Health and Safety Code Section 34183 Redevelopment funds are redistributed to all taxing entities, except bond liabilities.

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**



Calendar Year	City Population	San Mateo County Population	City Population % of County Population	Personal Income	Per Capita Personal Income	Unemployment Rate (%)
2002	20,715	717,000	2.89%	\$702,751	\$33,925	3.2%
2003	20,657	720,630	2.87%	\$722,449	\$34,974	3.3%
2004	20,643	712,400	2.90%	\$767,057	\$37,158	2.7%
2005	20,636	723,453	2.85%	\$810,273	\$39,265	2.2%
2006	20,703	724,104	2.86%	\$877,713	\$42,395	1.9%
2007	20,810	733,496	2.84%	\$925,544	\$44,476	1.9%
2008	21,311	739,469	2.88%	\$958,075	\$44,957	2.5%
2009	21,531	745,858	2.89%	\$935,529	\$43,450	4.5%
2010	21,968	718,451	3.06%	\$807,390	\$36,753	4.6%
2011	22,069	722,372	3.06%	\$851,952	\$38,604	4.1%

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

**CITY OF MILLBRAE
STATISTICS**

PRINCIPAL EMPLOYERS

LAST TEN FISCAL YEARS

(Information prior to 2006 is not available)

Principal Employer	2006			2007			2008			2009			2010			2011			2012		
	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force
Millbrae School District	225	2	2.3%	225	2	2.3%	225	2	2.3%	225	2	2.3%	173	3	1.8%	185	1	1.9%	188	1	1.9%
A & C Health Care (1)							135	6	1.4%	135	6	1.4%	135	6	1.4%	158	3	1.6%	165	2	1.7%
Westin Hotel																160	2	1.7%	164	3	1.6%
San Francisco PUC (2)	300	1	3.1%	300	1	3.1%	300	1	3.1%	300	1	3.1%	300	2	3.1%	150	4	1.6%	150	4	1.5%
Best Western-El Rancho	168	4	1.8%	168	4	1.7%	168	4	1.7%	168	4	1.8%	150	4	1.6%	135	6	1.4%	147	5	1.5%
Mills High School (3)	130	6	1.3%	130	6	1.3%	130	7	1.3%	130	7	1.4%	125	7	1.3%	113	7	1.2%	114	6	1.1%
Magnolia of Millbrae	130	7	1.4%	130	7	1.3%	130	8	1.3%	130	7	1.4%	101	9	1.1%	108	8	1.1%	110	7	1.1%
City of Millbrae	133	5	1.4%	135	5	1.4%	135	5	1.4%	144	5	1.5%	141	5	1.5%	143	5	1.5%	105	8	1.1%
Lucky																			92	9	0.9%
Kohl's Department Store																92	9	1.0%	78	10	0.8%
Walgreens																86	10	0.9%			
Starwood Resorts	200	3	2.1%	200	3	2.1%	200	3	2.1%	200	3	2.1%	440	1	4.6%						
Millbrae Serra Sanitarium	125	8	1.3%	125	8	1.3%	125	9	1.3%	125	8	1.3%	135	6	1.4%						
Green Hills Country Club													115	8	1.2%						
Orchard Supply Hardware									100	9	1.0%	100	10	1.0%							
Safeway									100	9	1.0%	100	10	1.0%							
World Journal Inc									98	10	1.0%	100	10	1.0%							
Mervyn's LLC	112	9	1.2%	112	9	1.2%	112	10	1.2%												
Sprint Communications				100	10	1.0%				100	9	1.0%									
Albertson's LLC	100	10	1.0%																		
TOTAL	1,623		16.9%	1,625		16.8%	1,660		17.1%	1,955		20.4%	2,115		22.0%	1,330		13.3%	1,313		13.1%
Total City Labor Force (4)	9,600			9,700			9,700			9,600			9,600			9,600			10,000		

(1) A & C Health Care includes employees at two locations in the City of Millbrae

(2) San Francisco PUC (Public Utilities Commission) is a division of San Francisco County. Count is for employees only at the Millbrae location

(3) Mills High School is in the San Mateo Union High School District. Count is for employees only at Mills High School in Millbrae

(4) Total City Labor Force provided by State of California Employment Development Department Labor Force Data

Sources: MuniServices, LLC

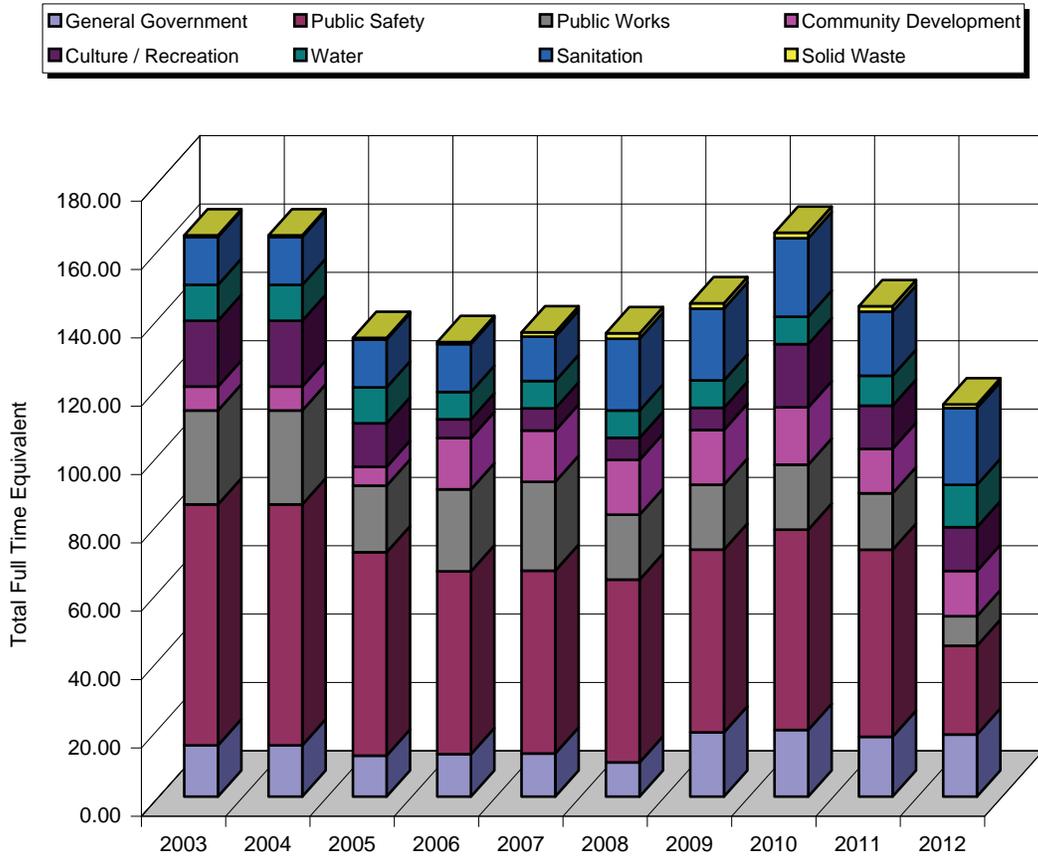
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Hdl Companies

State of California Employment Development Department

**CITY OF MILLBRAE
STATISTICS**

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



Function / Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	15.00	15.00	12.00	12.42	12.62	10.00	18.78	19.50	17.50	18.15
Public Safety	70.50	70.50	59.50	53.50	53.50	53.50	53.50	58.63	54.75	26.00
Public Works	27.50	27.50	19.50	24.00	26.00	19.00	19.00	19.00	16.50	8.65
Community Development	7.00	7.00	5.50	15.00	15.00	16.00	16.00	16.80	13.00	13.25
Culture / Recreation	19.25	19.25	12.75	5.50	6.50	6.50	6.50	18.48	12.66	12.79
Water	10.50	10.50	10.50	8.00	8.00	8.00	8.00	8.00	8.75	12.39
Sanitation	14.00	14.00	14.00	14.00	13.00	21.00	21.00	23.00	18.75	22.45
Solid Waste	0.50	0.50	0.50	0.60	1.25	1.60	1.60	1.60	1.60	1.11
TOTAL	164.25	164.25	134.25	133.02	135.87	135.60	144.38	165.01	143.51	114.79

Note: Effective March 2012, the Police Department and Police Force were dissolved;
The San Mateo County Sheriff's Office provides law enforcement services.

Source: City of Millbrae Budget Position Allocation

**CITY OF MILLBRAE
STATISTICS**

OPERATING INDICATORS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009	2010	2011	2012
Public Safety							
Fire							
Emergency Responses	2,505	2,620	2,620	2,567	2,554	2,764	2,683
Primary Fire Inspections	214	284	261	327	410	527	639
Police							
Police Calls for Service	13,074	19,159	20,175	19,554	20,944	20,706	17,876
Part I and Part II Crimes	1,524	1,219	1,271	1,353	1,369	1,273	1,157
Physical Arrests (adult and juvenile)	691	627	699	732	789	677	576
Traffic Violations	1,744	2,376	1,248	1,817	2,121	2,139	1,834
Parking Violations	5,252	4,391	7,842	8,603	11,154	9,030	5,562
Public Works							
Street Resurfacing (miles)	Data Not Available	2	0	0	1	0	1
Potholes Repaired (square miles)	Data Not Available	0.0000574	0.0000000	0.0000000	0.0007174	0.0009000	0.0008087
Culture and Recreation							
Community Services							
Recreation Class Participants	7,000	8,500	7,121	7,018	6,211	5,443	6,239
Library							
Volumes in Collection	71,000	100,000	110,876	111,447	109,241	109,595	110,550
Total Volumes Borrowed	446,700	503,000	577,350	616,145	633,241	578,739	550,956
Water							
Water Service Connections	6,200	6,437	6,435	6,459	6,474	6,499	6,546
Water Main Breaks	7	7	10	16	17	8	8
Average Daily Consumption (gallons)	2,725,000	2,367,000	2,337,811	2,762,618	2,197,884	2,075,149	2,024,473
Sanitation							
Sewer Service Connections	6,200	6,437	6,437	6,459	6,474	6,499	6,546
Storm Drain Inlets	700	700	700	700	700	700	700
Sewer Main Blockages	62	51	34	10	19	8	6
Average Daily Treatment (gallons)	2,200,000	1,700,000	1,614,055	1,540,800	1,497,600	1,560,602	1,481,000
Solid Waste							
Recyclables Processed (tons per year)	7,506	3,292	3,153	2,954	2,900	2,831	2,681

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

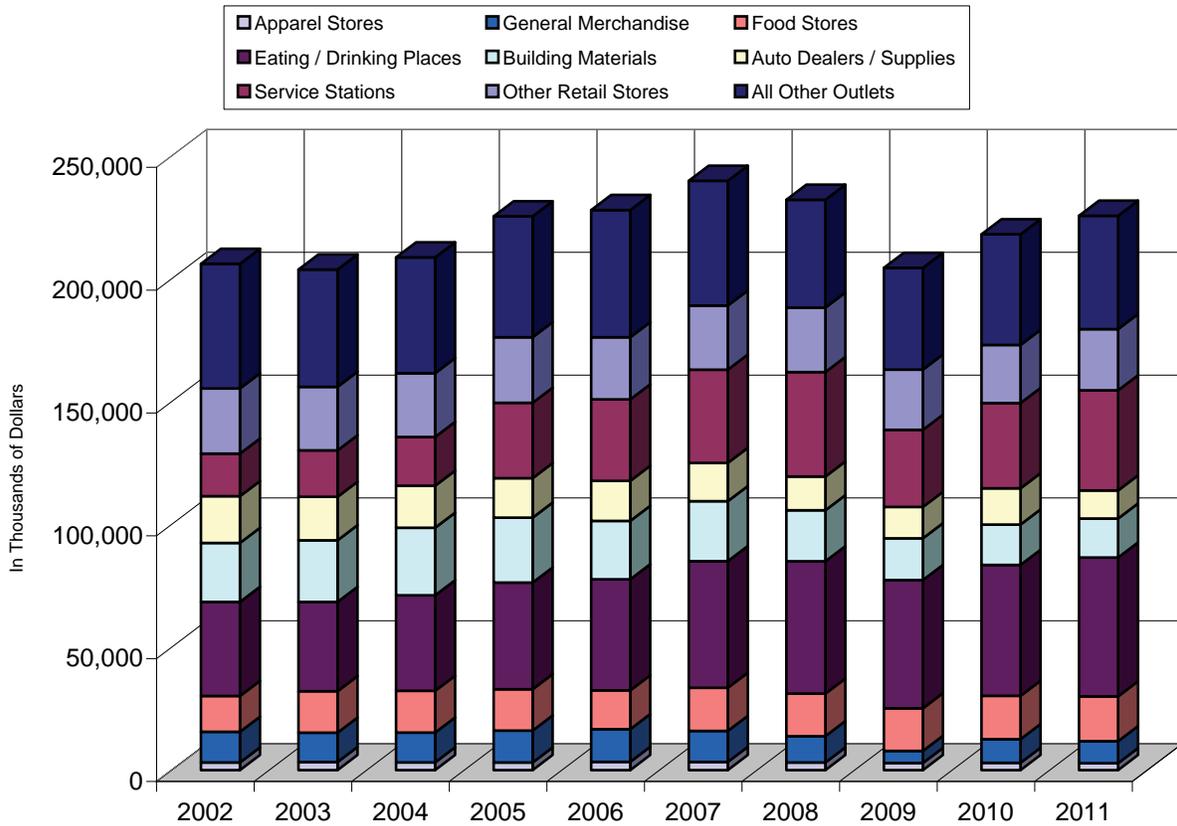
(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009	2010	2011	2012
Public Safety							
Fire Station	2	2	2	2	2	2	2
Police Station	1	1	1	1	1	1	1
Police Patrol Unit (a)	17	17	17	17	17	17	
Public Works							
Miles of Streets	110 lane miles						
Street Lights	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5	5	5	5
Roadway Landscaping Acreage	2	2	2	2	2	2	2
Culture and Recreation							
Community Services							
City Parks	14	14	14	14	14	14	14
City Park Acreage	104	104	104	104	104	104	104
Regional Park Facilities:							
Clubhouse / Banquet Facility	2	2	2	2	2	2	2
Historic House	2	2	2	2	2	2	2
Community Center	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1
Community Gardens	1	1	1	1	1	1	1
City Trail	1	1	1	1	1	1	1
City Trail Miles	3	3	3	3	3	3	3
Playgrounds	6	6	6	6	6	6	6
Tennis Court	4	4	4	4	4	4	4
Baseball / Softball Diamond	5	5	5	5	5	5	5
Soccer / Football Field	1	1	1	1	1	1	1
Library							
City Library	1	1	1	1	1	1	1
Water							
Miles of Water Mains	70	70	70	70	70	70	70
Fire Hydrants	545	545	545	545	545	545	545
Storage Capacity (gallons)	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Sanitation							
Miles of Sanitary Sewers	56	56	56	56	56	56	56
Miles of Storm Sewers	21	21	21	21	21	21	21
Treatment Plant	1	1	1	1	1	1	1
Treatment Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

(a) Effective March 2012, the Police Department and Force were dissolved; San Mateo County Sheriff's Office provides law enforcement services.

**CITY OF MILLBRAE
STATISTICS**

**TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS**



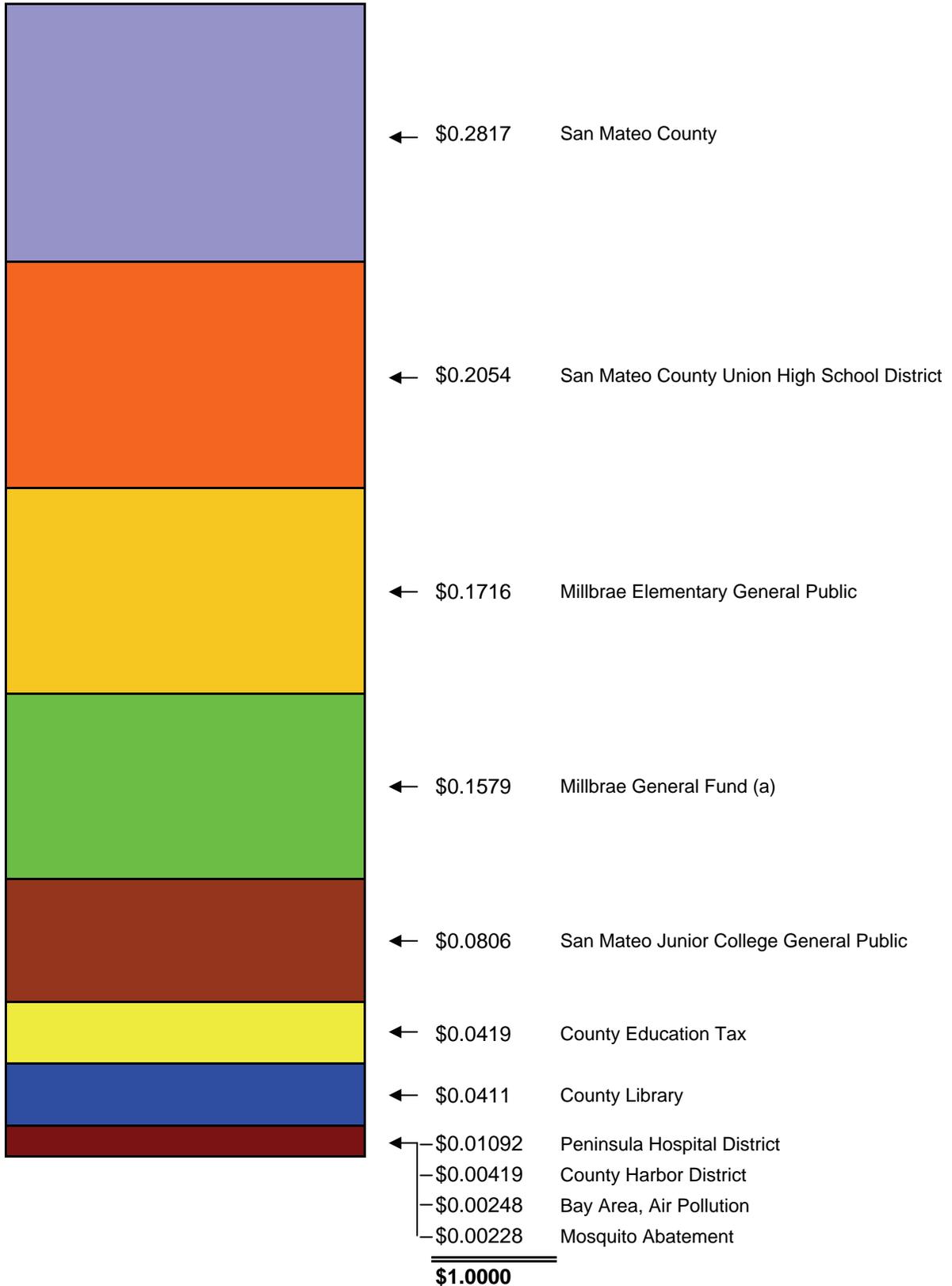
Category	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apparel Stores	3,109	3,299	3,142	3,110	3,362	3,326	3,089	2,902	2,958	2,817
General Merchandise	12,482	11,940	12,130	12,979	13,310	12,612	10,733	4,934	9,638	8,963
Food Stores	14,572	16,872	16,997	16,830	15,797	17,562	17,314	17,320	17,633	18,242
Eating / Drinking Places	38,325	36,360	38,889	43,413	45,206	51,559	53,888	52,224	53,313	56,506
Building Materials	23,983	25,067	27,491	26,423	23,747	24,404	20,745	16,975	16,416	15,867
Auto Dealers / Supplies	19,027	17,714	17,100	16,079	16,315	15,564	13,730	12,775	14,750	11,437
Service Stations	17,324	18,894	19,858	30,671	33,168	37,973	42,526	31,376	34,714	40,758
Other Retail Stores	26,521	25,853	25,938	26,691	25,277	26,079	26,235	24,525	23,631	24,899
All Other Outlets	50,735	47,769	47,165	49,220	51,800	50,808	43,897	41,438	45,040	46,159
TOTAL	206,078	203,768	208,710	225,416	227,982	239,887	232,157	204,469	218,093	225,648

Sources: Hdl Companies
State of California Board of Equalization

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available.
The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX DOLLAR BREAKDOWN



Annual Tax Increment (ATI) Ratios for Tax Rate Area 014-001, Excluding Redevelopment Factors and Additional Debt Service

(a) Educational Revenue Augmentation Fund (ERAF) General Fund tax shifts are not included in tax ratio figures

Source: San Mateo County Assessor 2011-12 Annual Tax Increment Tables

Hdl Companies

**CITY OF MILLBRAE
STATISTICS**

SALES TAX PERCENTAGE BREAKDOWN

SALES TAX ALLOCATION FOR ITEMS SOLD IN THE CITY OF MILLBRAE

The sales tax rate for the City of Millbrae is: **8.25%**

Listed below is the allocation of 8.25% Sales Tax:

5.75%	State of California
.50%	State Local Public Safety Fund
.25%	San Mateo County
.50%	San Mateo Transportation Authority (SMTA)
.50%	San Mateo County Transit District (SMCT)
<u>.75%</u>	City of Millbrae
8.25%	Total Sales Tax Allocation

To put this in perspective:

If a taxable item purchased in the City of Millbrae is \$100.00 the sales tax will be \$8.25 rounded

The allocation of the \$8.25 will be:

Entity Receiving The Sales Tax	Allocation of Sales Tax	Total Sales Tax
State of California	5.75%	\$ 5.75
State Local Public Safety Fund	.50%	\$ 0.50
San Mateo County	.25%	\$ 0.25
San Mateo Transportation Authority (SMTA)	.50%	\$ 0.50
San Mateo County Transit District (SMCT)	.50%	\$ 0.50
City of Millbrae	.75%	\$ 0.75
Total Sales Tax Allocation		\$ 8.25

The City of Millbrae will receive \$ 0.75 (seventy-five cents), from the total \$ 8.25 paid in sales tax.

